

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Greenville	County Montcalm
Fiscal Year End 6.30.07	Opinion Date December 21, 2007	Date Audit Report Submitted to State December 27, 2007	

We affirm that:

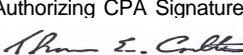
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- | YES | NO | Check each applicable box below. (See instructions for further detail.) |
|-----------------------------------------|-------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. <input type="checkbox"/> | <input checked="" type="checkbox"/> | All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary. |
| 2. <input type="checkbox"/> | <input checked="" type="checkbox"/> | There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures. |
| 3. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury. |
| 4. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has adopted a budget for all required funds. |
| 5. <input checked="" type="checkbox"/> | <input type="checkbox"/> | A public hearing on the budget was held in accordance with State statute. |
| 6. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division. |
| 7. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit. |
| 8. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit only holds deposits/investments that comply with statutory requirements. |
| 9. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the <i>Bulletin for Audits of Local Units of Government in Michigan</i> , as revised (see Appendix H of Bulletin). |
| 10. <input checked="" type="checkbox"/> | <input type="checkbox"/> | There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover. |
| 11. <input type="checkbox"/> | <input checked="" type="checkbox"/> | The local unit is free of repeated comments from previous years. |
| 12. <input type="checkbox"/> | <input checked="" type="checkbox"/> | The audit opinion is UNQUALIFIED. |
| 13. <input checked="" type="checkbox"/> | <input type="checkbox"/> | The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP). |
| 14. <input type="checkbox"/> | <input checked="" type="checkbox"/> | The board or council approves all invoices prior to payment as required by charter or statute. |
| 15. <input checked="" type="checkbox"/> | <input type="checkbox"/> | To our knowledge, bank reconciliations that were reviewed were performed timely. |

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	Single Audit	
Certified Public Accountant (Firm Name) Yeo & Yeo PC		Telephone Number 989-463-6108	
Street Address 7810 N. Alger Road		City Alma	State MI
		Zip 48801	
Authorizing CPA Signature 	Printed Name Thomas E. Coulter	License Number 1612544	

City of Greenville

Montcalm County, Michigan

**Annual Financial Statements
and
Auditors' Report**

June 30, 2007

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City of Greenville
List of Elected and Appointed Officials
June 30, 2007

City Council

Kenneth Snow – Mayor

John Hoppough – Mayor Pro-Tem

Mark Lehman – Council Member

Jeanne Cunliffe – Council Member

Dr. Joyce London – Council Member

Lloyd Scoby – Council Member

Lloyd Walker – Council Member

Other Officers and Officials

George Bosanic – City Manager

Bryan Gruesbeck – Assistant City Manager

Bradley Hool – City Clerk/Treasurer



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Independent Auditors' Report

To the Honorable Mayor and Members of the City Council
City of Greenville
Greenville, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of The City of Greenville as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1 to the financial statements, the financial statements do not include financial data for the Greenville Housing Commission, which is a component unit of the City. Accounting principles generally accepted in the United States of America required the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issued financial statements for the financial reporting entity that include the financial data for its component units. As of the date of this report, the City has not issued such reporting entity statements for the year ended June 30, 2007. Because of this departure from accounting principles generally accepted in the United States of America, the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component unit would have been reported for the year ended June 30, 2006.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the aggregate discretely presented component units of the City of Greenville, as of June 30, 2007, or the changes in financial position thereof for the year then ended.

Further, in our opinion, the financial statements referred to above, present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Greenville as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2007 on our consideration of The City of Greenville's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The managements' discussion and analysis and budgetary comparison information identified in the table of contents are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise The City of Greenville's basic financial statements. The accompanying other supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Yeo & Yeo, P.C.

December 21, 2007
Alma, Michigan

City of Greenville
Managements' Discussion and Analysis

The following is a discussion and analysis of City of Greenville's (the City's) financial performance and position, providing an overview of the activities for the year ended June 30, 2007. This analysis should be read in conjunction with the *Independent Auditors Report* and with the City's financial statements, which follow this section. 2006/2007 represents the fourth year the City implemented the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements and Management s' Discussion and Analysis for State and Local Governments*, as amended by GASB Statement No. 37 *Basic Financial Statements and Management s' Discussion and Analysis for State and Local Governments - Omnibus* and Statement No. 38 *Certain Financial Statement Note Disclosures*. This discussion and analysis provides comparisons with the previous year as required by GASB.

FINANCIAL HIGHLIGHTS

Government -wide:

- Total net assets were \$40,811,202 (excluding component units). An increase of 4.7% over the previous year total of \$39,088,687 .
- Governmental activities net assets were \$29,124,550 . An increase of 6.3% over the previous year total of \$27,402,616 .
- Business-type activity net assets were \$11,686,652 . An increase of .1% over the previous year total of \$11,686,071 .
- Component Unit net assets were \$368,390. A decrease of 200% over the previous year total of \$(369,054) .

Fund Level:

- At the close of the fiscal year, the City's governmental funds reported a combined ending fund balance of \$4,197,950 with \$743,767 being reserved, designated, or otherwise earmarked for specific purposes.
- The General Fund's budgeted revenue excess was \$262,494 due to fees received for engineering and administrative cost on capital projects.
- Overall, the General Fund balance increased by \$253,638 to \$978,138 with \$830,937 being undesignated and available for general purposes.

Capital and Long-term Debt Activities:

- The primary government had two new debt issues for the fiscal year 2006/2007, in the amount of \$780,000 one new debt issue of \$470,000 for water and sewer utility extension at the Cities west limit and one new debt issues for \$310,000 for a new 10 unit airplane hangar at the City owned municipal airport. The primary government also had a new capital lease during the year for \$76,000.
- The total long-term debt for the primary government is \$2,798,199 with a net increase of \$632,268 from the prior year.
- The City remains well below its authorized legal debt limit.
- The total additions to the capital asset schedule for the primary government was \$3,246,602 comprised of additions to the water and sewer systems, new computers, motor pool equipment, street improvements and industrial park improvements.

City of Greenville
Managements' Discussion and Analysis

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City's annual financial report. The annual financial report of the City consists of the following components: 1) *Independent Auditors Report*; 2) *Managements' Discussion and Analysis* and 3) the *Basic Financial Statements* (government-wide financial statements, fund financial statements, notes to the financial statements), *Required Supplementary Information* such as budget to actual comparisons for the General Fund and major Special Revenue Funds, and *Other Supplementary Information* including combining financial statements for all non-major governmental funds and other funds and other financial data.

Government-wide Financial Statements (Reporting the City as a Whole)

The set of government-wide financial statements are made up of the Statement of Net Assets and the Statement of Activities, which report information about the City as a whole, and about its activities. Their purpose is to assist in answering the question, is the City, in its entirety, better or worse off as a result of this fiscal year's activities? These statements, which include all non-fiduciary assets and liabilities, are reported on the *accrual basis of accounting*, similar to a private business. This means revenues are accounted for when they are *earned* and expenses are accounted for when *incurred*, regardless of when the actual cash is received or disbursed.

The Statement of Net Assets (page 4-1 and 4-2) presents all of the City's assets and liabilities, recording the difference between the two as "net assets". Over time, increases or decreases in net assets measure whether the City's financial position is improving or deteriorating.

The Statement of Activities (page 4-3) presents information showing how the City's net assets changed during 2006/2007. All changes in net assets are reported based on the period for which the underlying events giving rise to the change occurs, regardless of the timing of related cash flows. Therefore, revenue and expenses are reported in these statements for some items that will only result in cash flows in future financial periods, such as uncollected taxes and earned but unused employee annual leave.

Both statements report the following activities:

- ***Governmental Activities*** - Most of the City's basic services are reported under this category. Taxes, charges for services and intergovernmental revenue primarily fund these services. Most of the City's general government departments, law enforcement, economic development, city improvements, street improvements, recreation activities, and other City wide elected official operations and blended component units are reported under these activities.
- ***Business-type Activities*** - These activities operate like private businesses. The City charges fees to recover the cost of the services provided. The Water System Fund and the Sewer System Fund are examples of these activities.
- ***Discretely Presented Component Units*** - Discretely Presented Component units are legally separate organizations for which the City Council and Administration appoints a majority of the organization's policy board and there is a degree of financial accountability to the City. Four authorities are included as a discretely presented component units: the Downtown Development Authority, the Economic Development Corporation, the Local Development Finance Authority, and the Tax Increment Finance Authority. Any remaining component units are blended into the primary government governmental activities as required.

City of Greenville **Managements' Discussion and Analysis**

As stated previously, the government-wide statements report on an *accrual* basis of accounting. However, the governmental funds report on a *modified accrual* basis. Under modified accrual accounting, revenues are recognized when they are measurable and available to pay obligations of the fiscal period; expenditures are recognized when they are due to be paid from available resources.

Because of the different basis of accounting between the fund statements (described below) and the government-wide statements, pages 4-6 and 4-9 present reconciliations between the two statement types. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities (depreciation) are not reported on the fund financial statements of the governmental fund. Capital assets and depreciation expense are reported on the government-wide statements.
- Capital outlay spending results in capital assets on the government-wide statements, but is reported as expenditures on the fund financial statements of the governmental funds.
- Internal service funds are reported as governmental activities on the government-wide statements, but are reported as proprietary funds on the fund financial statements.
- Long-term liabilities, such as amounts accrued for sick and annual leave (compensated absences), etc. appear as liabilities on the government-wide statements; however they will not appear on the fund financial statements unless current resources are used to pay a specific obligation.
- Long-term debt proceeds are reported as liabilities on the government-wide statements, but are recorded as other financing sources on the fund financial statements.

In addition, it should be noted that the government-wide financial statements include the net value of the City's general capital assets such as buildings, land, cars, computer equipment, etc. These values are not included in the fund financial statements.

Fund Financial Statements (Reporting the City's Major Funds)

The fund financial statements, which begin on page 4-4, provide information on the City's significant (major) funds, and aggregated non-major funds. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose. Traditional users of governmental financial statements will find the Fund Financial Statements presentation more familiar.

The *basic financial statements* report major funds as defined by the Government Accounting Standards Board (GASB) in separate columns. Statement 34 defines a "major fund" as the General Fund, and any governmental or enterprise fund which has either total assets, total liabilities, total revenues or total expenditures/expenses that equal at least ten (10) percent of those categories for either the governmental funds or the enterprise funds *and* where the individual fund total also exceeds five (5) percent of those categories for governmental and enterprise funds combined. The major funds for City of Greenville include the General Fund, the Major Street Fund, the Local Street Fund, the Industrial Park Fund, the Special Assessment Fund, the Solid Waste Fund, the Capital Improvements Fund, the Sewer Fund, and the Water Fund. All other funds are classified as non-major funds and are reported in aggregate by the applicable fund type. The City includes detailed information on its non-major funds in the other supplementary information section of this report.

City of Greenville **Managements' Discussion and Analysis**

The City's funds are divided into three categories - governmental, proprietary, and fiduciary - and use different accounting approaches:

- ***Governmental Funds*** - Most of the City's basic services are reported in the governmental funds. The focus of these funds is how cash and other financial assets that can be readily converted to cash, flow in and out during the course of the fiscal year and how the balances left at year-end are available for spending on future services. Consequently, the governmental fund financial statements provide a detailed *short-term* view that helps determine whether there are more or fewer financial resources that may be expended in the near future to finance the City's programs. Governmental funds include the *General Fund*, as well as *Special Revenue Funds* (use of fund balance is restricted), *Capital Projects Funds* (used to report major capital acquisitions and construction), and *Debt Service Funds* (accounts for resources used to pay long-term debt principal and interest).
- ***Proprietary Funds*** - Services for which the City charges customers (whether outside the City structure or a City department) a fee are generally reported in proprietary funds. Proprietary funds use the same *accrual* basis of accounting used in the government-wide statements and by private business. There are two types of proprietary funds. *Enterprise funds* report activities that provide supplies and/or services to the general public. An example is the Sewer System Fund. *Internal Service funds* report activities that provide supplies or service to the City's other operations, such as the Motor Pool Fund. Internal Service funds are absorbed into the governmental activities and business-type activities on the government-wide statements.
- ***Fiduciary Funds*** - The City acts as a trustee or fiduciary in certain instances. It is also responsible for other assets that, because of trust arrangements, can only be used for the trust beneficiaries. The City's fiduciary activities are reported in the separate Statement of Net Assets on page 4-16. These funds, which include trust and agency funds, are reported using the accrual basis of accounting. The government-wide statements *exclude* the fiduciary fund activities and balances because these assets are not available to the City to fund its operations.

Notes to the Financial Statements

The Notes to the Financial Statements provide additional information that is essential to a full understanding of the detail provided in the government-wide and fund financial statements. The Notes can be found beginning on page 4-19 of this report.

Required Supplementary Information

Following the Basic Financial Statements is additional Required Supplementary Information (RSI), which further explains and supports the information in the financial statements. RSI includes a budgetary comparison schedules for the General Fund and the major special revenue funds.

Other Supplementary Information

Other Supplementary Information includes combining financial statements for non-major governmental, proprietary, and fiduciary funds. These funds, except for the fiduciary funds, are added together, by fund type, and are presented in aggregate single columns in the appropriate basic financial statements.

**City of Greenville
Managements' Discussion and Analysis**

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As previously stated, City of Greenville's combined net assets were \$40,811,202 at the end of this fiscal year's operations. The net assets of the governmental activities were \$29,124,550; the business type activities were \$11,686,652.

Net Assets as of June 30, 2007

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Total Primary Government</u>		<u>Percent Change</u>
	2006	2007	2006	2007	2006	2007	
Current Assets	\$ 9,133,242	\$ 10,215,179	\$ 3,062,314	\$ 2,558,117	\$ 12,195,556	\$ 12,773,296	4.8
Noncurrent Assets	<u>21,790,924</u>	<u>23,644,669</u>	<u>9,842,838</u>	<u>9,857,813</u>	<u>31,633,762</u>	<u>33,502,482</u>	6.0
Total Assets	<u>\$ 30,924,166</u>	<u>\$ 33,859,848</u>	<u>\$ 12,905,152</u>	<u>\$ 12,415,930</u>	<u>\$ 43,829,318</u>	<u>\$ 46,275,778</u>	<u>5.6</u>
Current Liabilities	2,087,722	2,633,080	714,081	349,278	2,801,803	2,982,358	6.5
Noncurrent Liabilities	<u>1,433,828</u>	<u>2,102,218</u>	<u>505,000</u>	<u>380,000</u>	<u>1,938,828</u>	<u>2,482,218</u>	28.1
Total Liabilities	<u>\$ 3,521,550</u>	<u>\$ 4,735,298</u>	<u>\$ 1,219,081</u>	<u>\$ 729,278</u>	<u>\$ 4,740,631</u>	<u>\$ 5,464,576</u>	<u>15.3</u>
Net Assets							
Invested in Capital Assets (Net of related debt)	20,782,579	21,879,056	9,212,838	9,352,813	29,995,417	31,231,869	4.2
Restricted	621,911	596,566	1,323,172	881,370	1,945,083	1,477,936	(24.1)
Unrestricted	<u>5,998,126</u>	<u>6,648,928</u>	<u>1,150,061</u>	<u>1,452,469</u>	<u>7,148,187</u>	<u>8,101,397</u>	13.4
Total Net Assets	<u>\$ 27,402,616</u>	<u>\$ 29,124,550</u>	<u>\$ 11,686,071</u>	<u>\$ 11,686,652</u>	<u>\$ 39,088,687</u>	<u>\$ 40,811,202</u>	<u>4.5</u>

The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's primary government net assets changed during the fiscal year:

City of Greenville
Managements' Discussion and Analysis

Changes in Net Assets for the Fiscal Year Ending June 30, 2007

	<u>Governmental</u>		<u>Business Type</u>		<u>Totals</u>		<u>Percent</u>
	<u>Activities</u>		<u>Activities</u>				<u>Change</u>
Revenues	2006	2007	2006	2007	2006	2007	
Program Revenues							
Charges for Services	\$ 925,361	\$1,214,553	\$1,725,553	\$1,564,038	\$2,650,914	\$2,778,591	4.8
Grants and Contributions	2,263,364	2,380,991	268,978	455,156	2,532,342	2,836,147	12.0
General Revenues							
Property Taxes	2,712,561	2,764,020	49,783	62,926	2,762,344	2,826,946	2.3
State Shared Revenue	1,366,850	1,366,325	-	-	1,366,850	1,366,325	(.04)
Investment Earnings	255,250	427,206	50,824	111,407	306,074	538,613	76.0
Transfers	125,456	134,748	(125,456)	(134,748)	-	-	-
Gain on sale of Assets	373,820	20,795	-	-	373,820	20,795	(94.4)
Miscellaneous	<u>516,936</u>	<u>477,804</u>	<u>10,479</u>	<u>15,623</u>	<u>527,415</u>	<u>493,427</u>	(6.4)
Total Revenues	<u>8,539,598</u>	<u>8,786,442</u>	<u>1,980,161</u>	<u>2,074,402</u>	<u>10,519,759</u>	<u>10,860,844</u>	<u>3.2</u>

