Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☒City ☐Twp ☐Village ☐Other	City of Saginaw	Saginaw

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2006	December 15, 2006	December 27, 2006

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	☒	
The letter of Comments and Recommendations	☐	Will be forwarded
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Rehmann Robson	989 799-9580		
Street Address	**City**	**State**	**Zip**
5800 Gratiot, PO Box 2025	Saginaw	MI	48605

Authorizing CPA Signature	Printed Name	License Number
Gerald J. Desloover	Gerald J. Desloover, CPA	1101007126

CITY OF SAGINAW

Michigan

Annual Financial Report

For the Fiscal Year Ended
June 30, 2006

REHMANN ROBSON

Certified Public Accountants

ANNUAL FINANCIAL REPORT
OF THE
CITY OF SAGINAW, MICHIGAN

For the Fiscal Year Ended June 30, 2006
As Prepared by the Fiscal Services Department

CITY COUNCIL
Carol B. Cottrell, Mayor
Wilmer J. Ham
Greg Branch
Larry Coulouris
William Federspiel
Willie Haynes
Amanda Kitterman
Amos O'Neal
Andrew Wendt

CITY MANAGER
Darnell Earley

DEPARTMENT OF FISCAL SERVICES
Dale Stanton
Finance Director
Dan Vela
Treasurer

CONTROLLER DIVISION
Patricia Mindykowski
City Controller

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FINANCIAL

REHMANN ROBSON
Certified Public Accountants
A member of THE REHMANN GROUP
An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

December 15, 2006

Honorable Mayor and
Members of City Council
City of Saginaw
Saginaw, Michigan 48601

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Saginaw, Michigan***, as of and for the year ended June 30, 2006, 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 of Saginaw, Michigan'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.

The financial statements of the Saginaw Economic Development Commission (SEDC) have not been included in the City's financial statements. Accounting principles generally accepted in the United States of America require the SEDC to be presented as a discretely presented component unit. The amount by which this departure would affect the assets, liabilities, revenues and expenses of the aggregate discretely presented component units is not reasonably determinable.

In our opinion, except for the effects of not including the SEDC in the aggregate discretely presented component units, as described in the preceding paragraph, the financial statements of the aggregate discretely presented component units present fairly, in all material respects, the financial position of the aggregate discretely presented component units for the ***City of Saginaw, Michigan*** as of June 30, 2006, and the changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In addition, 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 Saginaw, Michigan***, as of June 30, 2006, and the respective changes in financial position and cash flows, where applicable thereof, and the respective budgetary comparison for the general fund and major special revenue funds 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 separately issued our report dated December 15, 2006 on our consideration of the ***City of Saginaw, Michigan's*** internal control over financial reporting and 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis listed in the table of contents on pages 3 through 10 and the Pension Analysis of Funding Progress on page 56 are not required parts of the basic financial statements but is 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 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 Saginaw, Michigan's*** basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

Rehmann Robson

Overview of the Financial Statements

The City of Saginaw's annual report follows a prescribed format in accordance with the requirements of all Governmental Accounting Standards Board Statements, as well as all Generally Accepted Accounting Principles.

Within the financial section there are four major parts: (1) Management's discussion and analysis, (2) the basic financial statements, (3) required supplementary information, and (4) other supplemental information that presents combining statements for non-major governmental, enterprise, internal service, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial condition. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting its operations in more detail than the government-wide statements.

Government-wide Statements

The government-wide statements report information about the City as a whole, using accounting methods similar to those used by private section companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two government-wide financial statements (Statement of Net Assets and Statement of Activities) of the City are divided into two categories:

- Governmental activities: Most of the City's basic services are included here, such as the police, fire, public works, and parks departments, and general administration. Property taxes, income taxes, intergovernmental revenue, charges for services, grants and contributions, and investment earnings provide most of the funding.

