

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 Ferrysburg		County Ottawa	
Fiscal Year End 06/30/2007		Opinion Date 12/18/2007		Date Audit Report Submitted to State			

We affirm that:

We are certified public accountants licensed to practice in Michigan.

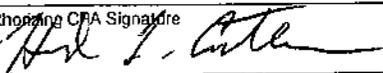
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. 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. 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. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. 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. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. 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. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. 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. The board or council approves all invoices prior to payment as required by charter or statute.
15. 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 type="checkbox"/>		
Certified Public Accountant (Firm Name) Beene Garter LLP			Telephone Number (616) 235-2500	
Street Address 50 Monroe Ave NW, Suite 600			City Grand Rapids	State MI
			Zip 49503	
Authorizing CPA Signature 		Printed Name Howard L. Cutler, CPA		License Number A 679484

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

Year Ended June 30, 2007

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INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

Honorable Mayor, Members of Council
and the City Manager
City of Ferrysburg
Ferrysburg, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Ferrysburg, Michigan 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 an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose 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 opinion.

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 the City of Ferrysburg, Michigan 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 U.S. generally accepted accounting principles.

The management's discussion and analysis on pages 3 through 7 and budgetary comparison information on pages 48 through 58 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. 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.

BeeneGarter™

Big enough to be experts, small enough to care™

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Ferrysburg's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements taken as a whole.

Beene Garter LLP

December 18, 2007
Grand Rapids, Michigan

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

This discussion and analysis of the City of Ferrysburg's financial performance provides readers an overview of the City's financial activities for the fiscal year ended June 30, 2007. We encourage readers to read this information in conjunction with the City's financial statements.

FINANCIAL HIGHLIGHTS

- During the year, the City had revenues in Governmental Activities that were \$797,786 more than the \$2.209 million in expenses.
- The City's business-type activities had revenues of \$699,975, while expenses were \$885,010.
- The costs of all City programs were \$2.984 million.
- The General Fund reported an increase this year of approximately \$8,700.

USING THIS ANNUAL REPORT

This discussion and analysis is intended to serve as introduction to the City's basic financial statements. The City's basic financial statements are comprised of three (3) components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide corporate like statements and provide readers with a broad overview of the City's finances.

The Statement of Net Assets and the Statement of Activities report information about the City as a whole. These two statements help answer the question "Is the City as a whole better off or worse off as a result of the year's activities?" These two statements report the City's net assets and changes in them.

Governmental activities and Business-type activities are reported in these two statements. Governmental activities reflect the City's basic services, including police, fire, public works, and recreation. Property taxes, and franchise fees finance the majority of these services. Business-type activities reflect private type operations. The City's water and sanitary sewer system is reported here.

The Government-wide financial statements can be found on pages 9 through 11 of this report.

Business-type Activities

The City has two business-type activities: the water and sanitary sewer system. Revenues in the City's Water and Sewer funds were \$699,975 and expenses were \$885,010 including transfers of \$111,000.

City of Ferrysburg's Net Assets

Summary of Net Assets as of June 30, 2007 and 2006.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
Current assets	\$ 3,085,513	\$ 3,033,489	\$ 616,029	\$ 712,452	\$ 3,681,542	\$ 3,745,921
Capital assets	4,186,090	3,537,974	4,843,474	5,137,216	9,029,564	8,675,190
Total Assets	\$ 7,261,603	\$ 6,571,443	\$ 5,459,503	\$ 5,849,668	\$ 12,711,106	\$ 12,421,111
Current liabilities	\$ 36,264	\$ 204,552	\$ 80,277	\$ 261,828	\$ 116,531	\$ 266,380
Long-term debt outstanding	1,050,672	1,000,000	1,005,821	1,229,400	2,056,493	2,229,400
Total Liabilities	\$ 1,086,926	\$ 1,204,552	\$ 1,086,098	\$ 1,291,228	\$ 2,173,024	\$ 2,495,780
Net Assets:						
Invested in capital assets, net of debt	\$ 3,186,090	\$ 2,537,974	\$ 3,837,653	\$ 3,907,816	\$ 7,023,743	\$ 6,445,790
Restricted	15,000	15,000	143,562	158,324	158,562	173,324
Unrestricted	2,963,587	2,813,917	392,190	492,300	3,355,777	3,306,217
Total Net Assets	\$ 6,164,677	\$ 5,366,891	\$ 4,373,405	\$ 4,558,440	\$ 10,538,082	\$ 9,925,331

A portion of the City's governmental activities' net assets of \$15,000 (0.24%) represents resources that are subject to external restriction on how they may be used. The City may use the remaining balance of unrestricted net assets of \$2,963,587 (48.1%) to meet its ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all three (3) categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

Management Discussion & Analysis
Page Three

Summary of changes in Net Assets for the year ended June 30, 2007 and 2006.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues						
Program revenues						
Charges for services	\$ 505,868	\$ 492,469	\$ 535,993	\$ 476,109	\$ 1,048,061	\$ 969,059
Federal grants	292,270	--	--	--	292,270	--
State grant and entitlements	230,757	233,478	--	--	230,757	233,478
Contributions	6,200	--	--	--	6,200	--
General revenues						
Property taxes	1,401,387	1,326,009	138,305	113,611	1,539,692	1,439,620
State revenue	254,156	261,712	--	--	254,156	261,712
Investment earnings	188,360	139,141	26,108	29,605	214,468	168,746
Other revenue	16,848	20,726	--	--	16,848	20,726
Total Revenues	2,895,846	2,473,535	700,406	619,806	3,596,252	3,093,341
Expenses						
General government	668,369	560,919	--	--	668,369	560,919
Public safety	528,131	536,523	--	--	528,131	536,523
Public works	655,778	629,341	--	--	655,778	629,341
Parks and recreation	162,941	149,683	--	--	162,941	149,683
Other	141,461	149,753	--	--	141,461	149,753
Interest on long-term debt	52,380	--	50,318	73,623	102,698	73,623
Water & sewer	--	--	724,123	613,659	724,123	614,140
Total Expenses	2,209,060	2,026,219	774,441	687,763	2,983,501	2,713,982
Excess before transfers	686,786	447,316	(74,035)	(65,957)	612,751	379,359
Transfers	111,000	148,000	(111,000)	(148,000)	--	--
Changes in Net Assets	\$ 797,786	\$ 595,316	\$ (185,035)	\$ (215,957)	\$ 612,751	\$ 379,359

The increase in the City's net assets was due to:

- The City was allowed by State law to increase its property tax by 3.7% (the rate of inflation). The City's assessed value of property increased by 6.47%, however, because of property tax limitation laws, tax revenue was limited.
- State shared revenue decreased by 2.7%. The State of Michigan collects sales tax and redistributes a portion of these collections to local jurisdictions. The State's financial condition and its ability to finance any temporary cash flow deficiencies affect the amount distributed.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The Fund Financial Statement allows the demonstration of sources and uses and the associated budgeting compliance. The funds of the City are divided into three (3) categories: governmental funds, proprietary fund, and fiduciary funds.

The City's Funds

For the fiscal year ending June 30, 2007, the governmental funds reported a combined fund balance of \$3.024 million.

Each year the State provides the City with a portion of the gasoline tax revenues it collects. This money can only be used to replace, maintain, or improve the City's streets. During the fiscal year, the City used \$749,446 to improve streets within the City.

General Fund Budgeting Highlights

Overall, city departments stayed below budget resulting in total expenditures that were \$283,936 below budget.