**City of Greenville
Managements' Discussion and Analysis**

	<u>Governmental Activities</u>		<u>Business Type Activities</u>		<u>Totals</u>		<u>Percent Change</u>
	2006	2007	2006	2007	2006	2007	
Expenses							
General Government	\$2,227,671	\$1,358,332	\$	\$	\$2,227,671	\$1,358,332	(39.1)
Public Safety	1,732,080	1,929,604			1,732,080	1,929,604	11.5
Public Works	2,247,809	2,239,745			2,247,809	2,239,745	(0.4)
Community and Econ. Dev.	293,525	579,374			293,525	579,374	97.4
Recreation and Cultural	556,157	894,542			556,157	894,542	60.9
Interest on Long Term Debt	19,456	62,911			19,456	62,911	223.4
Other			677,654	642,580	677,654	642,580	(5.2)
Water and Sewer Operations			<u>1,338,116</u>	<u>1,431,241</u>	<u>1,338,116</u>	<u>1,431,241</u>	7.0
Total Expenses	<u>7,076,698</u>	<u>7,064,508</u>	<u>2,015,770</u>	<u>2,073,821</u>	<u>9,092,468</u>	<u>9,138,329</u>	<u>-0.6</u>
Increase in Net Assets	1,462,900	1,721,934	(35,609)	581	1,427,291	1,722,515	20.7
Net Assets - Beginning	25,939,716	27,402,616	11,721,680	11,686,071	37,661,396	39,088,687	3.8
Net Assets – Ending	<u>\$ 27,402,616</u>	<u>\$29,124,550</u>	<u>\$ 11,686,071</u>	<u>\$11,686,652</u>	<u>\$39,088,687</u>	<u>\$40,811,202</u>	<u>4.5</u>

Governmental Activities:

The result of 2006/2007 governmental activity was an increase of \$1,721,934 in net assets to \$29,124,550. Of the total governmental activities' net assets, \$21,879,056 is invested in capital assets less related debt, \$596,566 is reported as restricted, meaning these assets are legally committed for a specific purpose through statute, or by another authority outside the City government. The balance of \$6,648,928 is listed as unrestricted, having no legal commitment.

Revenues:

The three largest revenue categories were property taxes at 31.5%, capital grants and contributions at 27.1%, and state shared revenue at 15.6%. Property taxes are the largest source of governmental activity revenue. The City levied five property tax millages for the year ended June 30, 2007, one being for general government operations at 9.04 mills, which is not assigned to any particular activity, one for City Public Improvements at 2.17 mills, one for Solid Waste Collection at .9073 mills, one for Local Street Operations at .77 mills and one for Transit Operations at .25 mills. Charges for services, which reimburse the City for specific activities, are the third largest source of governmental activity revenue. Examples include rentals, recreation fees, fire protection, and permits.

City of Greenville
Managements' Discussion and Analysis

Expenses:

Public works is the largest governmental activity, expending approximately 31.8% of the governmental activities total and includes the Public Works department as well as public street maintenance and improvement activities. Public Safety is the second largest area, expending approximately 27.4% of the governmental activities total.

Business -type Activities:

Net assets in business -type activities increased by \$581 to \$11,686,652 during 2006/2007. Of the business -type activities' net assets, \$9,352,813 is invested in capital assets less related debt and \$881,370 is restricted. The balance of \$1,452,469 is listed as unrestricted, having no legal commitment.

FINANCIAL ANALYSIS OF THE CITY'S MAJOR AND NON MAJOR FUNDS

As the City completed 2006/2007, its governmental funds reported *combined* fund balances of \$4,197,950. This is a net decrease of \$556,199. The net changes are summarized in the following charts A and B.

Chart A

	General Fund	Major Street Fund	Local Street Fund	Industrial Park Fund
Fund Balance 06/30/06	\$ 724,500	\$ 936,115	\$ 440,472	\$ 508,984
Fund Balance 06/30/07	\$ 978,138	\$ 774,558	\$ 419,933	\$ (269,269)
Net Change	\$ 253,638	\$ (161,557)	\$ (20,539)	\$ (778,253)

**City of Greenville
Managements' Discussion and Analysis**

Chart B

	Special Assessment Fund	Solid Waste Fund	Capital Improve. Fund	Other Non Major Government Funds	Totals
Fund Balance 06/30/06	\$ 31,339	\$ 446,401	\$ 458,695	\$1,207,643	\$ 4,754,149
Fund Balance 06/30/07	\$ 136,524	\$ 477,922	\$ 566,199	\$ 1,113,945	\$4,197,950
Net Change	\$ 105,185	\$ 31,521	\$ 107,504	\$ (93,698)	\$ (556,199)

General Fund:

- The General Fund is the chief operating fund of the City. Unless otherwise required by statute, contractual agreement or Board policy, all City revenues and expenditures are recorded in the General Fund. As of June 30, 2007, the General Fund reported a fund balance of \$978,138. This amount is an increase of \$253,638 from the fund balance of \$724,500 reported as of June 30, 2006. The 2006/2007 amended budget called for a \$46,855 use of fund balance. Of the entire fund balance \$147,201 is reported as being reserved, designated, or otherwise earmarked for specific purposes.

The General Fund 2006/2007 revenues exceeded 2006/2007 expenditures by \$253,638. The General Fund also supports the operations of other funds including the Community Center Fund, Debt Retirement Fund, Dental & Vision Fund, Health & Life Fund, Motor Pool Fund, Parking Fund, Recreation Fund, and Water Funds. These particular funds collectively received \$1,115,880 in support from the General Fund.

General Fund Budgetary Highlights:

The City of Greenville's budget is a dynamic document. Although adopted in June (prior to the start of the year), the budget is amended during the course of the year to reflect changing operational demands.

Actual General Fund revenue and other financing sources totaled \$4,681,920, \$262,494 above the final amended budget, or a 6% increase over budget.

City of Greenville
Managements' Discussion and Analysis

The City's expenditure budget was increased by \$46,855 or 1% above the original budget during 2006/2007. This increase was to pay the cost of legal fees.

Actual City expenditures for 2006/2007 were \$37,999 below the final amended budget. This is due to cost reductions achieved by General Government Departments implementing cost reduction directives.

Major Streets Fund:

As of June 30, 2007 the Major Streets Fund reported a fund balance of \$774,558, a decrease of \$161,557 from the prior year. The total fund balance is undesignated/unreserved. Actual Major street revenue and other financing sources totaled \$512,059, \$39,019 above final amended budget less projected use of Fund Balance.

Actual expenditures for 2006/2007 were \$154,644 below the final amended budget. This is due to \$154,799 less than planned transfers out to other funds.

Local Streets Fund:

As of June 30, 2007, the Local Streets Fund reported a fund balance of \$419,933, a decrease of \$20,539 from the prior year. The total fund balance is undesignated/unreserved. Actual Local street revenue and other financing sources totaled \$404,373, \$17,373 above the final amended budget less projected use of Fund Balance. The variations in individual revenue accounts reflect the tightening state economy, intergovernmental revenue sharing and better than project investment returns.

Actual expenditures for 2006/2007 were \$67,558 below the final amended budget. This is due to less than planned expenditures in General Street Maintenance and Capital Improvements .

Industrial Park Fund:

As of June 30, 2007, the Industrial Park Fund reported a deficit fund balance of \$269,269 which is a decrease of \$778,253 from the prior year. The decrease resulted from not receiving note proceeds in the current year of \$828,000 that were budgeted for. The total fund balance is undesignated/unreserved and proposed to be used for future park improvements.

City of Greenville
Managements' Discussion and Analysis

Special Assessment Fund:

As of June 30, 2007, the Special Assessment Fund reported a fund balance \$136,524, which is an increase of \$105,185 from the prior year. The total fund balance is undesignated/unreserved.

Solid Waste Fund:

As of June 30, 2007, the Solid Waste Fund reported a fund balance of \$477,922, which is an increase of \$31,521 from the prior year. The total fund balance is undesignated/unreserved.

Capital Improvement Fund:

As of June 30, 2007, the Capital Improvement Fund reported a fund balance \$566,199, which is an increase of \$107,504 from the prior year. The total fund balance is undesignated/unreserved.

This Fund functions as a clearing fund for all capital projects, and as such the Fund Balance will vary as projects can be undertaken over multiple years.

As the City completed 2006/2007, its business type activities funds reported *combined* fund balances of \$11,600,002. This is a net decrease of \$28,900. The net changes are summarized in the following chart C.

Chart C

	Sewer Fund	Water Fund	Non Major Enterprise Funds	Totals
Net Assets 06/30/06	\$ 7,289,653	\$ 3,485,123	\$ 854,126	\$ 11,628,902
Net Assets 06/30/07	\$ 7,097,253	\$ 3,623,029	\$ 879,720	\$ 11,600,002
Net Change	\$ (192,400)	\$ 137,906	\$ 25,594	\$ (28,900)

City of Greenville
Managements' Discussion and Analysis

Sewer Fund:

As of June 30, 2007, the Sewer Fund reported net assets of \$7,097,253, a decrease of \$192,400 from the prior year, due to capital improvements. Of the entire net assets \$881,370 is reserved, designated, or otherwise earmarked for specific purposes.

Water Fund:

As of June 30, 2007, the Water Fund reported net assets of \$3,623,029, an increase of \$137,906 from the prior year. The total net assets is undesignated/unreserved

The \$137,906 increase in net assets was due in large from transfers from the General Fund and the Capital Improvements Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets - At the end of Fiscal Year 2006/2007, the City had invested \$33,502,482 for the primary government and \$5,924,271 for the component units, net of accumulated depreciation, in a broad range of capital assets (see table below). Accumulated depreciation was \$22,146,994 for the primary government and \$549,003 for the component units. Depreciation charges for the fiscal year totaled \$1,375,323 for the primary government and \$157,031 for the component units. Additional information related to capital assets is detailed in Note 5 of the Financial Statements. Net Book value of capital assets at June 30, 2007 was as follows:

	Governmental Activities	Business - type Activities	Component Unit DDA	Total
Land	\$ 3,358,838	\$ 387,066	\$ 192,044	\$ 3,937,948
Construction in Progress	1,128,297	-	-	1,128,297
Land Improvements, Net	1,295,627	251,265	-	1,546,892
Infrastructure, net	14,937,300	-	5,732,227	20,669,527
Buildings, net	1,666,611	2,981,882	-	4,648,493
Vehicles, net	979,596	226,245	-	1,205,841
Machinery and equipment, net	278,400	490,830	-	769,230
Sewer system, net	-	3,325,354	-	3,325,354
Water system, net	-	2,195,171	-	2,195,171
Capital assets, net	<u>\$ 23,644,669</u>	<u>\$ 9,857,813</u>	<u>\$ 5,924,271</u>	<u>\$ 39,426,753</u>

City of Greenville
Managements' Discussion and Analysis

Long-term Debt - As of June 30, 2007, the City had \$2,798,199 in loans outstanding for the primary government. This level of net obligation is \$632,268 more than the obligations recorded as of June 30, 2006.

Outstanding Debt as of June 30, 2007:

Primary Government	<u>July 1,</u> <u>2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30,</u> <u>2007</u>
Governmental Activities				
General Obligation Bonds	\$ 120,000	\$ -	\$ 30,000	\$ 90,000
Special Assessment Bonds	205,000	-	45,000	160,000
Capital Improvement Bonds	-	310,000	-	310,000
Contract Payable	683,345	470,000	32,117	1,121,228
Compensated Absences	527,586	26,780	-	554,366
Capital Lease	-	76,000	18,395	57,605
Business-type Activities				
General Obligation Bonds	<u>630,000</u>	<u>-</u>	<u>125,000</u>	<u>505,000</u>
Total Primary Government	\$ 2,165,931	\$ 882,780	\$ 250,512	\$ 2,798,199
Component Unit				
General Obligation Bonds	4,425,000	-	160,000	4,265,000
Tax Increment Bonds	255,000	-	75,000	180,000
Installment Purchase	<u>2,102,514</u>	<u>-</u>	<u>658,416</u>	<u>1,444,098</u>
Total Component Unit	\$ 6,782,514	\$ -	\$ 893,416	\$ 5,889,098
Total Reporting Entity	\$ 8,948,445	\$ 882,780	\$ 1,143,928	\$ 8,687,297

City of Greenville
Managements' Discussion and Analysis

Activity for the Component Units during 2006/2007 included the payment of \$893,416 for debt retirement.

A more detailed discussion of the City's long-term debt obligations is presented in Note 8 to the financial statements.

CITY OF GREENVILLE GOVERNMENT ECONOMIC OUTLOOK:

- State revenue sharing has declined \$432,000 over the past seven years, and has face additional cuts due to state budget concerns.
- Property tax revenue has not kept pace with inflation.
- The City has had its major employer close its manufacturing facility in fiscal 2006. This would result in up to a 30% loss in the City's tax base for the fiscal 2007 budget, the 2008 budget is balanced with no draw from fund balance.
- Investment earnings are at higher levels than the past two years which will provide some revenue loss offsets.
- Health and dental insurance premiums have risen much faster than the rate of inflation fiscal 08 was only a 6% increase
- Retirement costs have increased due to poor stock market performance over the last several years but were stable for fiscal 08.
- Utility costs are rising faster than the rate of inflation.
- Hazard/Liability Insurance costs have risen faster than the rate of inflation for fiscal 08 insurance cost were repacked and reduced \$50,000

These factors were considered in adopting the Budget for 2007/2008. The fiscal 2008 budget was adopted without drawing from the City's fund balance to balance the General Fund Budget, as the City continues to look for ways to increase efficiencies and reduce the cost of doing business.

CONTACTING THE TREASURER

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If there are questions about this report, or a need for additional information, contact the City of Greenville's Treasurer's Office at (616) 754-5645.

City of Greenville
Statement of Net Assets
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents	\$ 4,684,386	\$ 1,083,573	\$ 5,767,959	\$ 305,804
Investments	2,693,234	-	2,693,234	-
Receivables				
Taxes	167,395	-	167,395	-
Customers	218,832	395,647	614,479	-
Special assessments	588,952	-	588,952	-
Accrued interest and other	15,948	14,864	30,812	1,123
Due from other units of government	1,771,973	1,321	1,773,294	1,183
Internal balances	(139,165)	139,165	-	-
Due from fiduciary funds	-	-	-	577,898
Due from component unit	66,423	-	66,423	-
Inventories	84,667	42,177	126,844	-
Prepaid items	62,534	-	62,534	-
Restricted assets				
Investments	-	881,370	881,370	-
Non-depreciable capital assets	4,487,135	387,066	4,874,201	192,044
Depreciable capital assets, net	19,157,534	9,470,747	28,628,281	5,732,227
Total assets	<u>33,859,848</u>	<u>12,415,930</u>	<u>46,275,778</u>	<u>6,810,279</u>
Liabilities				
Accounts payable	2,202,381	184,548	2,386,929	416,908
Accrued and other liabilities	113,944	35,976	149,920	69,460
Due to primary government	-	-	-	66,423
Due to other units of government	125,774	-	125,774	-
Deferred revenue	-	3,754	3,754	-
Noncurrent liabilities				
Due within one year	190,981	125,000	315,981	422,332
Due in more than one year	2,102,218	380,000	2,482,218	5,466,766
Total liabilities	<u>4,735,298</u>	<u>729,278</u>	<u>5,464,576</u>	<u>6,441,889</u>

See Accompanying Notes to Financial Statements

City of Greenville
Statement of Net Assets
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Net Assets				
Invested in capital assets, net of related debt	21,879,056	9,352,813	31,231,869	35,173
Restricted for:				
Debt service	274	-	274	-
Bond reserves	-	881,370	881,370	-
Capital projects	365,930	-	365,930	-
Perpetual care	230,362	-	230,362	-
Unrestricted	<u>6,648,928</u>	<u>1,452,469</u>	<u>8,101,397</u>	<u>333,217</u>
 Total net assets	 <u>\$ 29,124,550</u>	 <u>\$ 11,686,652</u>	 <u>\$ 40,811,202</u>	 <u>\$ 368,390</u>

City of Greenville
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,358,332	\$ 46,475	\$ 45,305	\$ -	\$ (1,266,552)	\$ -	\$ (1,266,552)	\$ -
Public safety	1,929,604	116,454	6,439	-	(1,806,711)	-	(1,806,711)	-
Public works	2,239,745	987,701	12,000	107,311	(1,132,733)	-	(1,132,733)	-
Community and economic development	579,374	-	51,573	2,140,963	1,613,162	-	1,613,162	-
Recreation and culture	894,542	63,923	17,400	-	(813,219)	-	(813,219)	-
Interest on long-term debt	62,911	-	-	-	(62,911)	-	(62,911)	-
Total governmental activities	<u>7,064,508</u>	<u>1,214,553</u>	<u>132,717</u>	<u>2,248,274</u>	<u>(3,468,964)</u>	<u>-</u>	<u>(3,468,964)</u>	<u>-</u>
Business-type activities								
Sewer	817,763	784,993	26,771	-	-	(5,999)	(5,999)	-
Water	613,478	616,053	26,351	-	-	28,926	28,926	-
Other	642,580	162,992	267,168	134,866	-	(77,554)	(77,554)	-
Total business-type activities	<u>2,073,821</u>	<u>1,564,038</u>	<u>320,290</u>	<u>134,866</u>	<u>-</u>	<u>(54,627)</u>	<u>(54,627)</u>	<u>-</u>
Total primary government	<u>\$ 9,138,329</u>	<u>\$ 2,778,591</u>	<u>\$ 453,007</u>	<u>\$ 2,383,140</u>	<u>(3,468,964)</u>	<u>(54,627)</u>	<u>(3,523,591)</u>	<u>-</u>
Component unit								
Downtown Development Authority	539,790	-	-	-	-	-	-	(539,790)
Tax increment financing authority	170,511	-	-	-	-	-	-	(170,511)
Local development finance authority	85,006	-	579,858	-	-	-	-	494,852
Total component unit	<u>\$ 795,307</u>	<u>-</u>	<u>\$ 579,858</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(215,449)</u>
General revenues								
Property taxes					2,764,020	62,926	2,826,946	890,462
State shared revenue					1,366,325	-	1,366,325	-
Unrestricted investment earnings					427,206	111,407	538,613	6,217
Gain on sale of capital assets					20,795	-	20,795	-
Insurance recoveries					32,894	-	32,894	-
Miscellaneous					444,910	15,623	460,533	56,214
Transfers					134,748	(134,748)	-	-
Total general revenues and transfers					<u>5,190,898</u>	<u>55,208</u>	<u>5,246,106</u>	<u>952,893</u>
Change in net assets					1,721,934	581	1,722,515	737,444
Net assets - beginning of year (deficit)					<u>27,402,616</u>	<u>11,686,071</u>	<u>39,088,687</u>	<u>(369,054)</u>
Net assets - end of year					<u>\$ 29,124,550</u>	<u>\$ 11,686,652</u>	<u>\$ 40,811,202</u>	<u>\$ 368,390</u>

See Accompanying Notes to Financial Statements

**City of Greenville
Governmental Funds
Balance Sheet
June 30, 2007**

	Special Revenue Funds						Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Solid Waste	Capital Improvements		
Assets									
Cash and cash equivalents	\$ 723,020	\$ 345,933	\$ 447,176	\$ 644	\$ 128,214	\$ 138,841	\$ 928,407	\$ 659,214	\$ 3,371,449
Investments	1,079,014	363,215	-	-	-	254,003	-	597,303	2,293,535
Receivables									
Taxes	167,395	-	-	-	-	-	-	-	167,395
Customers	65,760	-	-	-	-	146,906	-	922	213,588
Special assessments	462	-	-	-	588,490	-	-	-	588,952
Accrued interest and other	3,565	4,050	-	-	-	2,184	-	1,513	11,312
Due from other units of government	241,538	77,387	26,321	782,228	-	-	643,399	1,100	1,771,973
Due from other funds	504	28,746	-	93,800	-	-	6,591	-	129,641
Due from component unit	58,113	-	-	-	8,310	-	-	-	66,423
Inventories	84,667	-	-	-	-	-	-	-	84,667
Prepaid items	62,534	-	-	-	-	-	-	-	62,534
Total assets	\$ 2,486,572	\$ 819,331	\$ 473,497	\$ 876,672	\$ 725,014	\$ 541,934	\$ 1,578,397	\$ 1,260,052	\$ 8,761,469

City of Greenville
Governmental Funds
Balance Sheet
June 30, 2007

	Special Revenue Funds						Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Solid Waste	Capital Improvements		
Liabilities									
Accounts payable	\$ 1,240,865	\$ 44,773	\$ 53,564	\$ 363,713	\$ -	\$ 64,012	\$ 217,488	\$ 140,713	\$ 2,125,128
Accrued and other liabilities	89,512	-	-	-	-	-	-	4,890	94,402
Due to other funds	6,591	-	-	-	-	-	175,061	504	182,156
Due to other units of government	125,774	-	-	-	-	-	-	-	125,774
Deferred revenue	45,692	-	-	782,228	588,490	-	619,649	-	2,036,059
Total liabilities	1,508,434	44,773	53,564	1,145,941	588,490	64,012	1,012,198	146,107	4,563,519
Fund Balances									
Reserved for:									
Debt service	-	-	-	-	-	-	-	274	274
Prepays and inventory	147,201	-	-	-	-	-	-	-	147,201
Capital projects	-	-	-	-	-	-	-	365,930	365,930
Perpetual care	-	-	-	-	-	-	-	230,362	230,362
Unreserved, reported in:									
General fund	830,937	-	-	-	-	-	-	-	830,937
Special revenue funds (deficit)	-	774,558	419,933	(269,269)	136,524	477,922	-	517,379	2,057,047
Capital project funds	-	-	-	-	-	-	566,199	-	566,199
Total fund balances (deficit)	978,138	774,558	419,933	(269,269)	136,524	477,922	566,199	1,113,945	4,197,950
Total liabilities and fund balances	\$ 2,486,572	\$ 819,331	\$ 473,497	\$ 876,672	\$ 725,014	\$ 541,934	\$ 1,578,397	\$ 1,260,052	\$ 8,761,469

City of Greenville
Governmental Funds
Reconciliation of Fund Balances of Governmental Funds
to Net Assets of Governmental Activities
June 30, 2007

Total fund balances for governmental funds	\$ 4,197,950
Total net assets for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	23,154,046
Certain receivables are not available to pay for current period expenditures and, therefore are deferred in the funds.	2,036,059
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(17,702)
Long-term liabilities applicable to governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	(1,681,228)
Internal service funds are included as part of governmental activities.	<u>1,435,425</u>
Net assets of governmental activities	<u>\$ 29,124,550</u>

City of Greenville
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue Funds					Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Solid Waste			Capital Improvements
Revenues									
Taxes	\$ 2,018,326	\$ -	\$ 122,191	\$ -	\$ -	\$ 184,776	\$ 441,925	\$ -	\$ 2,767,218
Licenses and permits	22,100	-	-	-	-	4,363	-	-	26,463
Federal grants	-	-	-	597,016	-	-	65,460	-	662,476
State revenue sharing	761,557	445,035	159,733	-	-	-	-	-	1,366,325
Other state grants	4,051	41,851	-	-	-	12,000	-	19,788	77,690
Local contributions	45,305	-	-	-	51,573	-	890,909	-	987,787
Charges for services	111,602	-	-	-	-	622,792	-	71,123	805,517
Fines and forfeitures	44,127	-	-	-	-	3,603	-	-	47,730
Interest income	251,804	25,173	7,449	-	37,342	15,076	5,295	28,912	371,051
Rental income	47,508	-	-	-	-	23,610	-	51,821	122,939
Other revenue	183,744	-	-	-	106,158	-	-	32,069	321,971
Total revenues	3,490,124	512,059	289,373	597,016	195,073	866,220	1,403,589	203,713	7,557,167
Expenditures									
Current									
General government	875,548	-	-	-	-	-	-	-	875,548
Public safety	1,290,991	-	-	-	-	-	-	-	1,290,991
Public works	489,724	249,105	311,683	-	-	765,397	-	-	1,815,909
Community and economic development	107,644	-	-	-	-	-	-	-	107,644
Recreation and culture	63,599	-	-	-	-	-	-	261,627	325,226
Other functions	1,349,535	-	-	585,873	-	-	-	-	1,935,408
Capital outlay	1,876	-	-	722,318	-	-	1,774,317	55,158	2,553,669
Debt service									
Principal retirement	-	-	-	-	75,000	-	-	32,117	107,117
Interest and fiscal charges	-	-	-	-	14,888	-	-	36,719	51,607
Total expenditures	4,178,917	249,105	311,683	1,308,191	89,888	765,397	1,774,317	385,621	9,063,119
Excess (deficiency) of revenues over expenditures	(688,793)	262,954	(22,310)	(711,175)	105,185	100,823	(370,728)	(181,908)	(1,505,952)

City of Greenville
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2007

	Special Revenue Funds					Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds	
	General	Major Street	Local Street	Industrial Park Development	Special Assessments	Solid Waste			Capital Improvements
Other financing sources (uses)									
Transfers in	1,158,902	-	115,000	-	-	-	216,018	164,291	1,654,211
Transfers out	(249,365)	(424,511)	(113,229)	(67,078)	-	(69,302)	(519,897)	(76,081)	(1,519,463)
Insurance recoveries	32,894	-	-	-	-	-	-	-	32,894
Issuance of debt	-	-	-	-	-	-	780,000	-	780,000
Sale of fixed assets	-	-	-	-	-	-	2,111	-	2,111
Total other financing sources and uses	<u>942,431</u>	<u>(424,511)</u>	<u>1,771</u>	<u>(67,078)</u>	<u>-</u>	<u>(69,302)</u>	<u>478,232</u>	<u>88,210</u>	<u>949,753</u>
Net change in fund balance	253,638	(161,557)	(20,539)	(778,253)	105,185	31,521	107,504	(93,698)	(556,199)
Fund balance - beginning of year	<u>724,500</u>	<u>936,115</u>	<u>440,472</u>	<u>508,984</u>	<u>31,339</u>	<u>446,401</u>	<u>458,695</u>	<u>1,207,643</u>	<u>4,754,149</u>
Fund balance - end of year	<u>\$ 978,138</u>	<u>\$ 774,558</u>	<u>\$ 419,933</u>	<u>\$ (269,269)</u>	<u>\$ 136,524</u>	<u>\$ 477,922</u>	<u>\$ 566,199</u>	<u>\$ 1,113,945</u>	<u>\$ 4,197,950</u>

City of Greenville
Governmental Funds
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total governmental funds \$ (556,199)

Total change in net assets reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense	(846,283)
Capital outlay	2,568,464
Sale of capital assets	(2,560)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds.

Special assessments	334,843
Grants	653,038
Property taxes	(3,198)

Expenses are recorded when incurred in the statement of activities

Accrued interest	(11,304)
------------------	----------

Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued	(780,000)
Repayments of long-term debt	107,117

Internal service funds are also included as governmental activities	258,016
---------------------------------------------------------------------	---------

Change in net assets of governmental activities **\$ 1,721,934**

City of Greenville
Proprietary Funds
Statement of Net Assets
June 30, 2007

	Enterprise Funds				Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds	Total	
Assets					
Current assets					
Cash and cash equivalents	\$ 452,443	\$ 507,682	\$ 123,448	\$ 1,083,573	\$ 1,312,937
Investments	-	-	-	-	399,699
Receivables					
Customers	218,366	176,333	948	395,647	5,244
Accrued interest and other	14,864	-	-	14,864	4,636
Due from other units of government	-	-	1,321	1,321	-
Due from other funds	-	52,515	-	52,515	-
Inventories	-	42,177	-	42,177	-
	<u>685,673</u>	<u>778,707</u>	<u>125,717</u>	<u>1,590,097</u>	<u>1,722,516</u>
Total current assets					
Noncurrent assets					
Restricted assets					
Investments	881,370	-	-	881,370	-
Capital assets, net	<u>6,072,072</u>	<u>2,874,676</u>	<u>911,065</u>	<u>9,857,813</u>	<u>490,623</u>
	<u>6,953,442</u>	<u>2,874,676</u>	<u>911,065</u>	<u>10,739,183</u>	<u>490,623</u>
Total noncurrent assets					
	<u>7,639,115</u>	<u>3,653,383</u>	<u>1,036,782</u>	<u>12,329,280</u>	<u>2,213,139</u>
Total assets					
Liabilities					
Current liabilities					
Accounts payable	21,327	23,446	139,775	184,548	77,253
Accrued and other liabilities	15,535	6,908	13,533	35,976	1,840
Deferred revenue	-	-	3,754	3,754	-
Current portion of noncurrent liabilities	<u>125,000</u>	<u>-</u>	<u>-</u>	<u>125,000</u>	<u>-</u>
	<u>161,862</u>	<u>30,354</u>	<u>157,062</u>	<u>349,278</u>	<u>79,093</u>
Total current liabilities					

See Accompanying Notes to Financial Statements

**City of Greenville
Proprietary Funds
Statement of Net Assets
June 30, 2007**

	Enterprise Funds				Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds	Total	
Noncurrent liabilities					
Capital lease liability	-	-	-	-	57,605
Compensated absences payable	-	-	-	-	554,366
Long-term debt net of current portion	<u>380,000</u>	<u>-</u>	<u>-</u>	<u>380,000</u>	<u>-</u>
Total noncurrent liabilities	<u>380,000</u>	<u>-</u>	<u>-</u>	<u>380,000</u>	<u>611,971</u>
Total liabilities	<u>541,862</u>	<u>30,354</u>	<u>157,062</u>	<u>729,278</u>	<u>691,064</u>
Net Assets					
Invested in capital assets, net of related debt	5,567,072	2,874,676	911,065	9,352,813	490,623
Restricted for:					
Bond reserve	881,370	-	-	881,370	-
Unrestricted (deficit)	<u>648,811</u>	<u>748,353</u>	<u>(31,345)</u>	<u>1,365,819</u>	<u>1,031,452</u>
Total net assets	<u>\$ 7,097,253</u>	<u>\$ 3,623,029</u>	<u>\$ 879,720</u>	11,600,002	<u>\$ 1,522,075</u>
Some amounts reported for business-type activities in the statement of net assets are different because certain internal service funds assets and liabilities are reported with business-type activities				<u>86,650</u>	
Net assets of business-type activities				<u>\$ 11,686,652</u>	

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2007

	Enterprise Funds			Total	Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds		
Operating revenue					
Customer fees	\$ 784,993	\$ 616,053	\$ 160,362	\$ 1,561,408	\$ -
Billings to other funds	-	-	-	-	891,037
Rental income	-	-	2,630	2,630	515,227
Other revenue	10,259	1,098	3,716	15,073	128,453
Total operating revenue	<u>795,252</u>	<u>617,151</u>	<u>166,708</u>	<u>1,579,111</u>	<u>1,534,717</u>
Operating expenses					
Personnel services	335,586	193,857	351,689	881,132	841,164
Supplies	53,299	77,335	114,051	244,685	96,218
Contractual services	64,697	73,388	18,924	157,009	-
Utilities	76,640	85,925	13,440	176,005	65,280
Repairs and maintenance	20,617	1,340	260	22,217	102,642
Other expenses	38,101	96,752	21,787	156,640	112,917
Capital outlay	-	5,747	1,175	6,922	300
Depreciation	204,203	98,092	120,647	422,942	106,098
Total operating expenses	<u>793,143</u>	<u>632,436</u>	<u>641,973</u>	<u>2,067,552</u>	<u>1,324,619</u>
Operating income (loss)	<u>2,109</u>	<u>(15,285)</u>	<u>(475,265)</u>	<u>(488,441)</u>	<u>210,098</u>

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Assets
For the Year Ended June 30, 2007