Capital Asset and Debt Administration

Capital Assets

During the fiscal year ending June 30, 2007, the City invested in a broad range of capital assets. This year's major additions included:

Property located at 17200 Valley City	\$ 35,487
Two Severe Weather Warning Sirens	39,200
Digital Color Copier	9,500
2008 Pick-up Truck	19,387

Debt

The City received a \$1,000,000 Bond Anticipation Note to purchase the former Ferrysburg Elementary School. The City has also reserved a \$1,000,000 Bond Anticipation Note to either renovate the building or to construct a new City Hall. The Bond Anticipation Note is due June 1, 2008. The balance owing on the City water system and sanitary sewer system at June 30, 2007 was \$1,005,821.

Economic Factors and Next Year's Budget and Rates

The West Michigan area, especially the Northwest Ottawa region economic outlook compares favorably to the economic outlook on the state of Michigan as a whole. The unemployment rate for Ottawa County at June 30, 2007 was 5.9%, which is favorable compared to the state's average unemployment rate of 7.4%. The nation's seasonally adjusted unemployment rate at June 30, 2007 was 4.5%

Financial Contact

The City's financial statements are designed to present a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about this report or need additional financial information, contact Ferrysburg City Hall, PO Box 38, Ferrysburg, MI 49409-0038.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 2,809,208	\$ 219,181	\$ 3,028,389
Receivables, net	149,531	137,325	286,856
Prepaid expenses	24,063		24,063
Restricted assets			
Cash	82,711	256,445	339,156
Special assessment receivable		3,078	3,078
Capital assets, net of depreciation	4,186,090	4,843,474	9,029,564
TOTAL ASSETS	\$ 7,251,603	\$ 5,459,503	\$ 12,711,106
LIABILITIES			
Accounts payable - trade	\$ 33,640	\$ 52,937	\$ 86,577
Salaries payable	2,614		2,614
Accrued liabilities		27,340	27,340
Noncurrent liabilities			
Accrued compensated absences	50,672		50,672
Bonds payable, due within one year	1,000,000	233,665	1,233,665
Bonds payable, due in more than one year		772,156	772,156
TOTAL LIABILITIES	1,086,926	1,086,098	2,173,024
NET ASSETS			
Investment in capital assets, net of related debt	3,186,090	3,837,653	7,023,743
Restricted for:			
Debt service		143,562	143,562
Other purposes	15,000		15,000
Unrestricted	2,963,587	392,190	3,355,777
TOTAL NET ASSETS	6,164,677	4,373,405	10,538,082
TOTAL LIABILITIES AND NET ASSETS	\$ 7,251,603	\$ 5,459,503	\$ 12,711,106

See accompanying notes

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Primary Government	
				Governmental Activities	Business-type Activities
Primary Government					
General government	\$ 868,369	\$ 62,148	\$ -	\$ (600,021)	\$ -
Public safety	528,131	23,920		(504,211)	(504,211)
Public works	655,778	416,334	230,757	283,583	283,583
Parks and recreation	162,941			(162,941)	(162,941)
Interest on long-term debt	52,380			(52,380)	(52,380)
Other	141,461	3,466		(137,995)	(137,995)
Total governmental activities	2,209,060	505,868	230,757	(1,173,965)	(1,173,965)
Business-type Activities					
Water and sewer	774,441	535,993		(238,448)	(238,448)
TOTAL PRIMARY GOVERNMENT	\$ 2,983,501	\$ 1,041,861	\$ 230,757	(1,173,965)	(1,412,413)
General revenues					
Taxes					
Property taxes, levied for general purposes				1,401,387	1,401,387
Property taxes, levied for debt service				138,305	138,305
State-shared revenues				254,156	254,156
Interest and investment earnings				188,360	188,360
Other				16,848	16,848
Transfers				111,000	(111,000)
TOTAL GENERAL REVENUES				1,971,751	2,025,164
CHANGE IN NET ASSETS				797,786	(185,035)
Net Assets at Beginning of Year				5,366,891	4,559,440
NET ASSETS AT END OF YEAR				\$ 6,164,677	\$ 4,373,405
					\$ 10,538,082

See accompanying notes

GOVERNMENTAL FUNDS

	<u>General Fund</u>	<u>Major Street Fund</u>
ASSETS		
Cash	\$ 923,275	\$ 137,529
Receivables		
Taxes	10,743	
Citizens		943
Interest	4,921	523
Due from other governmental units	83,991	29,130
Prepaid expenditures	17,349	
Restricted cash	49,892	
TOTAL ASSETS	<u>\$ 1,090,171</u>	<u>\$ 168,125</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable - trade	\$ 28,164	\$ 990
Salaries payable	2,614	
TOTAL LIABILITIES	30,778	990
FUND BALANCE		
Reserved for		
Prepaid expenses	17,349	
Harbor Transit	15,000	
Unreserved	1,027,044	167,135
TOTAL FUND BALANCE	<u>1,059,393</u>	<u>167,135</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 1,090,171</u>	<u>\$ 168,125</u>

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

Local Street Fund	Public Improvement Fund	Vehicle Replacement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ 207,773	\$ 510,340	\$ 920,299	\$ 109,476	\$ 2,808,692
				10,743
			570	1,513
1,132	3,178	4,924	719	15,397
8,757				121,878
				17,349
	32,819			82,711
<u>\$ 217,662</u>	<u>\$ 546,337</u>	<u>\$ 925,223</u>	<u>\$ 110,765</u>	<u>\$ 3,058,283</u>
\$ -	\$ -	\$ -	\$ 2,220	\$ 31,374
				2,614
-	-	-	2,220	33,988
				17,349
				15,000
217,662	546,337	925,223	108,545	2,991,946
<u>217,662</u>	<u>546,337</u>	<u>925,223</u>	<u>108,545</u>	<u>3,024,295</u>
<u>\$ 217,662</u>	<u>\$ 546,337</u>	<u>\$ 925,223</u>	<u>\$ 110,765</u>	<u>\$ 3,058,283</u>

See accompanying notes

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

**RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUNDS TO
STATEMENT OF NET ASSETS**

June 30, 2007

Total Fund Balance - Governmental Funds **\$ 3,024,295**

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Cost of capital assets	\$ 5,982,922	
Accumulated depreciation	<u>(1,796,832)</u>	4,186,090

Long-term liabilities that are not due and payable in the current period and therefore are not reported as liabilities in the funds.

Bonds payable	(1,000,000)	
Compensated absences	<u>(50,672)</u>	(1,050,672)

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.

4,964

Total Net Assets - Governmental Activities **\$ 6,164,677**

See accompanying notes

	<u>General Fund</u>	<u>Major Street Fund</u>
Revenues		
Taxes	\$ 851,897	\$ -
Special assessments		3,466
Licenses and permits		
State grants	254,156	469,698
Charges for services	62,148	
Fines and forfeits	23,920	
Interest	92,766	8,029
Other revenue	11,607	
TOTAL REVENUES	1,296,494	481,193
Expenditures		
Current		
General government	507,158	
Public safety	505,565	
Public works	106,259	833,610
Parks and recreation	162,941	
Capital outlay	94,902	
Other	72,914	
Debt service		
Interest expense		
TOTAL EXPENDITURES	1,449,739	833,610
(DEFICIENCY) EXCESS OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	(153,245)	(352,417)
Other Financing Sources (Uses)		
Transfers in	161,900	165,800
Transfers out		(11,100)
NET CHANGE IN FUND BALANCES	8,655	(197,717)
Fund Balance at Beginning of Year	1,050,738	364,852
FUND BALANCE AT END OF YEAR	\$ 1,059,393	\$ 167,135