	Enterprise Funds			Total	Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds		
Nonoperating revenue (expenses)					
Property taxes	-	-	62,926	62,926	-
Special assessments	550			550	-
Federal grant	-	-	78,036	78,036	-
State grant	-	-	307,498	307,498	-
Interest income	103,330	5,772	2,305	111,407	47,194
Gain on sale of assets	-	-	-	-	21,244
Loss on investments	-	-	-	-	8,961
Interest expense	(35,750)	-	-	(35,750)	-
Total nonoperating revenues	<u>68,130</u>	<u>5,772</u>	<u>450,765</u>	<u>524,667</u>	<u>77,399</u>
 Income (loss) before contributions and transfers	 70,239	 (9,513)	 (24,500)	 36,226	 287,497
Local contributions	26,771	26,351	16,500	69,622	-
Transfers in	1,071	265,684	173,329	440,084	54,000
Transfers out	(290,481)	(144,616)	(139,735)	(574,832)	(54,000)
 Change in net assets	 (192,400)	 137,906	 25,594	 (28,900)	 287,497
Net assets - beginning of year (restated)	<u>7,289,653</u>	<u>3,485,123</u>	<u>854,126</u>		<u>1,234,578</u>
Net assets - end of year	<u>\$ 7,097,253</u>	<u>\$ 3,623,029</u>	<u>\$ 879,720</u>		<u>\$ 1,522,075</u>
 Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities				<u>29,481</u>	
 Change in net assets of business-type activities				<u>\$ 581</u>	

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds	Total	
Cash flows from operating activities					
Receipts from customers	\$ 813,420	\$ 590,605	\$ 166,348	\$ 1,570,373	\$ 1,505,351
Payments to other funds	-	(406,374)	-	(406,374)	-
Payments to suppliers	(505,364)	(193,857)	(121,847)	(821,068)	(350,711)
Payments to employees	(335,586)	(37,919)	(350,787)	(724,292)	(809,223)
Net cash used by operating activities	(65,061)	(47,545)	(306,286)	(418,892)	345,417
Cash flows from noncapital financing activities					
Transfer from other funds	1,071	265,684	173,329	440,084	54,000
Transfers to other funds	(290,481)	(144,616)	(139,735)	(574,832)	(54,000)
Advances from other funds	-	-	16,500	16,500	-
Property taxes	-	-	50,912	50,912	-
Federal grant	-	-	78,036	78,036	-
State grant	-	-	307,498	307,498	-
Net cash provided (used) by noncapital financing activities	(289,410)	121,068	486,540	318,198	-
Cash flows from capital and related financing activities					
Proceeds from special assessments	550	-	12,014	12,564	-
Purchases/construction of capital assets	(1,071)	(477,167)	(184,161)	(662,399)	(240,222)
Capital lease	-	-	-	-	57,605
Principal and interest paid on long-term debt	(160,750)	-	-	(160,750)	-
Proceeds from sale of capital assets	-	224,483	-	224,483	-
Net cash provided (used) by capital and related financing activities	(134,500)	(226,333)	(172,147)	(532,980)	(182,617)

See Accompanying Notes to Financial Statements

City of Greenville
Proprietary Funds
Statement of Cash Flows
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds				Internal Service Funds
	Sewer	Water	Nonmajor Enterprise Funds	Total	
Cash flows from investing activities					
Proceeds from sales and maturities of investments	581,802	-	-	581,802	21,244
Purchases of investments	(140,000)	-	-	(140,000)	(14,700)
Interest received	103,330	5,772	2,305	111,407	47,194
Net cash provided by investing activities	<u>545,132</u>	<u>5,772</u>	<u>2,305</u>	<u>553,209</u>	<u>53,738</u>
Net change in cash and cash equivalents	56,161	(147,038)	10,412	(80,465)	216,538
Cash and cash equivalents - beginning of year	<u>396,282</u>	<u>654,720</u>	<u>113,036</u>	<u>1,164,038</u>	<u>1,096,399</u>
Cash and cash equivalents - end of year	<u>\$ 452,443</u>	<u>\$ 507,682</u>	<u>\$ 123,448</u>	<u>\$ 1,083,573</u>	<u>\$ 1,312,937</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities					
Operating income (loss)	\$ 2,109	\$ (15,285)	\$ (475,265)	\$ (488,441)	\$ 210,098
Adjustments to reconcile operating income to net cash from operating activities					
Depreciation and amortization expense	204,203	98,092	120,647	422,942	106,098
Changes in assets and liabilities					
Receivables (net)	18,168	(26,546)	(360)	(8,738)	(1,829)
Due from other units of government	-	-	19,168	19,168	-
Due from other funds	-	981	-	981	-
Inventories	-	(106,457)	-	(106,457)	-
Prepaid items	-	1,670	-	1,670	-
Accounts payable	(290,302)	-	28,622	(261,680)	4,152
Accrued and other liabilities	761	-	902	1,663	26,898
Net cash provided (used) by operating activities	<u>\$ (65,061)</u>	<u>\$ (47,545)</u>	<u>\$ (306,286)</u>	<u>\$ (418,892)</u>	<u>\$ 345,417</u>

See Accompanying Notes to Financial Statements

City of Greenville
Fiduciary Funds
Statement of Net Assets
June 30, 2007

	<u>Agency Funds</u>	<u>Private Purpose Trust Fund</u>
Assets		
Cash and cash equivalents	\$ 1,023,755	\$ 6,751
Liabilities		
Due to component unit	577,898	-
Due to other units of government	<u>445,857</u>	<u>-</u>
Total liabilities	<u>\$ 1,023,755</u>	<u>-</u>
Net Assets		
Held in trust for private purposes		<u>\$ 6,751</u>

See Accompanying Notes to Financial Statements

City of Greenville
Fiduciary Funds
Statement of Changes in Net Assets
For the Year Ended June 30, 2007

	<u>Private Purpose Trust Fund</u>
Additions	
Contributions	\$ 1,750
Interest Earned	<u>92</u>
Total contributions	<u>1,842</u>
Deductions	
Capital Outlay	<u>2,583</u>
Change in net assets	(741)
Net assets - beginning of year	<u>7,492</u>
Net assets - end of year	<u><u>\$ 6,751</u></u>

See Accompanying Notes to Financial Statements

City of Greenville
Component Unit Funds
Combining Statement of Net Assets
June 30, 2007

	Downtown Development Authority	Tax Increment Finance Authority	Local Development Finance Authority	Economic Development Corporation	Total Component Units
Assets					
Current assets					
Cash and cash equivalents	\$ 171,027	\$ 92,347	\$ 42,430	\$ -	\$ 305,804
Receivables					
Accrued interest and other	1,123	-	-	-	1,123
Due from other units of government	38	-	-	1,147	1,185
Due from primary government	161,351	130,737	285,808	-	577,896
Total current assets	<u>333,539</u>	<u>223,084</u>	<u>328,238</u>	<u>1,147</u>	<u>886,008</u>
Noncurrent assets					
Capital assets, net	<u>5,924,271</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,924,271</u>
Total assets	<u>6,257,810</u>	<u>223,084</u>	<u>328,238</u>	<u>1,147</u>	<u>6,810,279</u>
Liabilities					
Current liabilities					
Accounts payable	69,773	181,382	165,753	-	416,908
Accrued and other liabilities	51,371	-	18,089	-	69,460
Due to other funds	66,423	-	-	-	66,423
Current portion of noncurrent liabilities	168,173	-	156,198	-	324,371
Total current liabilities	<u>355,740</u>	<u>181,382</u>	<u>340,040</u>	<u>-</u>	<u>877,162</u>
Noncurrent liabilities					
Long-term debt net current portion	<u>4,234,659</u>	<u>-</u>	<u>1,330,068</u>	<u>-</u>	<u>5,564,727</u>
Total liabilities	<u>4,590,399</u>	<u>181,382</u>	<u>1,670,108</u>	<u>-</u>	<u>6,441,889</u>
Fund Balances					
Invested in capital assets, net of related debt	1,521,439	-	-	-	1,521,439
Unrestricted (deficit)	145,972	41,702	(1,341,870)	1,147	(1,153,049)
Total net assets (deficit)	<u>\$ 1,667,411</u>	<u>\$ 41,702</u>	<u>\$ (1,341,870)</u>	<u>\$ 1,147</u>	<u>\$ 368,390</u>

See Accompanying Notes to Financial Statements

City of Greenville
Notes to Financial Statements
June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

City of Greenville has six City Council members who are elected at large for overlapping four year terms and a Mayor elected at large for a two year term. The Council appoints the City Manager, Clerk/Treasurer, and Assessor. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Although blended component units are legal separate entities, in substance, they are part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Discretely Presented Component Units – The component unit column in the entity wide financial statements include the financial data of the City's Downtown Development Authority, Economic Development Corporation, Tax Increment Finance Authority, and the Local Development Finance Authority.

Downtown Development Authority – A majority of the members of the governing board of the Downtown Development Authority are appointed by the City Council. The City also has the ability to significantly influence operations of the Downtown Development Authority.

Economic Development Corporation – A majority of the members of the governing board of the Economic Development Corporation are appointed by the City Council. The City also has the ability to significantly influence operations of the Economic Development Corporation.

Tax Increment Finance Authority – A majority of the members of the governing board of the Tax Increment Finance Authority are appointed by the City Council. The City also has the ability to significantly influence operations of the Tax Increment Finance Authority.

Local Development Finance Authority – The members of the governing board of the Local Development Finance Authority are appointed by the Mayor of the City. The budget and expenditures of the Local Development Finance Authority must be approved by the City Council. The City also has the ability to significantly influence operations of the Local Development Finance Authority.

The Greenville Housing Commission is a component unit that was established by City Council to provide low rent housing. The financial activity has not been included as part of the City's financial statements because audited information is not available in a timely manner. The following summarized information is provided in accordance with the Michigan Committee on Governmental Accounting and Auditing Statement No. 5.

The most recent audited financial statements for the Greenville Housing Commission are for the year ended June 30, 2006. Total assets, liabilities, and equity as of June 30, 2006, were \$3,022,036, \$699,474, and \$2,322,562, respectively.

Blended Component Units – A blended component unit is a legally separate entity from the City, but is so intertwined with the City that it is in substance the same as the city. It is reported as part of the City and blended into the appropriate funds.

Building Authority – The City of Greenville's Building Authority has been included as part of the City's financial statements since the City appoints the governing authority, designated management and has significant influence over the operations of the Building Authority.

City of Greenville
Notes to Financial Statements
June 30, 2007

The financial statements of the City of Greenville Building Authority do not contain any financial information, therefore, no financial data has been presented in the City's financial statements.

Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. *Government activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segments are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Greenville
Notes to Financial Statements
June 30, 2007

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Major Street Fund accounts for the maintenance and improvement activities for streets designated as "major" within the City. Funding is primarily through state shared gas and weight taxes.

The Local Street Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is primarily through state shared gas and weight taxes.

The Industrial Park Development Fund is used to account for the resources for the creation and development of an industrial park.

The Special Assessments Fund accounts for the resources in association with collecting special assessments taxes.

The Solid Waste Fund accounts for the collection of special assessments and expenses for solid waste.

The government reports the following major proprietary funds:

The Sewer Fund accounts for the activities of the sewage collection system.

The Water Fund accounts for the activities of the water distribution system.

Additionally, the government reports the following:

Internal Service Funds of the City of Greenville include Motor Pool

Fund, Health, Life, Dental and Vision Insurance Fund, Unemployment Fund, Weekly Indemnity Fund, Technology Improvement Fund, Retiree Health Benefits Fund, Flexible Spending Fund, and Accrued Sick and Vacation Liability Fund. Internal Service Funds accounts for major machinery and equipment purchases and maintenance provided to other departments of the government on a cost reimbursement basis.

Agency Funds account for property tax and other deposits collected on behalf of other units and individuals. The Agency Funds of the City of Greenville include the Delinquent Personal Property Tax Clearing Fund and the General Agency Fund. The Firefighters Equipment Fund is a Private Purpose Trust Fund.

The nonmajor special revenue funds account for the proceeds of specific revenue sources requiring separate accounting because of legal or regulatory provisions or administrative requirements.

The debt service funds account for the accumulation of resources for, and payment of governmental activities principal, interest and related costs.

Trust and Agency Fund and Current Tax Collection Fund accounts for property tax and other deposits collected on behalf of other units and individuals.

Nonmajor Enterprise Fund accounts for the operations of the Recreation Fund, Parking Fund, and Dial-A-Ride fund.

Nonmajor Capital Projects Fund accounts for resources for Fire Department equipment.

Perpetual Care Fund accounts for the maintenance of the Cemetery Fund.

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Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund services provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water funds and the internal service funds are charges to customers for sales and services. The government also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds

and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

Assets, liabilities, and net assets or equity

Deposits and investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market price. Certificate of deposits are stated at cost which approximates fair value.

Receivables and payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangement outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each July 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

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The 2006 taxable valuation of the government totaled \$192,006,203 , on which ad valorem taxes consisted of 11.84 mills for operating purposes , .9073 for garbage collection, 1.0 mills for improvements in the Downtown Development Authority, .22 mills for promotion and development of the community. This resulted in \$2,403,348 for operating expenses, \$184,776 for garbage collection, \$476,675 for Downtown Development Authority, and \$50,912 for promotion and development of the community, exclusive of any Michigan Tax Tribunal or Board of Review adjustments.

Inventories and prepaid items – Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted assets – Certain revenue bonds of the Enterprise Funds require amounts to be set aside for a bond reserve. These amounts have been classified as restricted investments.

Capital assets – Capital assets, which include property, plant and equipment, are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost, if purchased or constructed.

The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or extend its useful life beyond the original estimate. In the case of donations the government values these capital assets at the estimated fair value of the item at the date of its donation.

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Land improvements	10 to 20 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 10 years
Office equipment computer equipment	5 to 7 years
Computer equipment	3 to 7 years
Roads	25 years
Other infrastructure	20 to 40 years

Compensated absences – It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. City employees are granted vacation and sick leave in varying amounts based on length of service. Vacation must be used by December 31 or it is forfeited. Employees can accumulated up to 120 sick days. Accumulations in excess of that amount are paid at 50% of the unused portion as of December 31 at the employees pay rate. Upon termination, employees are paid on a prorated basis for unused vacation of that year at their current rates. Upon termination of employment after 10 years of service, or upon retirement or death of an employee, payments will be for 50% of accumulated sick leave for non-union employees and 100% of accumulated sick leave for union employees who started before July 1, 1997. The cost of vested accumulated vacation and sick leave along with the related payroll taxes is recorded in an Internal Service Fund and in the government-wide financial statements .

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Long-term obligations – In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures .

Fund equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Designations of fund balance represent tentative management plans that are subject to change.

Comparative data

Comparative data is not included in the government's financial statements.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information

The government is subject to the budgetary control requirements of the Uniform Budgeting Act (P.A. 621 of 1978, as amended). Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. All annual appropriations lapse at fiscal year end.

Prior to July 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. Public hearings are obtained to obtain taxpayer comments and the budget is legally enacted through passage of an ordinance prior to July 1.

The budget document presents information by fund, activity, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. The City Manager is authorized to transfer budgeted amounts between line items within an activity; however, any revisions that alter the total expenditures of an activity must be approved by the City Council.

The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.

Excess of expenditures over appropriations

Michigan Public Act 621 of 1978, Section 18(1), as amended provides that a local government shall not incur expenditures in excess of the amount appropriated. During the year ended June 30, 2007, the City incurred expenditures in the General Fund, Major Street, Local Street, Special Assessment, and Industrial Park funds in excess of the amount appropriated as follows:

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Fund	Total Appropriation	Amount Expended	Over Budget
General Fund			
Public works	\$ 301,000	\$ 433,724	\$ 132,724
Community and economic development	102,455	107,644	5,189
Other functions	1,341,106	1,349,535	8,429
Major Street			
Public Works	247,450	247,605	155
Local Street			
Transfers out	99,900	114,729	14,829
Industrial Park Fund			
Transfers out	50,000	67,078	17,078

	Cash and Cash Equivalents	Investments	Restricted Investments
Governmental activities	\$ 4,684,386	\$ 2,693,234	\$ -
Business-type activities	<u>1,083,573</u>	<u>-</u>	<u>881,370</u>
Total primary government	5,767,959	2,693,234	881,370
Fiduciary funds	1,030,506	-	-
Component unit	<u>305,804</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,104,269</u>	<u>\$ 2,693,234</u>	<u>\$ 881,370</u>

Deficit fund equity

The City has a deficit fund balance in the Community Center Fund, which will be eliminated next year with a transfer from the General Fund. The City also has a deficit fund balance in the Industrial Park Fund, which will be eliminated with federal grant reimbursements.

NOTE 3 - DEPOSITS AND INVESTMENTS

At year end the government's deposits and investments were reported in the basic financial statements in the following categories:

The breakdown between deposits and investments is as follows:

	Primary Government	Fiduciary Funds	Component Unit
Bank deposits (checking and savings accounts, money markets and certificates of deposit)	\$ 5,787,440	\$ 1,030,506	\$ 305,804
Investments in securities, mutual funds and similar vehicles	3,554,503	-	-
Petty cash and cash on hand	<u>620</u>	<u>-</u>	<u>-</u>
	<u>\$ 9,342,563</u>	<u>\$ 1,030,506</u>	<u>\$ 305,804</u>

City of Greenville
Notes to Financial Statements
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As of year end, the government had the following investments:

Investment	Fair Value	Rating	Rating Organization
Fixed Income	\$ 604,627	AAA	Standard & Poors
Federal Home Loan Mortgage Company	1,578,094	AAA	Standard & Poors
Federal Home Loan Bank	653,042	AAA	Standard & Poors
FNMA	505,471	AAA	Standard & Poors
GNMA	<u>213,269</u>	AAA	Standard & Poors
	<u>\$ 3,554,503</u>		

Interest rate risk – The government does not have a formal investment policy to manage its exposure to fair value losses from changes in interest rates

Credit risk – State statutes and the government’s investment policy authorize the government to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other obligations of the United States, or any agency or instrumentality of the United States. United States government or federal agency obligations; repurchase agreements; bankers acceptance of United States Banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or any of its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

Concentration of credit risk – The government has no policy that would limit the amount that may be issued in any one issuer.

Custodial credit risk - deposits – In the case of deposits, this is the

risk that in the event of bank failure, the government’s deposits may not be returned to it. The government does not have a policy for custodial credit risk. As of year end, \$ 4,813,200 was exposed to custodial credit risk because it was uninsured and uncollateralized .

Custodial credit risk – investments – For an investment, this is the risk that, in the event of the failure of the counterparty, the government will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Consistent with the government’s investment policy, the government’s investments are held by a counterparty and are not insured.

NOTE 4 - RECEIVABLES AND DEFERRED REVENUE

The only receivable not expected to be collected within one year is as follows:

	<u>Due After One Year</u>	<u>Fund</u>
Primary government		
Special assessments	<u>\$ 483,360</u>	Special assessments

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

City of Greenville
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	<u>Unavailable</u>	<u>Unearned</u>
Primary government		
Special assessments	\$ 588,967	\$ -
Grants	1,401,877	-
Property taxes	45,215	-
Other revenue	-	3,754
	<u>\$2,036,059</u>	<u>\$ 3,754</u>

NOTE 5 - CAPITAL ASSETS

Capital assets activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 3,358,838	\$ -	\$ -	\$ 3,358,838
Construction in progress	1,916,126	1,649,866	2,437,695	1,128,297
Total capital assets not being depreciated	<u>5,274,964</u>	<u>1,649,866</u>	<u>2,437,695</u>	<u>4,487,135</u>
Capital assets being depreciated				
Land improvements	2,623,978	-	-	2,623,978
Infrastructure	19,920,466	2,962,448	-	22,882,914
Buildings, additions and improvements	2,790,471	320,482	-	3,110,953
Machinery and equipment	2,149,245	13,819	205,715	1,957,349
Vehicles	3,142,881	299,766	781,675	2,660,972
Total capital assets being depreciated	<u>30,627,041</u>	<u>3,596,515</u>	<u>987,390</u>	<u>33,236,166</u>
Less accumulated depreciation for				
Land improvements	1,216,071	112,280	-	1,328,351
Infrastructure	7,444,470	501,144	-	7,945,614
Buildings, additions and improvements	1,372,573	71,769	-	1,444,342
Machinery and equipment	1,809,735	82,219	213,005	1,678,949
Vehicles	2,278,082	184,969	781,675	1,681,376
Total accumulated depreciation	<u>14,120,931</u>	<u>952,381</u>	<u>994,680</u>	<u>14,078,632</u>
Net capital assets being depreciated	<u>16,506,110</u>	<u>2,644,134</u>	<u>(7,290)</u>	<u>19,157,534</u>
Governmental activities capital assets, net	<u>\$ 21,781,074</u>	<u>\$ 4,294,000</u>	<u>\$ 2,430,405</u>	<u>\$ 23,644,669</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 387,066	\$ -	\$ -	\$ 387,066
Construction in progress	299,310	-	299,310	-
Total capital assets not being depreciated	<u>686,376</u>	<u>-</u>	<u>299,310</u>	<u>387,066</u>
Capital assets being depreciated				
Land improvements	763,101	51,255	-	814,356
Buildings, additions and improvements	5,412,147	-	-	5,412,147
Machinery and equipment	1,025,080	-	-	1,025,080
Vehicles	869,285	132,906	-	1,002,191
Water system	3,130,977	477,167	-	3,608,144
Sewer system	5,601,293	75,898	-	5,677,191
Total capital assets being depreciated	<u>16,801,883</u>	<u>737,226</u>	<u>-</u>	<u>17,539,109</u>
Less accumulated depreciation for				
Land improvements	531,769	31,322	-	563,091
Buildings, additions and improvements	2,317,195	113,070	-	2,430,265
Machinery and equipment	509,500	24,750	-	534,250
Vehicles	689,991	85,955	-	775,946
Water system	1,347,024	65,949	-	1,412,973
Sewer system	2,249,941	101,896	-	2,351,837
Total accumulated depreciation	<u>7,645,420</u>	<u>422,942</u>	<u>-</u>	<u>8,068,362</u>
Net capital assets being depreciated	<u>9,156,463</u>	<u>314,284</u>	<u>-</u>	<u>9,470,747</u>
Business-type capital assets, net	<u>\$ 9,842,839</u>	<u>\$ 314,284</u>	<u>\$ 299,310</u>	<u>\$ 9,857,813</u>

City of Greenville
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Capital assets activity of the component unit for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Component Unit				
Capital assets not being depreciated				
Land	\$ 192,044	\$ -	\$ -	\$ 192,044
Capital assets being depreciated				
Land improvements	6,281,230	-	-	6,281,230
Less accumulated depreciation for				
Land improvements	<u>391,972</u>	<u>157,031</u>	<u>-</u>	<u>549,003</u>
Net capital assets being depreciated	<u>5,889,258</u>	<u>(157,031)</u>	<u>-</u>	<u>5,732,227</u>
Component unit capital assets, net	<u>\$ 6,081,302</u>	<u>\$ (157,031)</u>	<u>\$ -</u>	<u>\$ 5,924,271</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 76,352
Public safety	135,411
Community and economic development	501,142
Recreation and culture	133,378
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>106,098</u>
Total governmental activities	<u>952,381</u>
Business-type activities	
Sewer	204,203
Water	98,092
Parking	31,182
Dial-A-Ride	<u>89,465</u>
Total business-type activities	<u>422,942</u>
Total primary government	<u>\$ 1,375,323</u>

City of Greenville
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NOTE 6 - INTERFUND RECEIVABLES, PAYABLE, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due from/to other funds		
General Fund	Cemetery	\$ 504
Water Fund	Capital Improvement Fund	52,515
Major Street Fund	Capital Improvement Fund	28,746
Industrial Park Fund	Capital Improvement Fund	93,800
Capital Improvement Fund	General Fund	6,591
		<u>\$ 182,156</u>

The outstanding balances between funds result mainly from the time lag between the dates that 1) interfund goods and services are provided or reimbursable expenditures occur, 2) transactions are recorded in the accounting system, and 3) payments between funds are made.

Due to/from primary government and component units

Due to/from other funds		
DDA	Trust and Agency	\$ 161,351
DDA	Delinquent Personal Property	2
TIFA	Trust and Agency	130,737
LDFA	Trust and Agency	285,808
Special Assessments	DDA	8,310
General Fund	DDA	58,113
		<u>\$ 644,321</u>

The details for interfund transfers are as follows:

Fund	Income Transfers	Outgoing Transfers
General	\$ 1,158,902	\$ 249,365
Major street	-	424,511
Local street	115,000	113,229
Capital improvements	216,018	519,897
Industrial park	-	67,078
Special assessments	-	-
Solid waste	-	69,302
Nonmajor governmental	164,291	76,081
Sewer	1,071	290,481
Water	265,684	144,616
Nonmajor enterprise	173,329	139,735
Internal service	-	-
Total	<u>\$ 2,094,295</u>	<u>\$ 2,094,295</u>

Transfers are used to move unrestricted general fund revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided as subsidies or matching funds for various grant programs.

City of Greenville
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NOTE 7 - LEASES

Capital Leases

The City has a capital lease for a bulldozer. The future minimum lease payments are as follows:

<u>Year ending June 30,</u>			
2008			\$ 31,413
2009			<u>31,413</u>
Total minimum lease payments			62,826
Less amount representing interest			<u>5,221</u>
Present value of minimum lease payments			<u>\$ 57,605</u>
Asset			
Machinery and equipment			\$ 76,000
Less accumulated depreciation			<u>15,200</u>
Total			<u>\$ 60,800</u>

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NOTE 8 - LONG-TERM DEBT

The government issues bonds to provide for the acquisition and construction of major capital projects. General obligation bonds are direct obligations and pledge the full faith and credit of the government. Installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences. Compensated absences are typically liquidated with funds from the General Fund.

Long-term obligation activity is summarized as follows:

	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities									
Bonds and notes payable									
General obligation bonds									
2000 Government obligation bonds	\$ 250,000	9/1/09	5.05 - 5.15%	\$30,000 - \$35,000	\$ 120,000	\$ -	\$ 30,000	\$ 90,000	\$ 30,000
Special assessment obligations									
2000 Special assessment bonds	455,000	9/1/05	5.05 - 5.15%	\$50,000 - \$60,000	205,000	-	45,000	160,000	50,000
Capital Improvement bonds									
2006 Capital Improvement bonds	310,000	10/1/26	4.875%	\$5,000 - \$24,000	-	310,000	-	310,000	5,000
Installment purchase agreements									
Commercial Bank Greenville	470,000	1/8/16	4.09%	\$44,154 - \$61,110	-	470,000	-	470,000	44,154
Chase Equipment Leasing, Inc	648,500	6/28/16	4.46%	\$1,791 - \$392,664	648,500	-	20,985	627,515	21,940
Total bonds payable					973,500	780,000	95,985	1,657,515	151,094
Contracts payable									
1998 Michigan Aeronautics	100,000	12/22/08	4.70%	\$11,642 - \$12,195	34,845	-	11,132	23,713	11,642
Compensated absences									
Capital Lease - Caterpillar	76,000	5/1/09	5.50%	\$28,245 - \$29,360	-	76,000	18,395	57,605	28,245
Total governmental activities					<u>\$ 1,535,931</u>	<u>\$ 882,780</u>	<u>\$ 125,512</u>	<u>\$ 2,293,199</u>	<u>\$ 190,981</u>

City of Greenville
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	Amount of Issue	Maturity Date	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities									
Bonds and notes payable									
General obligation bonds									
1993 Wastewater treatment bonds	\$ 500,000	5/1/08	6.10%	\$60,000	\$ 120,000	\$ -	\$ 60,000	\$ 60,000	\$ 60,000
1995 Wastewater treatment bonds	350,000	4/1/15	5.30%-6.00%	\$20,000 - \$30,000	215,000	-	20,000	195,000	20,000
1997 Wastewater treatment bonds	600,000	7/1/12	5.00%-5.25%	\$45,000 - \$55,000	<u>295,000</u>	<u>-</u>	<u>45,000</u>	<u>250,000</u>	<u>45,000</u>
Total business-type activities					<u>\$ 630,000</u>	<u>\$ -</u>	<u>\$ 125,000</u>	<u>\$ 505,000</u>	<u>\$ 125,000</u>
Component units									
Local Development Finance Authority									
1994 Tax Increment Development bonds	\$ 700,000	5/1/09	6.30%-6.35%	\$85,000 - \$95,000	\$ 255,000	\$ -	\$ 75,000	\$ 180,000	\$ 85,000
Loan Payable	1,240,000	7/11/11	4.95%	\$945,686	945,686	-	594,617	351,069	71,198
Chase Equipment Leasing, Inc	1,010,824	4/7/16	4.15%	\$28,683 - \$377,609	1,010,824	-	55,627	955,197	57,961
Downtown Development Authority									
2002 Government obligation bonds	4,750,000	4/1/22	4.70%-4.75%	\$200,000 - \$395,000	4,425,000	-	160,000	4,265,000	200,000
Commercial bank note	150,000	9/29/20	3.00%	\$4,178 - \$6,153	<u>146,004</u>	<u>-</u>	<u>8,172</u>	<u>137,832</u>	<u>8,173</u>
Total component units					<u>\$ 6,782,514</u>	<u>\$ -</u>	<u>\$ 893,416</u>	<u>\$ 5,889,098</u>	<u>\$ 422,332</u>

City of Greenville
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Annual debt service requirements to maturity for the above obligations are as follows:

Year Ending June 30,	Governmental Activities		Business-type Activites	
	Principal	Interest	Principal	Interest
2008	\$ 190,981	\$ 74,135	\$ 125,000	\$ 27,810
2009	200,432	66,380	65,000	20,767
2010	171,874	57,837	75,000	17,372
2011	85,952	51,801	80,000	13,398
2012	89,159	35,055	80,000	9,314
2013-2017	804,435	184,497	80,000	10,276
2018-2022	86,000	37,682	-	-
2023-2026	110,000	13,895	-	-
	<u>\$ 1,738,833</u>	<u>\$ 521,282</u>	<u>\$ 505,000</u>	<u>\$ 98,937</u>

Year Ending June 30,	Component Unit	
	Principal	Interest
2008	\$ 422,332	\$ 255,850
2009	448,830	238,411
2010	370,371	219,714
2011	387,215	206,465
2012	361,939	192,628
2013-2017	2,071,409	719,851
2018-2022	1,827,002	265,183
	<u>\$ 5,889,098</u>	<u>\$ 2,098,102</u>

Compensated Absences

Accrued compensated absences at year end, consists of \$497,486 of accrued sick time benefits and \$56,880 of vacation hours earned and vested. The entire amount is considered long-term as the amount expended each year is expected to be offset by sick time earned for the year.

NOTE 9 - RESTRICTED ASSETS

The balance of the restricted assets for bond debt reserves accounts in the Enterprise Funds are as follows:

Sewer Fund Investment s \$881,370

NOTE 10 - RISK MANAGEMENT

The government is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City participates in a pool, the Michigan Municipal Liability and Property Pool, with other municipalities for auto, property, liability, inland marine, electronic data processing, crime and bonds, and boiler and machinery losses. The pool is organized under Public Act 138 of 1982, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have rights to dividends.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation loses. The pool is organized under Public Act 317 of 1969, as amended. The City has no liability for additional assessments based on the claims filed against the pool nor do they have any rights to dividends.

The City carries commercial health insurance for the benefit of its employees. The City is self funded for prescriptions and the portion of health benefits, dental, vision, unemployment and indemnity that exceed the coverage of the commercial insurance. The requirements of Statement No. 10 of the Governmental Accounting Standards Board requires that a liability for claims be reported if it is probable that a liability has been incurred and the amount of the loss can be reasonable estimated. At June 30, 2007 – there were no claims liability reported in the Health and Life Insurance Internal Service Fund.

City of Greenville
Notes to Financial Statements
June 30, 2007

NOTE 11 - EMPLOYEE RETIREMENT AND BENEFIT SYSTEMS

Retirement Plan – (Except Certain Public Safety Employees)

Plan description – The City provides pension benefits for substantially all employees except public safety employees working more than 1,000 hours per year through a defined contribution plan, which was established by the City Council and may be amended from time to time by the City Council. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate after one year employment. The City contributes .5% of each participant's base salary to the plan. The City will then match employee contributions 1/5 to 1 up to a maximum employee contribution of 4% of their wage. The City's contributions are vested at a rate of 40% after four (4) years of service and an additional 10% per year for each year thereafter with full vesting after ten years of continuous service. City contributions and interest are forfeited by employees who leave the plan and are not fully vested and are reallocated among remaining participants.

The City's total applicable (excluding public safety employees covered under another retirement plan) payroll for the year ending June 30, 2007 was \$2,509,631. The City's applicable covered payroll was \$1,992,179. The City's contribution was \$119,531.

Retirement Plan – Certain Public Safety Employees

Plan description – The government participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the government. The system provides retirement, disability and death benefits to plan members and their beneficiaries. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report

may be obtained by writing to MERS at 447 N. Canal Rd., Lansing, Michigan 48917.

Funding policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the government's competitive bargaining units and requires a contribution from the employees of 3-5% percent of gross wages. The City is required to contribute the remaining amounts necessary to fund the system.