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS**

Year Ended June 30, 2007

Local Street Fund	Public Improvement Fund	Vehicle Replacement Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 385,556	\$ 163,934	\$ -	\$ 1,401,387
			3,466	3,466
53,329			59,222	59,222
				777,183
				62,148
10,091	29,398	42,380	5,678	23,920
			3,698	188,342
<u>63,420</u>	<u>414,954</u>	<u>206,314</u>	<u>68,598</u>	<u>2,530,973</u>
				507,158
63,621				505,565
				1,003,490
				162,941
		20,000	28,333	94,902
				121,247
			52,380	52,380
<u>63,621</u>	<u>-</u>	<u>20,000</u>	<u>80,713</u>	<u>2,447,683</u>
(201)	414,954	186,314	(12,115)	83,290
(3,700)	(218,180)	(11,100)	52,380	380,080
			(25,000)	(269,080)
(3,901)	196,774	175,214	15,265	194,290
<u>221,563</u>	<u>349,563</u>	<u>750,009</u>	<u>93,280</u>	<u>2,830,005</u>
<u>\$ 217,662</u>	<u>\$ 546,337</u>	<u>\$ 925,223</u>	<u>\$ 108,545</u>	<u>\$ 3,024,295</u>

See accompanying notes

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

**RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**

Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds **\$ 194,290**

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation and amortization.

Depreciation and amortization expense	\$ (163,438)	
Expenditures for capital assets	<u>830,261</u>	666,823

Internal service funds are used by management to charge the costs of certain activities to individual funds.

The net revenue (expense) of the internal service funds is reported with governmental activities.		(12,655)
---	--	----------

Compensated absences are reported on the accrual method in the statement of activities, and recorded as an expenditure when financial resources are used in the governmental funds.

(50,672)

Change in Net Assets of Governmental Activities **\$ 797,786**

See accompanying notes

PROPRIETARY FUNDS

	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
ASSETS				
Current assets				
Cash	\$ 212,856	\$ 6,325	\$ 219,181	\$ 516
Receivables				
Accounts	33,859	76,393	110,252	
Interest receivable	1,567	1,246	2,813	
Connection fees receivable		9,278	9,278	
Special assessments - deferred	7,491	7,491	14,982	
Prepaid expenses			-	6,714
Restricted assets				
Cash	29,860	226,585	256,445	
Special assessment receivable - current	1,539	1,539	3,078	
Total Current Assets	287,172	328,857	616,029	7,230
Noncurrent assets				
Capital assets, net of accumulated depreciation	2,995,900	1,847,574	4,843,474	89,027
TOTAL ASSETS	\$ 3,283,072	\$ 2,176,431	\$ 5,459,503	\$ 96,257

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS - PROPRIETARY FUNDS

June 30, 2007

	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
LIABILITIES AND NET ASSETS				
Liabilities				
Current liabilities				
Accounts payable	\$ 25,268	\$ 27,669	\$ 52,937	\$ 2,266
Current portion of bonds payable	26,667	206,998	233,665	
Total Current Liabilities	51,935	234,667	286,602	2,266
Noncurrent liabilities				
Deferred revenue	9,031	9,031	18,062	
Deferred connection fee revenue		9,278	9,278	
Bonds payable, net of deferral on advanced refunding	53,184	718,972	772,156	
Total Noncurrent Liabilities	62,215	737,281	799,496	-
TOTAL LIABILITIES	114,150	971,948	1,086,098	2,266
Net Assets				
Invested in capital assets, net of related debt	2,916,049	921,604	3,837,653	89,027
Restricted for				
Prepaid expenses				6,714
Debt service	3,193	140,369	143,562	
Unrestricted	249,680	142,510	392,190	(1,750)
TOTAL NET ASSETS	3,168,922	1,204,483	4,373,405	93,991
TOTAL LIABILITIES AND NET ASSETS	\$ 3,283,072	\$ 2,176,431	\$ 5,459,503	\$ 96,257

See accompanying notes

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

**STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS**

Year Ended June 30, 2007

	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
Operating Revenues				
Charges for services	\$ 179,715	\$ 248,889	\$ 428,604	\$ 357,112
Penalties and interest charges	2,979	4,980	7,959	
Connection fees	60,783	32,690	93,473	
TOTAL OPERATING REVENUES	243,477	286,559	530,036	357,112
Operating expenses				
Cost of sales and services	192,151	237,799	429,950	337,276
Depreciation	187,063	106,679	293,742	40,253
TOTAL OPERATING EXPENSES	379,214	344,478	723,692	377,529
OPERATING LOSS	(135,737)	(57,919)	(193,656)	(20,417)
Nonoperating Revenues (Expenses)				
Property taxes		138,305	138,305	
Interest income	12,627	13,481	26,108	18
Other income	1,897	3,629	5,526	7,744
Interest expense	(1,490)	(48,828)	(50,318)	
TOTAL NONOPERATING REVENUE	13,034	106,587	119,621	7,762
NET (LOSS) INCOME BEFORE TRANSFERS OUT	(122,703)	48,668	(74,035)	(12,655)
Transfers out	(74,000)	(37,000)	(111,000)	
CHANGE IN NET ASSETS	(196,703)	11,668	(185,035)	(12,655)
Total Net Assets at Beginning of Year	3,365,625	1,192,815	4,558,440	106,646
TOTAL NET ASSETS AT END OF YEAR	\$ 3,168,922	\$ 1,204,483	\$ 4,373,405	\$ 93,991

See accompanying notes

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS

Year Ended June 30, 2007

	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
Cash Flows from Operating Activities				
Receipts from customers	\$ 246,479	\$ 435,786	\$ 682,265	\$ -
Internal activity - receipts from other funds				357,112
Payments to suppliers	(171,223)	(235,323)	(406,546)	(87,850)
Payments to employees				(269,895)
Other receipts (payments)	1,897	3,629	5,526	7,744
NET CASH PROVIDED BY OPERATING ACTIVITIES	77,153	204,092	281,245	7,111
Cash Flows from Noncapital Financing Activities				
Operating subsidies and transfers to other funds	(74,000)	(37,000)	(111,000)	
Cash Flows from Capital and Related Financing Activities				
Purchases of capital assets				(21,546)
Principal paid on capital debt	(23,510)	(200,069)	(223,579)	
Interest paid on capital debt	(1,490)	(48,828)	(50,318)	
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(25,000)	(248,897)	(273,897)	(21,546)
Cash Flows from Investing Activities				
Interest income	12,458	13,737	26,195	20
NET DECREASE IN CASH	(9,389)	(68,068)	(77,457)	(14,415)
Cash at Beginning of Year	252,105	300,978	553,083	14,931
CASH AT END OF YEAR	\$ 242,716	\$ 232,910	\$ 475,626	\$ 516

See accompanying notes

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (CONTINUED)

Year Ended June 30, 2007

	Sewer Fund	Water Fund	Total Enterprise Funds	Internal Service Fund
Cash at End of Year Consists of the Following				
Cash	\$ 212,856	\$ 6,325	\$ 219,181	\$ 516
Restricted assets - cash	29,860	226,585	256,445	-
CASH AT END OF YEAR	\$ 242,716	\$ 232,910	\$ 475,626	\$ 516
Reconciliation of Operating (Loss) Income to Net Cash Provided by Operating Activities				
Operating (loss) income	\$ (133,840)	\$ 84,015	\$ (49,825)	\$ (12,673)
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation expense	187,063	106,679	293,742	40,253
Change in assets and liabilities				
Accounts receivable	4,540	14,339	18,879	
Prepaid expenses				(549)
Accounts payable	20,928	2,476	23,404	(19,920)
Deferred revenue	(1,538)	(3,417)	(4,955)	
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 77,153	\$ 204,092	\$ 281,245	\$ 7,111