Annual pension costs – For year ended June 30, 2007, the government's annual pension cost of \$56,174 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using the entry actual age cost method. Significant actuarial assumptions used include: 1) an 8% investment rate of return; 2) projected salary increases of 4.5% percent per year; and 3) additional salary increases ranging from 0 – 4.2% per year depending on age, seniority and merit; and 4) assumption benefits will not increase after retirement. Both determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 10 years.

City of Greenville
Notes to Financial Statements
June 30, 2007

Three year trend information as of December 31 follows:

	<u>2006</u>	<u>2005</u>	<u>2004</u>
Annual pension cost	\$ 53,292	\$ 53,412	\$ 54,425
Percentage of APC contributed	100%	100%	100%
Actuarial value of assets	3,285,953	3,103,280	2,938,895
Actuarial accrued liabilities	3,773,668	3,644,426	3,403,735
Unfunded AAL	487,715	541,146	464,840
Funded ratio	87.0%	85.0%	86.0%
Covered payroll	888,097	890,143	932,355
UAAL as a percentage of covered payroll	55%	61%	50%

NOTE 12 - POST-EMPLOYMENT HEALTH CARE BENEFITS

In addition to providing pension benefits, the City provides certain health care benefits for non-union retired employees. The City's non-union employees may become eligible for these benefits if they retire from the City at age 62. The benefit to the eligible retirees is \$4 per month for each year of service and will be indexed 5% per year. Eligible retirees will receive the benefit for 25 years.

NOTE 13 - PRIOR PERIOD ADJUSTMENTS

The following prior period adjustment was made during the year. This is due to the understatement of depreciation expense in the prior year in the Dial-A-Ride Fund. This adjustment was reported as a change to beginning net assets.

Dial-A-Ride Fund

Beginning Net assets	\$ 148,556
Prior period adjustment	<u>(11,488)</u>
Beginning Net assets (restated)	<u>\$ 137,068</u>

In addition, the following prior period adjustment was made during the

year. The beginning net assets in the Motor Pool fund were understated by \$9,850. Too much depreciation was recorded in the prior year.

Motor Pool Fund

Beginning Net assets	\$607,951
Prior period adjustment	<u>9,850</u>
Beginning Net assets (restated)	<u>\$617,801</u>

In the prior year, long term debt of \$1,010,824 was incorrectly recorded in the governmental funds when it should have been recorded as a Component Unit.

The government wide net assets were restated as follows:

Governmental Activities

Beginning Net assets	\$26,381,942
Prior Period adjustment	<u>1,020,674</u>
Beginning Net assets (restated)	<u>\$27,402,616</u>

Business-type Activities

Beginning Net assets	\$ 11,697,559
Prior Period adjustment	<u>(11,488)</u>
Beginning Net assets (restated)	<u>\$ 11,686,071</u>

Component Units

Beginning Net assets	\$ 641,770
Prior Period adjustment	<u>(1,010,824)</u>
Beginning Net assets (restated)	<u>\$ (369,054)</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under)
Revenues				Final
Taxes				Budget
Property taxes	\$ 1,849,200	\$ 1,849,200	\$ 1,875,848	\$ 26,648
Penalties and interest	25,000	25,000	21,733	(3,267)
Administration fee	117,000	117,000	120,745	3,745
Licenses and permits	65,000	65,000	22,100	(42,900)
State revenue sharing	807,000	807,000	761,557	(45,443)
State grants	6,000	6,000	4,051	(1,949)
Local contributions	-	-	45,305	45,305
Charges for services	111,466	111,466	111,602	136
Fines and forfeitures	50,000	50,000	44,127	(5,873)
Interest income	100,000	100,000	251,804	151,804
Rental income	33,000	33,000	47,508	14,508
Other revenue	157,000	157,000	183,744	26,744
Insurance recoveries	15,000	15,000	32,894	17,894
Transfer in	1,083,760	1,083,760	1,158,902	75,142
Total revenues	<u>4,419,426</u>	<u>4,419,426</u>	<u>4,681,920</u>	<u>262,494</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Expenditures				
General government				
Township board	97,000	96,000	95,182	(818)
Manager	190,250	193,000	192,031	(969)
Clerk	215,245	218,000	214,886	(3,114)
Board of review	800	800	585	(215)
Assessor	105,550	97,500	97,388	(112)
Elections	8,000	12,500	12,093	(407)
Buildings and grounds	67,510	63,510	60,599	(2,911)
Public safety building maintenance	66,410	66,410	64,667	(1,743)
Attorney	70,000	114,000	105,574	(8,426)
Cemetery	23,050	33,000	32,543	(457)
Total general government	<u>843,815</u>	<u>894,720</u>	<u>875,548</u>	<u>(19,172)</u>
Public safety				
Police	<u>1,442,700</u>	<u>1,452,500</u>	<u>1,290,991</u>	<u>(161,509)</u>
Public works				
Department of public works	255,800	263,000	395,757	132,757
Street lighting	<u>85,000</u>	<u>94,000</u>	<u>93,967</u>	<u>(33)</u>
Total public works	<u>340,800</u>	<u>357,000</u>	<u>489,724</u>	<u>132,724</u>
Community and economic development				
Planning	68,100	61,000	59,399	(1,601)
Economic Development	45,455	41,455	39,177	(2,278)
Zoning	<u>-</u>	<u>-</u>	<u>9,068</u>	<u>9,068</u>
Total community and economic development	<u>113,555</u>	<u>102,455</u>	<u>107,644</u>	<u>5,189</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual
	Original	Final		Over (Under) Final Budget
Recreation and culture				
Parks and recreation	55,300	64,000	63,599	(401)
Other functions				
Airport	21,250	24,000	21,574	(2,426)
Insurance and bonds	179,688	149,688	151,319	1,631
Unallocated employee fringe benefits	1,177,918	1,167,418	1,176,642	9,224
Total other functions	1,378,856	1,341,106	1,349,535	8,429
Capital outlay	5,000	5,000	1,876	(3,124)
Transfers out	239,400	249,500	249,365	(135)
Total expenditures	4,419,426	4,466,281	4,428,282	(37,999)
Excess (deficiency) of revenues over expenditures	-	(46,855)	253,638	300,493
Fund balance - beginning of year	724,500	724,500	724,500	-
Fund balance - end of year	<u>\$ 724,500</u>	<u>\$ 677,645</u>	<u>\$ 978,138</u>	<u>\$ 300,493</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Major Street Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
State revenue sharing	\$ 419,040	\$ 419,040	\$ 445,035	\$ 25,995
Other state grants	50,000	50,000	41,851	(8,149)
Interest income	4,000	4,000	25,173	21,173
Total revenues	<u>473,040</u>	<u>473,040</u>	<u>512,059</u>	<u>39,019</u>
Expenditures				
Current				
Public works	246,950	248,950	249,105	155
Transfers out	581,310	579,310	424,511	(154,799)
Total expenditures	<u>828,260</u>	<u>828,260</u>	<u>673,616</u>	<u>(154,644)</u>
Excess (deficiency) of revenues over expenditures	(355,220)	(355,220)	(161,557)	193,663
Fund balance - beginning of year	<u>936,115</u>	<u>936,115</u>	<u>936,115</u>	<u>-</u>
Fund balance - end of year	<u>\$ 580,895</u>	<u>\$ 580,895</u>	<u>\$ 774,558</u>	<u>\$ 193,663</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Local Street Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 116,000	\$ 116,000	\$ 122,191	\$ 6,191
State revenue sharing	158,000	158,000	159,733	1,733
Interest income	8,000	8,000	7,449	(551)
Transfers in	<u>105,000</u>	<u>105,000</u>	<u>115,000</u>	<u>10,000</u>
Total revenues	<u>387,000</u>	<u>387,000</u>	<u>404,373</u>	<u>17,373</u>
Expenditures				
Current				
Public works	349,070	394,070	311,683	(82,387)
Transfers out	<u>118,400</u>	<u>98,400</u>	<u>113,229</u>	<u>14,829</u>
Total expenditures	<u>467,470</u>	<u>492,470</u>	<u>424,912</u>	<u>(67,558)</u>
Excess (deficiency) of revenues over expenditures	(80,470)	(105,470)	(20,539)	84,931
Fund balance - beginning of year	<u>440,472</u>	<u>440,472</u>	<u>440,472</u>	<u>-</u>
Fund balance - end of year	<u>\$ 360,002</u>	<u>\$ 335,002</u>	<u>\$ 419,933</u>	<u>\$ 84,931</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Industrial Park Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under) Final Budget
	Original	Final		
Revenues				
Federal grants	\$ 600,000	\$ 600,000	\$ 597,016	\$ (2,984)
Sale of fixed assets	72,000	72,000	-	(72,000)
Bond/note proceeds	-	828,000	-	(828,000)
	<u>672,000</u>	<u>1,500,000</u>	<u>597,016</u>	<u>(902,984)</u>
Total revenues				
Expenditures				
Current				
Other functions	22,000	622,000	585,873	(36,127)
Capital outlay	600,000	828,000	722,318	(105,682)
Transfers out	50,000	50,000	67,078	17,078
	<u>672,000</u>	<u>1,500,000</u>	<u>1,375,269</u>	<u>(124,731)</u>
Total expenditures				
Deficiency of revenues over expenditures	-	-	(778,253)	(778,253)
Fund balance - beginning of year	<u>508,984</u>	<u>508,984</u>	<u>508,984</u>	<u>-</u>
Fund balance (deficit) - end of year	<u>\$ 508,984</u>	<u>\$ 508,984</u>	<u>\$ (269,269)</u>	<u>\$ (778,253)</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Special Assessments
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Local contributions	\$ 25,700	\$ 25,700	\$ 51,573	\$ 25,873
Interest income	11,900	11,900	37,342	25,442
Other revenue	59,000	59,000	106,158	47,158
Total revenues	<u>96,600</u>	<u>96,600</u>	<u>195,073</u>	<u>98,473</u>
Expenditures				
Debt service				
Principal retirement	92,000	92,000	75,000	(17,000)
Interest and fiscal charges	4,600	4,600	14,888	10,288
Total expenditures	<u>96,600</u>	<u>96,600</u>	<u>89,888</u>	<u>(6,712)</u>
Excess of revenues over expenditures	-	-	105,185	105,185
Fund balance - beginning of year	<u>31,339</u>	<u>31,339</u>	<u>31,339</u>	<u>-</u>
Fund balance - end of year	<u>\$ 31,339</u>	<u>\$ 31,339</u>	<u>\$ 136,524</u>	<u>\$ 105,185</u>

City of Greenville
Required Supplemental Information
Budgetary Comparison Schedule
Solid Waste Fund
For the Year Ended June 30, 2007

	Budgeted Amounts		Actual	Actual Over (Under)
	Original	Final		Final Budget
Revenues				
Taxes	\$ 185,000	\$ 185,000	\$ 184,776	\$ (224)
Licenses and permits	-	-	4,363	4,363
Other state grants	-	7,000	12,000	5,000
Charges for services	575,600	575,600	622,792	47,192
Fines and forfeitures	3,000	3,000	3,603	603
Interest income	5,000	5,000	15,076	10,076
Rental income	55,000	55,000	23,610	(31,390)
 Total revenues	 <u>823,600</u>	 <u>830,600</u>	 <u>866,220</u>	 <u>35,620</u>
Expenditures				
Current				
Public works	777,100	784,100	765,397	(18,703)
Transfers out	82,770	82,770	69,302	(13,468)
 Total expenditures	 <u>859,870</u>	 <u>866,870</u>	 <u>834,699</u>	 <u>(32,171)</u>
 Excess (deficiency) of revenues over expenditures	 (36,270)	 (36,270)	 31,521	 67,791
 Fund balance - beginning of year	 <u>446,401</u>	 <u>446,401</u>	 <u>446,401</u>	 <u>-</u>
 Fund balance - end of year	 <u>\$ 410,131</u>	 <u>\$ 410,131</u>	 <u>\$ 477,922</u>	 <u>\$ 67,791</u>

City of Greenville
Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Community Center	Danish Kindgom Maintenance	Development and Rehabilitation	Debt Service	Fire Department Equipment	Cemetery Perpetual Care	
Assets							
Cash and cash equivalents	\$ 128,164	\$ -	\$ 132,796	\$ 274	\$ 217,347	\$ 180,633	\$ 659,214
Investments	-	-	400,000	-	147,678	49,625	597,303
Receivables							
Customers	-	922	-	-	-	-	922
Accrued interest and other	-	-	-	-	905	608	1,513
Due from other units of government	1,100	-	-	-	-	-	1,100
Total assets	\$ 129,264	\$ 922	\$ 532,796	\$ 274	\$ 365,930	\$ 230,866	\$ 1,260,052
Liabilities							
Accounts payable	139,825	888	-	-	-	-	140,713
Accrued and other liabilities	4,890	-	-	-	-	-	4,890
Due to other funds	-	-	-	-	-	504	504
Total liabilities	144,715	888	-	-	-	504	146,107
Fund Balances							
Reserved for:							
Debt service	-	-	-	274	-	-	274
Capital improvements	-	-	-	-	365,930	-	365,930
Perpetual care	-	-	-	-	-	230,362	230,362
Unreserved							
Undesignated (deficit)	(15,451)	34	532,796	-	-	-	517,379
Total fund balances (deficit)	(15,451)	34	532,796	274	365,930	230,362	1,113,945
Total liabilities and fund balances	\$ 129,264	\$ 922	\$ 532,796	\$ 274	\$ 365,930	\$ 230,866	\$ 1,260,052

City of Greenville
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Community Center	Danish Kingdom Maintenance	Development and Rehabilitation	Debt Service	Fire Dept. Equipment	Cemetery Perpetual Care	
Revenues							
Other state grants	\$ 17,400	\$ -	\$ -	\$ -	\$ 2,388	\$ -	\$ 19,788
Charges for services	63,923	-	-	-	-	7,200	71,123
Interest income	4,083	-	4,659	-	10,130	10,040	28,912
Rental income	51,821	-	-	-	-	-	51,821
Other revenue	31,147	922	-	-	-	-	32,069
Total revenues	168,374	922	4,659	-	12,518	17,240	203,713

City of Greenville
Other Supplemental Information
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	Special Revenue Funds			Debt Service Fund	Capital Projects Funds	Permanent Fund	Total Nonmajor Governmental Funds
	Community Center	Danish Kingdom Maintenance	Development and Rehabilitation	Debt Service	Fire Dept. Equipment	Cemetery Perpetual Care	
Expenditures							
Current							
Recreation and culture	\$ 208,276	\$ 3,351	\$ 50,000	\$ -	\$ -	\$ -	\$ 261,627
Capital outlay	-	-	-	-	55,158	-	55,158
Debt service							
Principal retirement	-	-	-	11,132	20,985	-	32,117
Interest and fiscal charges	-	-	-	8,221	28,498	-	36,719
Total expenditures	<u>208,276</u>	<u>3,351</u>	<u>50,000</u>	<u>19,353</u>	<u>104,641</u>	<u>-</u>	<u>385,621</u>
Excess (deficiency) of revenues over expenditures	<u>(39,902)</u>	<u>(2,429)</u>	<u>(45,341)</u>	<u>(19,353)</u>	<u>(92,123)</u>	<u>17,240</u>	<u>(181,908)</u>
Other financing sources (uses)							
Transfers in	91,800	3,100	-	19,391	50,000	-	164,291
Transfers out	<u>(75,098)</u>	<u>(483)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(500)</u>	<u>(76,081)</u>
Total other financing sources and uses	<u>16,702</u>	<u>2,617</u>	<u>-</u>	<u>19,391</u>	<u>50,000</u>	<u>(500)</u>	<u>88,210</u>
Net change in fund balance	(23,200)	188	(45,341)	38	(42,123)	16,740	(93,698)
Fund balance (deficit) - beginning of year	<u>7,749</u>	<u>(154)</u>	<u>578,137</u>	<u>236</u>	<u>408,053</u>	<u>213,622</u>	<u>1,207,643</u>
Fund balance (deficit) - end of year	<u>\$ (15,451)</u>	<u>\$ 34</u>	<u>\$ 532,796</u>	<u>\$ 274</u>	<u>\$ 365,930</u>	<u>\$ 230,362</u>	<u>\$ 1,113,945</u>

City of Greenville
Other Supplemental Information
Combining Balance Sheet
Nonmajor Enterprise Funds
June 30, 2007

	<u>Recreation</u>	<u>Parking</u>	<u>Dial-A-Ride</u>	<u>Total Nonmajor Enterprise Funds</u>
Assets				
Current assets				
Cash and cash equivalents	\$ 104,111	\$ 19,337	\$ -	\$ 123,448
Receivables				
Customers	162	-	786	948
Due from other units of government	<u>-</u>	<u>-</u>	<u>1,321</u>	<u>1,321</u>
Total current assets	<u>104,273</u>	<u>19,337</u>	<u>2,107</u>	<u>125,717</u>
Noncurrent assets				
Capital assets, net	<u>-</u>	<u>637,909</u>	<u>273,156</u>	<u>911,065</u>
Total assets	<u>104,273</u>	<u>657,246</u>	<u>275,263</u>	<u>1,036,782</u>
Liabilities				
Current liabilities				
Accounts payable	23,296	77	116,402	139,775
Accrued and other liabilities	6,457	-	7,076	13,533
Deferred revenue	<u>3,754</u>	<u>-</u>	<u>-</u>	<u>3,754</u>
Total liabilities	<u>33,507</u>	<u>77</u>	<u>123,478</u>	<u>157,062</u>
Net Assets				
Invested in capital assets, net of related debt	-	637,909	273,156	911,065
Unrestricted (deficit)	<u>70,766</u>	<u>19,260</u>	<u>(121,371)</u>	<u>(31,345)</u>
Total net assets	<u>\$ 70,766</u>	<u>\$ 657,169</u>	<u>\$ 151,785</u>	<u>\$ 879,720</u>

City of Greenville
Other Supplemental Information
Statement of Revenues, Expenses and Changes in Fund Net Assets
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	Enterprise Funds			Total Nonmajor Enterprise Funds
	Recreation	Parking	Dial-A-Ride	
Operating revenue				
Customer fees	\$ 117,893	\$ -	\$ 42,469	\$ 160,362
Rental income	2,630	-	-	2,630
Other revenue	3,716	-	-	3,716
Total operating revenue	<u>124,239</u>	<u>-</u>	<u>42,469</u>	<u>166,708</u>
Operating expenses				
Personnel services	117,294	13,045	221,350	351,689
Supplies	37,091	5,090	71,870	114,051
Contractual services	18,274	-	650	18,924
Utilities	7,797	-	5,643	13,440
Repairs and maintenance	260	-	-	260
Other expenses	9,929	11,749	109	21,787
Capital outlay	814	-	361	1,175
Depreciation	-	31,182	89,465	120,647
Total operating expenses	<u>191,459</u>	<u>61,066</u>	<u>389,448</u>	<u>641,973</u>
Operating loss	<u>(67,220)</u>	<u>(61,066)</u>	<u>(346,979)</u>	<u>(475,265)</u>
Nonoperating revenue (expenses)				
Property taxes	-	12,014	50,912	62,926
Federal grant	-	-	78,036	78,036
State grant	-	-	307,498	307,498
Interest income	2,305	-	-	2,305
Total nonoperating revenues	<u>2,305</u>	<u>12,014</u>	<u>436,446</u>	<u>450,765</u>
Gain (loss) before contributions and transfers out	<u>(64,915)</u>	<u>(49,052)</u>	<u>89,467</u>	<u>(24,500)</u>
Local contributions	-	-	16,500	16,500
Transfers in	105,574	67,755	-	173,329
Transfers out	(40,241)	(8,244)	(91,250)	(139,735)
Change in net assets	418	10,459	14,717	25,594
Net assets - beginning of year	<u>70,348</u>	<u>646,710</u>	<u>148,556</u>	<u>865,614</u>
Prior period adjustment	-	-	(11,488)	(11,488)
Net assets - beginning of year restated	<u>70,348</u>	<u>646,710</u>	<u>137,068</u>	<u>854,126</u>
Net assets - end of year	<u>\$ 70,766</u>	<u>\$ 657,169</u>	<u>\$ 151,785</u>	<u>\$ 879,720</u>

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2007

	<u>Recreation</u>	<u>Parking</u>	<u>Dial-A-Ride</u>	<u>Total Nonmajor Enterprise Funds</u>
Cash flows from operating activities				
Receipts from customers	\$ 124,099	\$ -	\$ 42,249	\$ 166,348
Payments to suppliers	(55,090)	(16,762)	(49,995)	(121,847)
Payments to employees	(116,698)	(13,045)	(221,044)	(350,787)
Net cash used by operating activities	<u>(47,689)</u>	<u>(29,807)</u>	<u>(228,790)</u>	<u>(306,286)</u>
Cash flows from noncapital financing activities				
Transfer from other funds	105,574	67,755	-	173,329
Transfers to other funds	(40,241)	(8,244)	(91,250)	(139,735)
Local contributions	-	-	16,500	16,500
Property taxes	-	-	50,912	50,912
Federal grant	-	-	78,036	78,036
State grant	-	-	307,498	307,498
Net cash provided by noncapital financing activities	<u>65,333</u>	<u>59,511</u>	<u>361,696</u>	<u>486,540</u>
Cash flows from capital and related financing activities				
Proceeds from special assessments	-	12,014	-	12,014
Purchases/construction of capital assets	-	(51,255)	(132,906)	(184,161)
Proceeds from sale of capital assets	-	-	-	57,605
Net cash used by capital and related financing activities	<u>-</u>	<u>(39,241)</u>	<u>(132,906)</u>	<u>(114,542)</u>
Cash flows from investing activities				
Interest received	<u>2,305</u>	<u>-</u>	<u>-</u>	<u>2,305</u>
Net increase (decrease) in cash and cash equivalents	19,949	(9,537)	-	10,412
Cash and cash equivalents - beginning of year	<u>84,162</u>	<u>28,874</u>	<u>-</u>	<u>113,036</u>
Cash and cash equivalents - end of year	<u>\$ 104,111</u>	<u>\$ 19,337</u>	<u>\$ -</u>	<u>\$ 123,448</u>

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Nonmajor Enterprise Funds
Year Ended June 30, 2007

	<u>Recreation</u>	<u>Parking</u>	<u>Dial-A-Ride</u>	<u>Total Nonmajor Enterprise Funds</u>
Reconciliation of operating loss to net cash provided (used) by operating activities				
Operating loss	\$ (67,220)	\$ (61,066)	\$ (346,979)	\$ (475,265)
Adjustments to reconcile operating income to net cash from operating activities				
Depreciation and amortization expense	-	31,182	89,465	120,647
Changes in assets and liabilities				
Receivables (net)	(140)	-	(220)	(360)
Due from other units of government	-	-	19,168	19,168
Accounts payable	19,075	77	9,470	28,622
Accrued and other liabilities	596	-	306	902
Net cash used by operating activities	<u>\$ (47,689)</u>	<u>\$ (29,807)</u>	<u>\$ (228,790)</u>	<u>\$ (306,286)</u>

**City of Greenville
Dial-A-Ride Fund
Schedule of Operating Revenues
Year Ended June 30, 2007**

	<u>July 1, 2006 to Sept. 30, 2006</u>	<u>Oct. 1, 2006 to June 30, 2007</u>	<u>Total</u>
Operating revenues			
Demand response (fare box)	\$ 9,134	\$ 32,598	\$ 41,732
Contracted services	<u>-</u>	<u>737</u>	<u>737</u>
 Total operating revenues	 <u>\$ 9,134</u>	 <u>\$ 33,335</u>	 <u>\$ 42,469</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Nonoperating Revenues - Local
Year Ended June 30, 2007

	<u>July 1, 2006 to Sept. 30, 2006</u>	<u>Oct. 1, 2006 to June 30, 2007</u>	<u>Total</u>
Local nonoperating revenues			
Tax levy	\$ 53,998	\$ (3,086)	\$ 50,912
Private Contribution	<u>3,000</u>	<u>13,500</u>	<u>16,500</u>
 Total nonoperating revenue - local	 <u>\$ 56,998</u>	 <u>\$ 10,414</u>	 <u>\$ 67,412</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Nonoperating Revenues - State and Federal Grants
Year Ended June 30, 2007

State and federal grants	
State of Michigan	
Formula operating assistance	\$ 172,632
Capital grant - Section 5311	<u>134,866</u>
Total state grants	307,498
Federal grants	
U.S. DOT operating grant - Section 5311	<u>78,036</u>
Total nonoperating revenues - state and federal grants	<u>\$ 385,534</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Net Eligible Cost Computations of General Operations
Year Ended June 30, 2007

	<u>Federal Section 5311</u>		<u>State Operating Assistance</u>	
	<u>July 1, 2006 to Sept. 30, 2006</u>	<u>Oct. 1, 2006 to June 30, 2007</u>	<u>July 1, 2006 to Sept. 30, 2006</u>	<u>Oct. 1, 2006 to June 30, 2007</u>
Expenses				
Labor	\$ 58,043	\$ 159,406	\$ 58,043	\$ 159,406
Fringe benefits	27,627	80,357	27,627	80,357
Materials and supplies	15,978	43,416	15,978	43,416
Utilities	622	5,022	622	5,022
Lease and rentals	5	106	5	106
Miscellaneous	186	465	186	465
Depreciation	-	89,465	-	89,465
	<hr/>	<hr/>	<hr/>	<hr/>
Total expenses	102,461	378,237	102,461	378,237
Less ineligible expenses				
Depreciation	-	(89,465)	-	(89,465)
	<hr/>	<hr/>	<hr/>	<hr/>
Net expenses	<u>\$ 102,461</u>	<u>\$ 288,772</u>	102,461	288,772
Less: Section 5311 reimbursements			<hr/>	<hr/>
Net deficit eligible for state operating assistance reimbursement			(8,040)	(21,642)
			<hr/>	<hr/>
Net deficit eligible for state operating assistance reimbursement			<u>\$ 94,421</u>	<u>\$ 267,130</u>
Maximum Section 5311 reimbursement				
FY 06 (17.0%)	<u>\$ 17,418</u>			
FY 07 (16.0%)		<u>\$ 46,204</u>		
Maximum state operating assistance				
FY 06 (38.89%)			<u>\$ 36,720</u>	
FY 07 (38.62%)				<u>\$ 103,166</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Operating Expenses
Year Ended June 30, 2007

	<u>Operations</u>	<u>Maintenance</u>	<u>General Administrative</u>	<u>Total System</u>
Operating Expenses				
Labor				
Operator's wages and salaries	\$ 147,184	\$ -	\$ -	\$ 147,184
Other wages and salaries	46,032	11,633	12,600	70,265
Fringe benefits	94,410	7,158	6,416	107,984
Materials and supplies consumed				
Fuel and lubricants	41,326	-	-	41,326
Other materials and supplies	241	17,614	213	18,068
Utilities	5,022	-	622	5,644
Depreciation	-	-	89,465	89,465
Miscellaneous	-	651	-	651
Leases and rentals	-	111	-	111
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total operating expenses	<u>\$ 334,215</u>	<u>\$ 37,167</u>	<u>\$ 109,316</u>	<u>\$ 480,698</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Net Capital Assets Purchased with Federal, State, and Local Grants
Year Ended June 30, 2007

	<u>Federal</u>	<u>State</u>	<u>Local</u>	<u>Total</u>
Beginning balance - July 1, 2006	\$ 182,624	\$ 45,656	\$ 1,435	\$ 229,715
Plus: current year assets purchased with grant funds	132,906	-	-	132,906
Less: current year depreciation of assets purchased with grant funds	<u>(79,725)</u>	<u>(9,262)</u>	<u>(478)</u>	<u>(89,465)</u>
Ending balance - June 30, 2007	<u>\$ 235,805</u>	<u>\$ 36,394</u>	<u>\$ 957</u>	<u>\$ 273,156</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Mileage Data (Unaudited)
Year Ended June 30, 2007

Demand - Response	
First quarter	33,576
Second quarter	37,449
Third quarter	40,330
Fourth quarter	<u>38,640</u>
 Total mileage	 <u>149,995</u>

City of Greenville
Dial-A-Ride Fund
Schedule of Expenditures of Federal and State Awards
Year Ended June 30, 2007

Federal and State Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award Amount	Expenditures
Federal				
<u>U.S. Department of Transportation</u>				
Passed through MDOT				
Operating-Assistance - Section 5311	20.509		\$ 21,836	\$ 21,836
FY 04-05		02-0042/Z7	1,321	1,321
FY 05/06		02-0042/Z10	22,303	22,303
FY 06/07		07-0217/Z1	32,576	32,576
Total Federal Awards			<u>78,036</u>	<u>78,036</u>
State				
<u>Michigan Department of Transportation</u>				
Operating Assistance - Act 51	N/A			
FY 02/03		N/A	797	797
FY 03/04		N/A	181	181
FY 04/05		N/A	18,293	18,293
FY 06/07		N/A	153,361	153,361
Capital Grant		02-0042/Z9	56,348	56,348
Capital Grant		02-0042	78,518	78,518
Total State Awards			<u>307,498</u>	<u>307,498</u>
Total Federal and State Awards			<u>\$ 385,534</u>	<u>\$ 385,534</u>

City of Greenville
Other Supplemental Information
Combining Balance Sheet
Internal Service Funds
June 30, 2007

	Motor Pool	Health, Life, Dental and Vision Insurance	Unemployment	Weekly Indemnity	Retiree Health Benefits	Technology Improvements	Accrued Sick and Vacation Liability	Total Internal Service Funds
Assets								
Current assets								
Cash and cash equivalents	\$ 246,069	\$ 405,026	\$ 124,533	\$ 17,870	\$ 135,662	\$ 6,500	\$ 377,277	\$ 1,312,937
Investments	14,700	-	-	-	193,084	-	191,915	399,699
Receivables								
Customers	-	5,244	-	-	-	-	-	5,244
Accrued interest and other	153	-	-	-	377	-	4,106	4,636
Total current assets	<u>260,922</u>	<u>410,270</u>	<u>124,533</u>	<u>17,870</u>	<u>329,123</u>	<u>6,500</u>	<u>573,298</u>	<u>1,722,516</u>
Noncurrent assets								
Capital assets, net	<u>490,623</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>490,623</u>
Total assets	<u>751,545</u>	<u>410,270</u>	<u>124,533</u>	<u>17,870</u>	<u>329,123</u>	<u>6,500</u>	<u>573,298</u>	<u>2,213,139</u>
Liabilities								
Current liabilities								
Accounts payable	4,804	60,843	11,606	-	-	-	-	77,253
Accrued and other liabilities	<u>1,819</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,840</u>
Total current liabilities	<u>6,623</u>	<u>60,864</u>	<u>11,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>79,093</u>
Noncurrent liabilities								
Capital lease liability	57,605	-	-	-	-	-	-	57,605
Compensated absences payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,366</u>	<u>554,366</u>
Total noncurrent liabilities	<u>57,605</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,366</u>	<u>611,971</u>
Total liabilities	<u>64,228</u>	<u>60,864</u>	<u>11,606</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,366</u>	<u>691,064</u>
Net Assets								
Invested in capital assets, net of related debt	490,623	-	-	-	-	-	-	490,623
Unrestricted	<u>196,694</u>	<u>349,406</u>	<u>112,927</u>	<u>17,870</u>	<u>329,123</u>	<u>6,500</u>	<u>18,932</u>	<u>1,031,452</u>
Total net assets	<u>\$ 687,317</u>	<u>\$ 349,406</u>	<u>\$ 112,927</u>	<u>\$ 17,870</u>	<u>\$ 329,123</u>	<u>\$ 6,500</u>	<u>\$ 18,932</u>	<u>\$ 1,522,075</u>

City of Greenville
Other Supplemental Information
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Internal Service Funds
Year Ended June 30, 2007