See accompanying notes

FIDUCIARY FUNDS

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

STATEMENT OF NET ASSETS - FIDUCIARY FUNDS

June 30, 2007

	<u>Fire Department Trust Fund</u>	<u>Tax Collection Agency Fund</u>
ASSETS		
Cash	<u>\$ 2,681</u>	<u>\$ 438</u>
LIABILITIES		
Accrued liabilities	\$ -	\$ 436
Due to other funds		<u>2</u>
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 438</u>
NET ASSETS		
Held in trust	<u>\$ 2,681</u>	<u>\$ -</u>

See accompanying notes

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

STATEMENT OF CHANGES IN NET ASSETS - FIDUCIARY FUNDS

Year Ended June 30, 2007

	<u>Fire Department Trust Fund</u>
ADDITIONS	
Miscellaneous revenue	\$ 1,886
DEDUCTIONS	
Miscellaneous deductions	<u>1,148</u>
CHANGE IN NET ASSETS	738
Net Assets at Beginning of Year	<u>1,943</u>
NET ASSETS AT END OF YEAR	<u>\$ 2,681</u>

See accompanying notes

June 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

City of Ferrysburg was incorporated in 1963 under the provision of the Home Rule Act of the State of Michigan. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, health, recreation, public improvements, utilities, planning and zoning, and general administrative services.

The accounting policies of the City of Ferrysburg conform to U.S. generally accepted accounting principles (GAAP) as applied to governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Reporting Entity

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in GASB. The basic, but not the only, criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters. The other criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financial relationships, regardless of whether the City is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the City's reporting entity.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Excluded from the reporting entity:

Ottawa Area Intermediate School District, Grand Haven Public School System, and Loutit District Library. These potential component units have separate elected and/or appointed boards and provide services to residents, generally within the geographic boundaries of the City. These are excluded from the reporting entity because the City does not have the ability to exercise influences or control over their daily operations, approve budgets or provide funding.

Grand Haven-Spring Lake Sewer Authority, Northwest Ottawa Water System, Harbor Transit Advisory Committee, and North Ottawa Community Hospital Authority. These potential component units have been appointed jointly by the area governments' governing bodies. These are independent units that select management staff, set user charges, establish budgets, and control all aspects of their daily activities.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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 revenue.

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.

June 30, 2007

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. Revenue is 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 revenue 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. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Real estate and personal property tax revenues are recorded as revenues principally on the cash basis until year-end, at which time tax receipts received within 60 days of year-end are accrued. Permits and fines are recorded as revenues when received. Intergovernmental revenues, consisting principally of categorical aid from state agencies, are recognized when earned. Revenues from general purpose grants are recognized in the period to which the grant applies.

The accrual basis of accounting is utilized by proprietary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred revenue on its combined balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available criteria" for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

June 30, 2007

Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the general operating fund of the City. It is used to account for all financial resources of the general government, except those required to be accounted for in another fund.

Major Street Fund

The Major Street Fund is a special revenue fund used to account for the resources of state gas and weight tax revenues that are restricted for the repair, maintenance, and construction of the City's major streets as identified by the State of Michigan Department of Transportation.

Local Street Fund

The Local Street Fund is a special revenue fund used to account for the resources of state gas and weight tax revenues that are restricted for the repair, maintenance, and construction of the City's local streets as identified by the State of Michigan Department of Transportation.

Public Improvement Fund

The Public Improvement Fund is a special revenue fund used to account for the collection of property tax revenues that are transferred to the General Fund or other special revenue funds for various public improvement capital outlays.

Vehicle Replacement Fund

The Vehicle Replacement Fund is a special revenue fund used to account for the collection of property tax revenues that are transferred to the General Fund or other special revenue funds and is used to purchase vehicles for City business.

June 30, 2007

Additionally, the City reports the following non-major governmental funds:

Building Department Fund

The Building Department Fund is a special revenue fund that accounts for the activities of the various building, plumbing, electrical, and mechanical inspections performed on behalf of the City and the related permit fee collections.

Debt Service Fund

The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest on long-term debt of governmental funds.

Proprietary Funds

The government reports the following major proprietary funds:

Sewer Fund

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

Water Fund

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

Additionally, the City reports the following fund types:

Internal Service Fund

The Internal Service Fund is used to account for the financing of goods or services provided by the Public Works Department to other departments of the City on a cost-reimbursement basis.

June 30, 2007

Fiduciary Fund Type

Trust and Agency Funds

Trust Funds are used to account for assets held by the City in a trustee capacity for individuals, private organizations, other governments, and/or other funds. The City maintains a Fire Department Fund used to account for various activities of the City's fire department.

Agency Funds are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds. These funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City has a Deferred Compensation Fund used to account for payments into the deferred compensation plan.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer function and various other functions of the government. Eliminations 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 revenue rather than as program revenue. Likewise, general revenue includes all taxes.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue 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 revenue of the proprietary funds relate to charges to customers for sales and services. The water and sewer funds also recognize the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation of capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

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

Cash and Pooled Investments

The City pools cash resources of various funds to facilitate the management of cash. Investments within pooled cash and investments are not identifiable to specific funds. Except for restricted cash, the balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in pooled investment accounts.

Receivables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. Uncollectible balances at year end are immaterial.

Property Taxes

Property taxes are levied on July 1 and become a lien as of the same date. Taxes may be paid on or before August 31, without penalty. The City bills and collects its own property taxes and also property taxes for the local and intermediate school districts, the county, and the state. Collection of these taxes and remittance of them to the districts, the county, and the state are accounted for in the Tax Collection Agency Fund. City property tax revenues are recognized in the period for which they are levied.

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

The City is permitted by law to levy taxes up to 5 mills (\$5.00) per 1,000 mills (\$1,000) of taxable value for general operating purposes, excluding payment of principal and interest on long-term debt and in unlimited amounts for the payment of principal and interest on long-term debt upon general election approval. The City is also permitted by law to levy taxes up to 5 mills (\$5.00) per 1,000 mills (\$1,000) of taxable value for street lighting and purposes other than operating expenses. The City is also permitted by law to levy taxes: up to 1 mill (\$1.00) per 1,000 mills (\$1,000) of taxable value for public transportation purposes; up to 1.25 mills (\$1.25) per 1,000 mills (\$1,000) of taxable value for vehicle replacement purposes; up to .25 mills (\$.25) per 1,000 mills (\$1,000) of taxable value for museum purposes; and up to .125 mills (\$.125) per 1,000 mills (\$1,000) of taxable value for council on aging purposes.

Tax rates for the year ended June 30, 2007 are as follows (per 1,000 mills):

General operating	5.0000 Mills
Street lighting	.2750 Mills
Museum	.2373 Mills
Vehicle replacement	1.1706 Mills
Water debt retirement	.9876 Mills
Street and drains	2.7526 Mills
Harbor Transit	.3300 Mills
Council on Aging	.2469 Mills
	<hr/>
	11.0000 Mills

Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet. Short-term interfund loans are classified as "interfund receivables/payables." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

Prepaid Items

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.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of \$1,500 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. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has elected to not report major general infrastructure assets retroactively.

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

	<u>Years</u>
Buildings and improvements	10 - 50
Roads	10 - 30
Other infrastructure	25
Vehicles	5 - 20
Machinery and equipment	5 - 20
Computer equipment	3 - 20
Water system and sewer system	20 - 40

Restricted Assets

Certain resources of the General Fund are classified as restricted assets on the balance sheet because their use is restricted for public transit and public improvements.

The Enterprise Funds set aside certain resources for debt retirement, which are also classified as restricted assets on the balance sheet because their use is limited by applicable bond covenants.