	Motor Pool	Health, Life, Dental and Vision Insurance	Unemployment	Weekly Indemnity	Retiree Health Benefits	Technology Improvements	Accrued Sick and Vacation Liability	Total Internal Service Funds
Operating revenue								
Rental income	\$ 515,227	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 515,227
Billings to other funds	56,000	807,500	-	-	-	-	27,537	891,037
Other revenue	285	121,668	-	-	-	6,500	-	128,453
Total operating revenue	<u>571,512</u>	<u>929,168</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,500</u>	<u>27,537</u>	<u>1,534,717</u>
Operating expenses								
Personnel services	66,371	721,229	8,429	-	-	-	45,135	841,164
Supplies	96,218	-	-	-	-	-	-	96,218
Utilities	65,280	-	-	-	-	-	-	65,280
Repairs and maintenance	102,642	-	-	-	-	-	-	102,642
Other expenses	92,917	20,000	-	-	-	-	-	112,917
Capital Outlay	300	-	-	-	-	-	-	300
Depreciation	106,098	-	-	-	-	-	-	106,098
Total operating expenses	<u>529,826</u>	<u>741,229</u>	<u>8,429</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>45,135</u>	<u>1,324,619</u>
Operating income (loss)	<u>41,686</u>	<u>187,939</u>	<u>(8,429)</u>	<u>-</u>	<u>-</u>	<u>6,500</u>	<u>(17,598)</u>	<u>210,098</u>
Nonoperating revenue								
Interest income	6,586	12,374	1,868	853	6,800	-	18,713	47,194
Gain on investments	-	-	-	-	4,340	-	4,621	8,961
Gain on sale of assets	21,244	-	-	-	-	-	-	21,244
Total nonoperating revenues (expenses)	<u>27,830</u>	<u>12,374</u>	<u>1,868</u>	<u>853</u>	<u>11,140</u>	<u>-</u>	<u>23,334</u>	<u>77,399</u>
Income (loss) before contributions and transfers out	69,516	200,313	(6,561)	853	11,140	6,500	5,736	287,497
Transfers in	-	-	-	-	54,000	-	-	54,000
Transfers out	-	(54,000)	-	-	-	-	-	(54,000)
Change in net assets	69,516	146,313	(6,561)	853	65,140	6,500	5,736	287,497
Net assets - beginning of year	607,951	203,093	119,488	17,017	263,983	-	13,196	1,224,728
Prior period adjustment	9,850	-	-	-	-	-	-	9,850
Net assets - beginning of year (restated)	<u>617,801</u>	<u>203,093</u>	<u>119,488</u>	<u>17,017</u>	<u>263,983</u>	<u>-</u>	<u>13,196</u>	<u>1,234,578</u>
Net assets - end of year	<u>\$ 687,317</u>	<u>\$ 349,406</u>	<u>\$ 112,927</u>	<u>\$ 17,870</u>	<u>\$ 329,123</u>	<u>\$ 6,500</u>	<u>\$ 18,932</u>	<u>\$ 1,522,075</u>

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007

	Motor Pool	Health, Life, Dental and Vision Insurance	Unemployment	Weekly Indemnity	Retiree Health Benefits	Technology Improvements	Accrued Sick and Vacation Liability	Total Internal Service Funds
Cash flows from operating activities								
Receipts from customers	\$ 571,359	\$ 927,753	\$ -	\$ -	\$ 23	\$ 6,500	\$ (284)	\$ 1,505,351
Payments to suppliers	(357,491)	(20,000)	-	-	-	-	26,780	(350,711)
Payments to employees	(66,253)	(723,395)	(1,977)	-	-	-	(17,598)	(809,223)
Net cash provided (used) by operating activities	<u>147,615</u>	<u>184,358</u>	<u>(1,977)</u>	<u>-</u>	<u>23</u>	<u>6,500</u>	<u>8,898</u>	<u>345,417</u>
Cash flows from noncapital financing activities								
Transfer from other funds	-	-	-	-	54,000	-	-	54,000
Transfers to other funds	-	(54,000)	-	-	-	-	-	(54,000)
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>(54,000)</u>	<u>-</u>	<u>-</u>	<u>54,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from capital and related financing activities								
Purchases/construction of capital assets	(240,222)	-	-	-	-	-	-	(240,222)
Capital lease	57,605	-	-	-	-	-	-	57,605
Net cash used by capital and related financing activities	<u>(182,617)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(182,617)</u>
Cash flows from investing activities								
Proceeds from sales and maturities of investments	21,244	-	-	-	-	-	-	21,244
Purchase of investments	(14,700)	-	-	-	-	-	-	(14,700)
Interest received	6,586	12,374	1,868	853	6,800	-	18,713	47,194
Net cash provided by investing activities	<u>13,130</u>	<u>12,374</u>	<u>1,868</u>	<u>853</u>	<u>6,800</u>	<u>-</u>	<u>18,713</u>	<u>53,738</u>
Net increase (decrease) in cash and cash equivalents	(21,872)	142,732	(109)	853	60,823	6,500	27,611	216,538
Cash and cash equivalents - beginning of year	<u>267,941</u>	<u>262,294</u>	<u>124,642</u>	<u>17,017</u>	<u>74,839</u>	<u>-</u>	<u>349,666</u>	<u>1,096,399</u>
Cash and cash equivalents - end of year	<u>\$ 246,069</u>	<u>\$ 405,026</u>	<u>\$ 124,533</u>	<u>\$ 17,870</u>	<u>\$ 135,662</u>	<u>\$ 6,500</u>	<u>\$ 377,277</u>	<u>\$ 1,312,937</u>

City of Greenville
Other Supplemental Information
Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2007

	<u>Motor Pool</u>	<u>Health, Life, Dental and Vision Insurance</u>	<u>Unemployment</u>	<u>Weekly Indemnity</u>	<u>Retiree Health Benefits</u>	<u>Technology Improvements</u>	<u>Accrued Sick and Vacation Liability</u>	<u>Total Internal Service Funds</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities								
Operating income (loss)	\$ 41,686	\$ 187,939	\$ (8,429)	\$ -	\$ -	\$ -	\$ (17,598)	\$ 210,098
Adjustments to reconcile operating income to net cash from operating activities								
Depreciation and amortization expense	106,098	-	-	-	-	-	-	106,098
Changes in assets and liabilities								
Receivables (net)	(153)	(1,415)	-	-	23	-	(284)	(1,829)
Accounts payable	(134)	(2,166)	6,452	-	-	-	-	4,152
Accrued and other liabilities	118	-	-	-	-	-	26,780	26,898
Net cash provided (used) by operating activities	<u>\$ 147,615</u>	<u>\$ 184,358</u>	<u>\$ (1,977)</u>	<u>\$ -</u>	<u>\$ 23</u>	<u>\$ -</u>	<u>\$ 8,898</u>	<u>\$ 345,417</u>

City of Greenville
Other Supplemental Information
Component Unit - Downtown Development Authority
Reconciliation of the Balance Sheet to
The Statement of Net Assets
June 30, 2007

Total fund balances for Downtown Development Authority funds	\$ 197,343
Total net assets for Downtown Development Authority activities in the statement of net assets is different because:	
Capital assets used in Downtown Development activities are not financial resources and therefore are not reported in the funds.	5,924,271
Certain liabilities are not due and payable in the current period and are not reported in the funds. Accrued interest	(51,371)
Long-term liabilities applicable to Downtown Development Authority activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(4,402,832)</u>
Net assets of Downtown Development Authority activities	<u>\$ 1,667,411</u>

City of Greenville
Other Supplemental Information
Component Unit - Downtown Development Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2007

Revenues

Taxes	\$ 486,747
Interest income	1,619
Other revenue	50,000
Insurance recoveries	<u>6,214</u>
 Total revenues	 <u>544,580</u>

Expenditures

Current	
Community and economic development	169,640
Capital outlay	770
Debt service	
Principal retirement	168,172
Interest and fiscal charges	<u>213,114</u>
 Total expenditures	 <u>551,696</u>
 Excess of revenues over expenditures	 (7,116)
 Fund balance - beginning of year	 <u>204,459</u>
 Fund balance - end of year	 <u>\$ 197,343</u>



City of Greenville
Component Unit - Downtown Development Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Component Unit Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total Downtown Development funds \$ (7,116)

Total change in net assets reported for Downtown Development activities in the statement of activities is different because:

Downtown Development funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (157,031)

Expenses are recorded when incurred in the statement of activities

Accrued interest 765

Bond proceeds are reported as financing sources in Downtown Development funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not repayment of principal is an expenditure in the Downtown Development funds but reduces the liability in the statement of net assets.

Repayments of long-term debt 168,172

Change in net assets of Downtown Development activities \$ 4,790



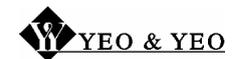
City of Greenville
Other Supplemental Information
Component Unit - Tax Increment Finance Authority
Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Year Ended June 30, 2007

Revenues

Taxes	\$ 170,511
Interest income	<u>2,762</u>
Total revenues	<u>173,273</u>

Expenditures

Current	
Other functions	<u>170,511</u>
Excess of revenues over expenditures	2,762
Fund balance - beginning of year	<u>38,940</u>
Fund balance - end of year	<u>\$ 41,702</u>



City of Greenville
Other Supplemental Information
Component Unit - Local Development Finance Authority
Reconciliation of the Balance Sheet to
The Statement of Net Assets
June 30, 2007

Total fund balances for Local Development Finance Authority funds	\$ 162,485
Total net assets for Local Development Finance Authority activities in the statement of net assets is different because:	
Certain liabilities are not due and payable in the current period and are not reported in the funds.	
Accrued interest	(18,089)
Long-term liabilities applicable to Local Development Finance Authority activities are not due and payable in the current period and accordingly are not reported as fund liabilities.	<u>(1,486,266)</u>
Net assets of Local Development Finance Authority activities	<u>\$ (1,341,870)</u>

City of Greenville
Other Supplemental Information
Component Unit - Local Development Finance Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
For the Year Ended June 30, 2007

Revenues

Taxes	\$ 233,204
Interest income	1,836
Transfers in	<u>579,858</u>
 Total revenues	 <u>814,898</u>

Expenditures

Debt service	
Principal retirement	725,042
Interest and fiscal charges	<u>87,715</u>
 Total expenditures	 <u>812,757</u>
 Excess of revenues over expenditures	 2,141
 Fund balance - beginning of year	 <u>160,344</u>
 Fund balance - end of year	 <u>\$ 162,485</u>



City of Greenville
Component Unit - Local Development Finance Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances
of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - Total Local Development Finance Authority funds	\$ 2,141
<p>Total change in net assets reported for Local Development Finance Authority activities in the statement of activities is different because:</p>	
<p>Expenses are recorded when incurred in the statement of activities</p>	
Accrued interest	2,507
<p>Bond proceeds are reported as financing sources in the governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not reduce the liability in the statement of net assets.</p>	
Repayments of long-term debt	725,244
Change in net assets of Local Development Authority activities	\$ 729,892



CITY OF GREENVILLE

Greenville , Michigan

Single Audit Report

June 30, 2007

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Report on Schedule of Federal Awards

City Council
City of Greenville
Greenville , Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Greenville for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007, which is qualified for the omission of the Greenville Housing Commission, a component unit of the City of Greenville. These financial statements are the responsibility of City of Greenville's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was made for the purpose of forming opinions on the basic financial statements of the City of Greenville taken as a whole. The accompanying Schedule of Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole. The omission of the Greenville Housing Commission, a component unit of the City of Greenville, has no effect on the Schedule of Expenditures of Federal Awards.

Yeo & Yeo, P.C.

Alma, Michigan
December 21, 2007

City of Greenville
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development Passed through State of Michigan Community Development Block Grant	14.228	\$ 785,569
U.S. Department of Transportation Highway Planning and Improvement Construction	20.509	<u>78,036</u>
Total expenditures of Federal Awards		<u>\$ 863,605</u>

City of Greenville
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2007

1. The Schedule of Expenditures of Federal Awards was prepared using the accrual basis of accounting.
2. The following is a reconciliation between the financial statements and schedule of expenditures of federal awards.

Federal revenue per financial statements	\$ 740,512
Prior year deferred revenue on financial statements	(659,135)
Current year deferred revenue on financial statements	<u>782,228</u>
Total expenditures of federal awards	<u>\$ 863,605</u>

3. The Community Development Block Grant between the City of Greenville and Michigan Economic Development Corporation has approved funds for road, water, and sewer improvements, relocation of gas line and machinery and equipment. The Schedule of Expenditures of Federal Awards does not include expenditures to date for machinery and equipment from phase I and phase II projects. These purchases will be made by United Solar Ovonic and reimbursed by the City of Greenville. There is no financial statement affect as the City will record expenditures and corresponding revenue once received.
4. In prior fiscal years the City spent federal dollars to relocate a gas line. In the current year the City was refunded \$275,000 from the vendor. The City at June 30, 2007 has a payable recorded on their financial statements to reflect the amount owed back to the Michigan Economic Development Corporation. The gas line relocation was an approved project under Phase I of the City of Greenville's Industrial Park Project. This has no impact on the current year single audit.

**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on
an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

City Council
City of Greenville
Greenville , Michigan

We have audited the financial statements of the City of Greenville as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007, which is qualified for the omission of the Greenville Housing Commission, a component unit of the City of Greenville. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Greenville's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Greenville's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Greenville's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as noted as 07-1.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not

identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Greenville's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We also noted other matters involving the internal control over financial reporting, which we have reported to management of City of Greenville in a separate letter dated December 21, 2007.

City of Greenville's response to the significant deficiency identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit City of Greenville's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
December 21, 2007

**Report on Compliance With Requirements Applicable to Each
Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133**

City Council
City of Greenville
Greenville , Michigan

Compliance

We have audited the compliance of City of Greenville with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. City of Greenville's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of City of Greenville's management. Our responsibility is to express an opinion on City of Greenville's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Greenville's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Greenville's compliance with those requirements.

In our opinion, City of Greenville complied, in all material respects, with the requirements referred to above that are applicable to each of its major programs for the year ended June 30, 2007.

Internal Control over Compliance

The management of City of Greenville is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered City of Greenville's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of the City Council, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Alma, Michigan
December 21, 2007

City of Greenville
Schedule of Findings and Questioned Costs
June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Qualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Significant deficiency (s) identified that are not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency (s) identified that are not considered to be material weaknesses? yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? yes no

City of Greenville
Schedule of Findings and Questioned Costs
June 30, 2007
(continued)

SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS

07-1 Finding Type – Significant Deficiency

Specific requirement: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Condition: Adjusting journal entries were required so the financial statements were not materially misstated.

Context: Auditor proposed twenty five journal entries.

Cause/Effect: Management is responsible for the financial statements and should be making the necessary adjustments prior to fieldwork.

Recommendations: We recommend that a review and evaluation of transactions and of the prior year adjusting journal entries would solve this issue.

Management's Response: We will review the prior year entries and consult our auditors prior to fieldwork so that the majority of the adjusting entries will be posted prior to giving the auditors the working trial balance.

SECTION III - FEDERAL AWARD FINDINGS

There were no findings or questioned costs for Federal Awards for the year ended June 30, 2007.

City of Greenville
Summary Schedule of Prior Audit Findings
June 30, 2007

SECTION IV – PRIOR AUDIT FINDINGS

There were no audit findings for the year ended June 30, 2006.



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To the Management and
Board of Directors of
City of Greenville

In planning and performing our audit of the financial statements of City of Greenville as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered City of Greenville's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weakness. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency to be a significant deficiency in internal control:

Journal Entries

Due to the implementation of SAS 112, we are required to report the following as a significant deficiency. SAS 112 is effective for audits of financial statements for periods ending on or after December 15, 2006. We proposed twenty-five journal entries that you approved and posted to your general ledger. The effect of such entries was to increase net income by \$298,714. Substantially all of the entries were to correct bookkeeping errors or to make accruals and other adjustments that should have been made prior to our arrival for the audit. We believe that the review and evaluation of transactions at year-end would solve this issue.

We have also noted various items we feel could improve your internal controls or operating efficiencies. These items are not considered significant deficiencies or material weaknesses but are presented for your consideration.

Internal controls over disbursements

It was noted during our discussion with the accounts payable clerk that the blank check stock is not stored in a secured area. We recommend that all blank check stock be locked up. It was also noted that vendor checks are mailed out prior to approval by the City Council. Under the current procedures, the City Council is approving the check stub and invoices after the checks have already been mailed. We recommend that all invoices be approved by the City Council

prior to mailing the checks. This will strengthen internal controls that are in place over cash disbursements and prevent checks from being mailed that the Council has not approved.

Internal controls over credit cards

During our credit card test, we noted that the City's credit card policy requires the City Manager to approve all credit card invoices before being forwarded to the Clerk/Treasurer for payment. While performing our test of controls, we discovered that the City Manager is not approving the credit card invoices prior to payment. We recommend that the City Manager review all credit card invoices prior to payment or that the City Council amend the credit card policy. We also discovered that a credit card purchase was shipped directly to an employee's home address. We recommend that all credit card purchases be shipped to a City building and that the proper controls be initiated and followed to prevent this from happening again. This will tighten the internal controls in place over credit card disbursements and ensure that all purchases are valid and appropriate.

Preparation of the Schedule of Expenditures of Federal Awards

The preparation of the Schedule of Expenditures of Federal Awards took several hours to complete as management was not aware of what grants were federally funded. Several phone calls were made to agencies to determine what portion was federal. We recommend that management identify those grants that are federally funded and track them throughout the year. This will make the preparation of the Schedule of Expenditures of Federal Awards more accurate and prevent omissions.

This communication is intended solely for the information and use of management, City Council and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Yeo & Yeo, P.C.

Yeo & Yeo
Alma, Michigan
December 21, 2007