Compensated Absences

Employees of the City are permitted to accumulate paid vacation, paid sick days and personal days off, up to 1,040 hours, depending on job classification, length of service and other factors, which will be paid upon separation from the City. All vacation, paid sick days and personal time off is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured.

June 30, 2007

Long-Term Obligations

In the government-wide financial statements and the 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 are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Net Assets and Fund Equity

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

In the district-wide financial statements, net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

Use of Estimates

Management uses estimates and assumptions in preparing these financial statements in accordance with U.S. generally accepted accounting principles. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenses. Actual results could vary from the estimates that were used.

Comparative Data/Reclassifications

Comparative data is not included in the City's financial statements, since their inclusion would make the statements unduly complex and difficult to read.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds, except that transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." The City follows these procedures, which comply with legal requirements, in establishing the budgetary data reflected in the financial statements:

- a. On or about April 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Public hearings are conducted to obtain taxpayer comments.
- c. Prior to July 1, the budget is legally enacted through passage of a resolution.
- d. The City Manager is authorized to transfer budgeted amounts within departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.
- e. Formal budgetary integration is used as a management control device during the year for all funds.

Budgeted amounts are as originally adopted, or as amended by the City Council as of June 30, 2007. In the required supplemental information, the City's actual expenditures and budgeted expenditures for the budgetary funds have been shown on a functional basis. The approved budgets of the City for these budgetary funds were adopted at the departmental line item level.

Excess of Expenditures Over Appropriations in Budgeted Funds

Michigan Public Act 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amounts budgeted. During the year ended June 30, 2007, the City incurred expenditures in certain budgeted funds that were in excess of the amounts appropriated at the department level, as follows:

	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>
Major Street Fund - street maintenance	\$ 87,000	\$ 89,519
Debt Service Fund - interest on bonded debt	50,000	52,380

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 3 - DEPOSITS

Michigan Complied Laws, Section 129.91, authorizes the City 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 City is allowed to invest in bonds, securities and other direct 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 its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City Council has designated two banks for the deposit of City funds. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bank accounts and CD's, but not the remainder of State authority as listed above. The City's deposits and investment policy are in accordance with statutory authority.

As of June 30, 2007, the City's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government
Cash	\$ 2,809,208	\$ 219,181	\$ 3,119	\$ 3,031,508
Restricted assets	82,711	256,445		339,156
	\$ 2,891,919	\$ 475,626	\$ 3,119	\$ 3,370,664

A summary of deposits in total by type is:

Cash in demand and savings accounts	\$ 477,807
Cash in certificates of deposit	2,892,857
	\$ 3,370,664

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Interest Rate Risk - The City does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State law limits investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices.

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. Deposits with financial institutions were \$3,450,859 of which \$200,000 was covered by federal depository insurance. From time to time throughout the year, cash held at the bank may exceed FDIC limits. Deposits are held with two financial institutions and are carried at cost plus accrued interest.

NOTE 4 - RECEIVABLES

The City reported the following receivables as of June 30, 2007:

	Accounts	Interest	Connection Fees	Special Assessments	Due from Other Governments	Total Receivables
Governmental Activities						
General	\$ 10,743	\$ 4,921	\$ -	\$ -	\$ 83,991	\$ 99,655
Major streets	943	523			29,130	30,596
Local streets		1,132			8,757	9,889
Public improvement		3,178				3,178
Building department	570	719				1,289
Vehicle replacement		4,924				4,924
Total Governmental Activities	\$ 12,256	\$ 15,397	\$ -	\$ -	\$ 121,878	\$ 149,531
Business-type Activities						
Sewer	\$ 33,859	\$ 1,567	\$ -	\$ 9,030	\$ -	\$ 44,456
Water	76,393	1,246	9,278	9,030		95,947
Total Business-type Activities	\$ 110,252	\$ 2,813	\$ 9,278	\$ 18,060	\$ -	\$ 140,403

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 5 - RESTRICTED ASSETS

Assets restricted for public transit improvement and escrow deposits in the governmental funds consisted of money market accounts amounting to \$82,711 as of June 30, 2007.

Assets restricted for debt retirement in the enterprise funds consisted of the following at June 30, 2007:

	<u>Sewer Fund</u>	<u>Water Fund</u>	<u>Totals</u>
Money market accounts	\$ 29,860	\$ 226,585	\$ 256,445
Special assessment receivable - current	1,539	1,539	3,078
	<u>\$ 31,399</u>	<u>\$ 228,124</u>	<u>\$ 259,523</u>

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 6 - CAPITAL ASSETS

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

Governmental Activities	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated				
Land	\$ 414,507	\$ 35,488	\$ -	\$ 449,995
Construction in progress	95,095	41,941	(90,142)	46,894
Subtotal	509,602	77,429	(90,142)	496,889
Capital assets being depreciated				
Buildings	1,057,913			1,057,913
Improvements other than buildings	875,460			875,460
Vehicles and equipment	714,869			714,869
Furniture and equipment	519,056	72,215		591,271
Infrastructure	1,454,214	702,164	90,142	2,246,520
Subtotal	4,621,512	774,379	90,142	5,486,033
Accumulated depreciation				
Buildings	260,270	27,934		288,204
Improvements other than buildings	347,207	29,127		376,334
Vehicles and equipment	499,771	18,501		518,272
Furniture and equipment	395,332	51,686		447,018
Infrastructure	90,561	76,443		167,004
Subtotal	1,593,141	203,691	-	1,796,832
Net capital assets being depreciated	<u>3,028,371</u>	<u>570,688</u>	<u>90,142</u>	<u>3,689,201</u>
Governmental Activities - Capital Assets, net of depreciation	<u>\$ 3,537,973</u>	<u>\$ 648,117</u>	<u>\$ -</u>	<u>\$ 4,186,090</u>

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Business-type Activities	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2007</u>
Assets not being depreciated				
Land	\$ 15,800	\$ -	\$ -	\$ 15,800
Subtotal	15,800	-	-	15,800
Capital assets being depreciated				
Buildings	41,010			41,010
Sewer system	7,350,900			7,350,900
Water system	4,253,677			4,253,677
Equipment	179,878			179,878
Subtotal	11,825,465	-	-	11,825,465
Accumulated depreciation				
Buildings	41,010			41,010
Sewer system	4,184,278	186,759		4,371,037
Water system	2,301,793	106,342		2,408,135
Equipment	176,968	641		177,609
Subtotal	6,704,049	293,742	-	6,997,791
Net capital assets being depreciated	5,121,416	(293,742)		4,827,674
Business-type Activities - Capital Assets, net of depreciation	<u>\$ 5,137,216</u>	<u>\$ (293,742)</u>	<u>\$ -</u>	<u>\$ 4,843,474</u>

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Depreciation expense was charged to programs of the City as follows:

Governmental Activities	
General government	\$ 140,872
Public safety	22,566
Public works	<u>40,253</u>
Total Governmental Activities	<u>\$ 203,691</u>
Business-type Activities	
Sewer	\$ 187,063
Water	<u>106,679</u>
Total Business-type Activities	<u>\$ 293,742</u>

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

There were no interfund receivables or payables as of June 30, 2007.

Interfund Transfers

	Transfers in			Total
	General Fund	Major Street Fund	Debt Service Fund	
Transfers (out)				
Major Street Fund	\$ 11,100	\$ -	\$ -	\$ 11,100
Local Street Fund	3,700			3,700
Public Improvement Fund		165,800	52,380	218,180
Building Department Fund	25,000			25,000
Vehicle Replacement Fund	11,100			11,100
Sewer Fund	74,000			74,000
Water Fund	37,000			37,000
	<u>\$ 161,900</u>	<u>\$ 165,800</u>	<u>\$ 52,380</u>	<u>\$ 380,080</u>

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

NOTE 8 - LONG-TERM LIABILITIES

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. The City has also entered into various contractual agreements with Ottawa County to provide for the construction and expansion of certain water/sewer system improvements. The City has pledged its full faith and credit for the payment of the contractual payments and is required annually to levy taxes upon all taxable property within the City to the extent necessary to make the contractual payments. The contracts are reported in the enterprise funds and are expected to be repaid from enterprise revenues.

Long-term debt transactions for the year ended June 30, 2007 are summarized as follows:

	Beginning Balance	Net Additions (Reductions)	Ending Balance	Due Within One Year
Governmental Activities				
Bond anticipation notes	\$ 1,000,000	\$ -	\$ 1,000,000	\$ 1,000,000
Compensated absences		50,672	50,672	
Total Governmental Activities	\$ 1,000,000	\$ 50,672	\$ 1,050,672	\$ 1,000,000
Business-type Activities				
County contractual obligations	\$ 1,278,067	\$ (234,199)	\$ 1,043,868	\$ 233,665
Less: Amortized bond premium	48,667	(10,620)	38,047	
Total Business-type Activities	\$ 1,229,400	\$ (223,579)	\$ 1,005,821	\$ 233,665

Compensated Absences

Employees have vested rights upon termination of employment to receive payment for unused, accumulated vacation, sick and personal days off, up to 1,040 hours. The dollar amounts of these vested rights, if they were to come due on June 30, 2007, have been recorded in the government-wide financial statements.

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Long-term debt consists of the following:

Governmental Activities:

Tax-exempt bond anticipation note (Series A) due in one principal installment of \$500,000 on June 1, 2008, plus interest at 4.375%	\$ 500,000
Taxable bond anticipation note (Series B) due in one principal installment of \$500,000 on June 1, 2008, plus interest at 6.75%	500,000
	\$ 1,000,000

Business-type Activities:

Contracts payable to Ottawa County for:

1989 Northwest Ottawa Water Supply System Bonds due in annual principal installments of \$84,882 to \$89,397 through October 1, 2010, plus interest at 4.5% to 4.7%	\$ 333,272
2005 Northwest Ottawa Water System Refunding Bonds due in annual principal installments of \$33,720 to \$37,935 through January 1, 2015, plus interest at 3.5% to 4.0%	278,989
1989 Northwest Ottawa Water Treatment System Refunding Bonds due in annual principal installments of \$15,000 to \$20,000 through January 1, 2015, plus interest at 7.4% to 7.6%	125,000
2002 Northwest Ottawa Water Treatment Intake Refunding Bonds due in annual principal installments of \$37,440 to \$41,280 through May 1, 2010, plus interest at 2.8% to 3.2%	114,245
Ottawa County Water Supply and Sewage Disposal System Bonds due in annual principal installments of \$26,667 to \$30,000 through November 1, 2009, plus interest at 4.5% to 4.6%	79,851
2002 Northwest Ottawa Water Treatment Plant Refunding Bonds, due in annual principal installments of \$24,248 to \$28,631 through May 1, 2010, plus interest at 2.8% to 3.2%	74,464
	\$ 1,005,821

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

The annual aggregate maturities for the years subsequent to June 30, 2007, are as follows:

<u>Years ending June 30:</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 1,000,000	\$ 55,625	\$ 223,045	\$ 43,562
2009			222,521	34,108
2010			225,758	24,391
2011			133,863	15,156
2012			50,138	10,560
2013-2015			150,496	16,242
	<u>\$ 1,000,000</u>	<u>\$ 55,625</u>	<u>\$ 1,005,821</u>	<u>\$ 144,019</u>

NOTE 9 - MICHIGAN MUNICIPAL EMPLOYEES' RETIREMENT SYSTEM (MERS)

Plan Description and Provisions

The City of Ferrysburg contributes to the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan. Substantially all full-time employees of the City of Ferrysburg are eligible to participate in MERS. 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.

Employees attaining the age of 50 who have completed 25 or more continuous years of service are entitled to annual benefits of 2.25% of their final average compensation for each year of service. The benefit is reduced .5% of 1% of each complete month that retirement precedes the normal retirement age of 60. The MERS permits early retirement at the completion of 25 years of continuous service. Active employees who become disabled after acquiring ten or more years of continuous service are entitled to annual benefits of 2.25% of their final average compensation for each year of service.

If an active employee or vested former employee with ten or more years of service dies before retirement, a monthly survivor allowance may be payable as follows:

- Named contingent survivor beneficiary (if any) will receive a retirement allowance computed in the same manner as a service retirement allowance, but reduced to reflect an Option II (100% joint and survivor) election.

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

- No named beneficiary and the employee leaves a spouse, the spouse will receive a survivor allowance. The amount of allowance shall be 85% of the deceased employee's accrued retirement allowance, based upon service and final average compensation at time of death.
- No named beneficiary and no retirement allowance being paid to a surviving spouse, unmarried children under the age of 21 will be paid an equal share of 50% of the deceased employee's accrued retirement allowance.

If an employee terminates employment with the City before age 60, other than by retirement or death, the retirement allowance is computed in the same manner as a service retirement with the applicable benefit being determined as of the date of termination. Rights to an allowance are forfeited if the employee's accumulated contributions are withdrawn.

Employees are required to contribute 5% of their annual covered salary to the MERS. The City is required to contribute the remaining amount necessary to fund the MERS, using the entry age-normal actuarial method as specified by ordinance. The contribution requirement and the actual contribution for the year ended June 30, 2007 and the preceding years, as determined by the applicable actuarial valuation report, were as follows:

<u>Years ending June 30:</u>	<u>Contribution Requirement</u>	<u>Actual Contribution</u>	<u>Percentage of Required Contribution</u>
2007	\$ 42,912	\$ 42,689	99%
2006	36,816	42,236	115%
2005	32,076	38,400	120%

Funding Status and Progress

The most recent actuarial valuation was prepared as of December 31, 2006 and uses the entry age actuarial cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from -0-% to 8.4% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will increase 4.5% per year after retirement, for persons falling under certain benefit levels.

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

NOTES TO COMBINED FINANCIAL STATEMENTS (CONTINUED)

June 30, 2007

Funding progress for MERS:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	Unfunded Actuarial Accrued Liability as % of Payroll
12/31/04	\$ 571,484	\$ 1,010,446	\$ 438,962	56.56%	\$ 360,041	121.92%
12/31/05	651,672	1,100,171	448,499	59.23%	338,526	132.49%
12/31/06	734,844	1,181,630	446,786	62.19%	350,877	127.33%

NOTE 10 - DEFERRED COMPENSATION PLAN

The City offers all employees a deferred compensation plan created in accordance with the Internal Revenue Code, section 457. Participation in the plan is optional. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The assets of the plan are held in trust, a custodial account or annuity contract described in IRC section 457(g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodial account is held by the custodian for the exclusive benefit of the participants and beneficiaries of these section 457 plans and the assets may not be diverted to any other use. The plan administrator is an agent of the employer. The administrator provides direction to the custodian, from time to time, regarding investment of funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB statement No. 32, plan balances and activities are not reflected in the City's financial statements.

NOTE 11 - POST-EMPLOYMENT BENEFITS

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Post-employment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" post-employment benefits (other than pensions) including, deferred compensation. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the new employee, rather than at the time the health-care premiums are paid. The new pronouncement is effective for the year ended June 30, 2010. The effect of this pronouncement on the accompanying financial statements has not been determined.

June 30, 2007

NOTE 12 - RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and certain natural disasters. The City purchases commercial insurance with limits to cover substantially all potential losses.

In the normal course of its activities, the City becomes a party in various legal actions. Management of the City is of the opinion that the outcome of such actions will not have a material effect on the financial position of the City and, therefore, has not included a reserve for such losses in the financial statements.

The City participates in the Michigan Township Participating Plan with other municipalities for property, liability, crime and automobile coverage. The plan is organized under Public Act 138 of 1982, as amended.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

NOTE 13 - COMMITMENTS

The City has entered into a contract to construct, repair, and refurbish various parts of its infrastructure, including roads. The total estimated cost remaining to the City on this contract is approximately \$888,000.

REQUIRED SUPPLEMENTAL INFORMATION

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Budgetary Fund Balance, July 1, 2006	\$ 1,050,738	\$ 1,050,738	\$ 1,050,738	\$ -
Resources (Inflows)				
Taxes and special assessments	851,325	851,325	851,897	572
State grants	265,000	265,000	254,156	(10,844)
Charges for services	49,300	49,300	62,148	12,848
Fines and forfeits	14,700	14,700	23,920	9,220
Interest	40,000	40,000	92,766	52,766
Other income	8,000	8,000	11,607	3,607
Transfers from other funds	463,900	463,900	161,900	(302,000)
Amounts Available for Appropriation	1,692,225	1,692,225	1,458,394	(233,831)
Charges to Appropriation (Outflows)				
General government	541,700	541,700	507,158	(34,542)
Public safety	553,825	553,825	505,565	(48,260)
Public works	119,500	128,500	106,259	(22,241)
Recreation and culture	152,650	169,150	162,941	(6,209)
Other services	106,000	80,500	72,914	(7,586)
Capital outlay	260,000	260,000	94,902	(165,098)
Total Charges to Appropriations	1,733,675	1,733,675	1,449,739	(283,936)
BUDGETARY FUND BALANCE - June 30, 2007	\$ 1,009,288	\$ 1,009,288	\$ 1,059,393	\$ 50,105

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

BUDGETARY COMPARISON SCHEDULE - MAJOR STREET FUND

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Budgetary Fund Balance, July 1, 2006	\$ 364,852	\$ 364,852	\$ 364,852	\$ -
Resources (Inflows)				
State grants	472,270	472,270	469,698	(2,572)
Special assessments	3,400	3,400	3,466	66
Interest	4,200	4,200	8,029	3,829
Transfers from other funds	165,800	165,800	165,800	
Amounts Available for Appropriation	645,670	645,670	646,993	1,323
Charges to Appropriation (Outflows)				
Highways and streets				
Street construction	660,000	750,000	744,091	(5,909)
Street maintenance	87,000	87,000	89,519	2,519
Transfers to other funds	51,100	21,100	11,100	(10,000)
Total Charges to Appropriations	798,100	858,100	844,710	(13,390)
BUDGETARY FUND BALANCE - June 30, 2007	\$ 212,422	\$ 152,422	\$ 167,135	\$ 14,713

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

BUDGETARY COMPARISON SCHEDULE - LOCAL STREET FUND

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Budgetary Fund Balance, July 1, 2006	\$ 221,563	\$ 221,563	\$ 221,563	\$ -
Resources (Inflows)				
State grants	53,000	53,000	53,329	329
Interest	2,000	2,000	10,091	8,091
Transfers from other funds	40,000	40,000		(40,000)
Amounts Available for Appropriation	95,000	95,000	63,420	(31,580)
Charges to Appropriation (Outflows)				
Highways and streets				
Street construction	40,000	40,000	5,355	(34,645)
Street maintenance	80,600	80,600	58,266	(22,334)
Transfers to other funds	3,700	3,700	3,700	
Total Charges to Appropriations	124,300	124,300	67,321	(56,979)
BUDGETARY FUND BALANCE - June 30, 2007	\$ 192,263	\$ 192,263	\$ 217,662	\$ 25,399

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

BUDGETARY COMPARISON SCHEDULE - PUBLIC IMPROVEMENT FUND

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Budgetary Fund Balance, July 1, 2006	\$ 349,563	\$ 349,563	\$ 349,563	\$ -
Resources (Inflows)				
Taxes	385,400	385,400	385,556	156
Interest	10,400	10,400	29,398	18,998
Amounts Available for Appropriation	395,800	395,800	414,954	19,154
Charges to Appropriation (Outflows)				
Transfers to other funds	495,800	495,800	218,180	(277,620)
BUDGETARY FUND BALANCE - June 30, 2007	\$ 249,563	\$ 249,563	\$ 546,337	\$ 296,774

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

BUDGETARY COMPARISON SCHEDULE - VEHICLE REPLACEMENT FUND

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Budgetary Fund Balance, July 1, 2006	\$ 750,009	\$ 750,009	\$ 750,009	\$ -
Resources (Inflows)				
Taxes	164,060	164,060	163,934	(126)
Interest	20,200	20,200	42,380	22,180
Amounts Available for Appropriation	184,260	184,260	206,314	22,054
Charges to Appropriation (Outflows)				
Transfers to other funds	161,100	161,100	31,100	(130,000)
BUDGETARY FUND BALANCE - June 30, 2007	\$ 773,169	\$ 773,169	\$ 925,223	\$ 152,054

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

BUDGETARY COMPARISON SCHEDULE - BUILDING DEPARTMENT FUND

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Budgetary Fund Balance, July 1, 2006	\$ 93,280	\$ 93,280	\$ 93,280	\$ -
Resources (Inflows)				
Licenses and permits	40,500	40,500	59,222	18,722
Interest	1,000	1,000	5,678	4,678
Other income			3,698	3,698
Amounts Available for Appropriation	41,500	41,500	68,598	27,098
Charges to Appropriation (Outflows)				
Other	34,500	34,500	28,333	(6,167)
Transfers to other funds	20,000	20,000	25,000	5,000
Total Charges to Appropriations	54,500	54,500	53,333	(1,167)
BUDGETARY FUND BALANCE - June 30, 2007	\$ 80,280	\$ 80,280	\$ 108,545	\$ 28,265

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

BUDGETARY COMPARISON SCHEDULE - DEBT SERVICE FUND

Year Ended June 30, 2007

	Original Budget	Final Amended Budget	Actual (Budgetary Basis)	Variance with Final Budget Over (Under)
Budgetary Fund Balance, July 1, 2006	\$ -	\$ -	\$ -	\$ -
Resources (Inflows)				
Transfers from other funds	100,000	100,000	52,380	(47,620)
Charges to Appropriation (Outflows)				
Retirement of bonded debt	50,000	50,000		(50,000)
Interest on bonded debt	50,000	50,000	52,380	2,380
Total Charges to Appropriations	100,000	100,000	52,380	(47,620)
BUDGETARY FUND BALANCE - June 30, 2007	\$ -	\$ -	\$ -	\$ -

COMBINING NONMAJOR FUND FINANCIAL STATEMENTS

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

COMBINING BALANCE SHEET - NONMAJOR GOVERNMENTAL FUND TYPES

Year Ended June 30, 2007

	<u>Building Department Fund</u>	<u>Debt Service Fund</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash	\$ 109,476	\$ -	\$ 109,476
Receivables			
Citizens	570		570
Interest	719		719
	<u>110,765</u>	<u>-</u>	<u>110,765</u>
TOTAL ASSETS	<u>\$ 110,765</u>	<u>\$ -</u>	<u>\$ 110,765</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
Accounts payable - trade	\$ 2,220	\$ -	\$ 2,220
TOTAL LIABILITIES	2,220	-	2,220
FUND BALANCE			
Unreserved	108,545		108,545
TOTAL FUND BALANCE	<u>108,545</u>	<u>-</u>	<u>108,545</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 110,765</u>	<u>\$ -</u>	<u>\$ 110,765</u>

**CITY OF FERRYSBURG
OTTAWA COUNTY, MICHIGAN**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - NONMAJOR GOVERNMENTAL FUND TYPES**

Year Ended June 30, 2007

	Building Department Fund	Debt Service Fund	Total Nonmajor Governmental Funds
Revenues			
Licenses and permits	\$ 59,222	\$ -	\$ 59,222
Interest	5,678		5,678
Other revenue	3,698		3,698
TOTAL REVENUES	68,598	-	68,598
Expenditures			
Current			
Other	28,333		28,333
Debt service			
Interest expense		52,380	52,380
TOTAL EXPENDITURES	28,333	52,380	80,713
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES BEFORE OTHER FINANCING SOURCES (USES)	40,265	(52,380)	(12,115)
Other Financing Sources (Uses)			
Transfers in		52,380	52,380
Transfers out	(25,000)		(25,000)
NET CHANGE IN FUND BALANCES	15,265	-	15,265
Fund Balance at Beginning of Year	93,280		93,280
FUND BALANCE AT END OF YEAR	\$ 108,545	\$ -	\$ 108,545

CITY OF FERRYSBURG

INTERNAL CONTROL LETTER

June 30, 2007

REPORT LETTER

City Counsel
City of Ferrysburg
Ferrysburg, Michigan

In planning and performing our audit of the financial statements of the City of Ferrysburg (the City) 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 the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and other deficiencies that we consider to be material weaknesses.

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 a 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 have identified significant deficiencies in internal control as outlined on page 3.

A material weakness is a significant deficiency, or a 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. We have identified deficiencies constituting material weaknesses on page 3.

In addition, we noted other comments for management involving internal control and its operations that are detailed on pages 4 and 5.

This communication is intended solely for the information and use of the City Council, management, the Michigan Department of Treasury, 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.

Beene Harter LLP

December 18, 2007
Grand Rapids, Michigan

*The following item is a control deficiency that we have considered to be a **significant deficiency**. A significant deficiency is a control deficiency, or a combination of control deficiencies that adversely affects the City'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 City's financial statements that is more than inconsequential will not be prevented or detected.*

CASH MANAGEMENT

During our review of your cash receipts transaction cycle, it was noted that when daily cash receipts come into the office an initial listing of the receipts is not prepared. This initial listing can then be compared to the actual deposit slip. We recommend that the person opening the incoming mail prepare an initial listing of the cash receipts. This listing should then be compared to the deposit slip by an individual separate from custody of cash and recording functions on a reasonable and timely basis. Documentation should be included noting who performed this function.

It was also noted that cancelled checks are not being reviewed when they are returned by the bank with the monthly bank statements. This process is used to randomly monitor cash disbursements and could possibly detect the use of the City funds for personal expenses. We recommend that the City Manager select a sample of cancelled checks each month to view for the legitimacy of the transaction.

*The following item is a control deficiency that we have considered to be a **material weakness**. A material weakness is a significant deficiency, or a 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.*

FINANCIAL STATEMENT REPORTING

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). This is the responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing and summarizing accounting data and (2) reporting government-wide and fund financial statements, including the related footnotes.

As is the case with many smaller and medium sized entities, the City has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes, as part of its external financial reporting process. Accordingly, the City's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the City's internal control.

As a result, the City lacks internal control over the preparation of financial statements in accordance with GAAP. While the City's management is not required to prepare the annual financial statements, management should be able to demonstrate an adequate level of control to prepare and review the annual financial statements. The City should consider additional training to enhance management's ability to review the financial statements and related disclosure prior to approving and accepting responsibility for their content and presentation.

ADDITIONAL MANAGEMENT COMMENTS

These comments are meant to provide the City Council and management with specific information that we noted during our audit of the financial statements. These comments provide opportunities for improvement in controls and operating efficiencies.

MONTHLY JOURNAL ENTRIES

During our examination of the City's monthly general journal entries and the supporting documentation, it was noted through conversations with the City Manager that he reviews the journal entries, but there is no physical indication on the journal entries themselves that he has approved them. We recommend that the City Manager physically sign off with his initials and a date, indicating that he has reviewed and approved the general journal entries.

NEW AUDITING STANDARDS

In early 2006, the AICPA's Auditing Standards Board issued eight Statements of Auditing Standards, commonly referred to as the *Risk Assessment Standards*, to improve the quality and effectiveness of audits. The new Statements establish standards and provide guidance concerning the auditor's assessment of the risk of material misstatement in a financial audit and the design and performance of audit procedures. This will require auditors to obtain a more in-depth understanding of the City's operations and control environment in order to properly assess the risk of material misstatement of the financial statements. In addition, the Statements establish standards and provide guidance on planning and supervision, the nature of audit evidence, and evaluating whether the audit evidence obtained affords a reasonable basis for an opinion regarding the financial statements under audit.

These new standards demand a higher level of performance and will necessitate mandatory changes to the way we perform audits. The new standards require us to perform more extensive procedures than in the past, resulting in an additional time commitment from both your personnel and our audit team. The *Risk Assessment Standards* will be effective for the City for the year ending June 30, 2008.

NEW PRONOUNCEMENTS

There are several new pronouncements that have been issued by the Governmental Accounting Standards Board (GASB) that will affect future annual financial statements issued by the City. A brief summary of these new pronouncements is listed below:

GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues -

Governments sometimes exchange an interest in their expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments (i.e. delinquent taxes purchased by Ottawa County.) This Statement establishes criteria that governments will use to ascertain whether the proceeds received should be reported as revenue or as a liability. This pronouncement will be effective for the year ending June 30, 2008; however, it is not expected to have any impact on the City's financial reporting because the provisions of this Statement need not be applied to immaterial items.

GASB Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations - This Statement discusses how to address accounting and financial reporting issues for pollution (including contamination) remediation obligations. The Statement discusses five obligating events, any one of which could necessitate recording a liability. This pronouncement will be effective for the year ending June 30, 2009.

GASB Statement No. 51, Accounting and Reporting for Intangible Assets - This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance related to the accounting and financial reporting for capital assets should be applied to these intangible assets, as applicable. This Statement also provides authoritative guidance that specifically addresses the nature of these intangible assets. Such guidance should be applied in addition to the existing authoritative guidance for capital assets. Examples of assets that may be considered intangible assets include easements, water rights, timber rights, patents, trademarks and computer software. The requirements for this Statement are effective for the year ending June 30, 2010.

FINAL IRS SECTION 403(B) REGULATIONS

Final regulations were issued in July 2007 to provide guidance on tax-sheltered annuity plans. The regulations are intended to consolidate guidance on 403(b) plans and require that a plan be maintained pursuant to a written defined contribution plan that satisfies 403(b) in both form and operation and contains all the terms and conditions for eligibility, limitation and benefits under the plan. The regulations also provide that contribution amounts must be transferred to providers within a period no longer than is reasonable for proper plan administration, such as transferring elective deferrals within 15 business days. The regulations will be effective for taxable years beginning after December 31, 2008.

We would be pleased to discuss, at your convenience, any additional study of the internal control or operating efficiency of the City of Ferrysburg.

Thank you for allowing us to serve you. During the course of our audit, the accounting staff has been extremely helpful in providing information to us and providing that information in a timely basis. Please do not hesitate to contact us with any questions.