- Business-type activities: The City charges fees to customers to help it cover the cost of certain services it provides. The City's water and sewer system, and parking system, are treated as business-type activities, with an enterprise function.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

Some funds are required by State law and some by bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City utilizes three kinds of funds:

- Governmental funds: Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds: Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like government-wide statements, provide both long-term and short-term financial information.
- Fiduciary funds: The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate statement of fiduciary net assets and a statement of changes in fiduciary net assets. These activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

Financial Overview

Net assets: The City of Saginaw has combined net assets of $139,467,143. Business type activities comprise $98,183,737 and governmental activities make up $41,283,406 of the total net assets. The table below shows, in a condensed format, a comparison of the net assets as for the current date to the prior year.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Current and other assets	$ 21,556,050	$ 23,172,177	$ 32,868,786	$ 28,233,089	$ 54,424,836	$ 51,405,266
Capital assets	34,177,523	34,933,368	121,965,009	123,813,494	156,142,532	158,746,862
Total assets	55,733,573	58,105,545	154,833,795	152,046,583	210,567,368	210,152,128
Current liabilities	4,250,865	3,940,395	3,324,372	2,056,992	7,575,237	5,997,387
Long-term liabilities	10,199,302	11,671,228	53,325,686	56,823,825	63,524,988	68,495,053
Total liabilities	14,450,167	15,611,623	56,650,058	58,880,817	71,100,225	74,492,440
Net assets:						
Invested in capital assets, net of related debt	32,184,625	32,145,099	69,779,191	62,651,489	101,963,816	100,208,352
Restricted	3,141,661	3,519,523	7,550,734	8,991,506	10,692,395	12,511,029
Unrestricted	5,957,120	6,829,300	20,853,812	21,522,771	26,810,932	22,940,307
Total net assets	$ 41,283,406	$ 42,493,922	$ 98,183,737	$ 93,165,766	$ 139,467,143	$ 135,659,688

Net assets increased by $4,277,274 during the year. The primary cause of the change is due to an increase related to the reporting of assets as prescribed by GASB 34.

Change in net assets: Information in the following table is extracted from the Statement of Activities, and shows the revenue and expense components of changes in net assets for the year ended June 30, 2006.

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Revenues:						
Program revenues:						
Charges for services	$ 5,870,294	$ 5,921,226	$ 31,003,865	$ 31,172,644	$ 36,874,159	$ 37,093,870
Operating grants and contributions	10,007,712	8,436,474	-	-	10,007,712	8,436,474
Capital grants and contributions	407,721	140,298	240,382	-	648,103	140,298
General revenues:						
Property taxes	6,375,531	6,288,708	-	-	6,375,531	6,288,708
Income taxes	13,549,513	13,228,923	-	-	13,549,513	13,228,923
Grants and contribution not restricted to specific programs	10,167,880	10,497,715	-	-	10,167,880	10,497,715
Unrestricted investment earnings	641,208	420,938	222,223	145,429	863,431	566,367
Miscellaneous	145,890	123,711	4,080	-	149,970	123,711
Insurance proceeds	-	-	-	-	-	-
Increase in investment in Saginaw-Midland Water Supply Corp	-	-	-	327,504	-	327,504
Gain (loss) on disposal of capital assets	-	99,344	-	-		99,344
Total revenues	47,165,749	45,157,337	31,470,550	31,645,577	78,636,299	76,802,914
Expenses:						
General government	6,231,068	6,007,395	-	-	6,231,068	6,007,395
Public safety	23,558,098	23,304,106	-	-	23,558,098	23,304,106
Highway/streets	6,044,300	3,443,680	-	-	6,044,300	3,443,680
Garbage, rubbish and recycling	3,188,863	3,130,100	-	-	3,188,863	3,130,100
Other general services	2,944,612	3,077,279	-	-	2,944,612	3,077,279
Community services	1,135,891	1,166,686	-	-	1,135,891	1,166,686
Contributions to other organizations	5,000	11,150	-	-	5,000	11,150
Demolitions	733,634	540,248	-	-	733,634	540,248
Economic development	3,205,416	2,342,056	-	-	3,205,416	2,342,256
Interest on long-term debt	107,231	150,089	-	-	107,231	150,089
Water	-	-	10,532,120	10,426,250	10,532,120	10,426,250
Sewer	-	-	16,138,058	15,454,138	16,138,058	15,454,138
Parking	-	-	392,963	524,186	392,963	524,186
Wave pool	-	-	141,771	141,807	141,771	141,807
Total expenses	47,154,113	43,172,789	27,204,912	26,546,381	74,359,025	69,719,170
Transfers	(21,034)	31,262	21,034	(31,262)	-	-
Increase (decrease) in net assets	(9,398)	2,015,810	4,286,672	5,067,934	4,277,274	7,083,744
Net assets, beginning	41,292,804	40,478,112	93,897,065	88,097,832	135,189,869	128,575,944
Total net assets	$ 41,283,406	$ 42,493,922	$ 98,183,737	$ 93,165,766	$ 139,467,143	$ 135,659,688

Governmental Activities

General revenues for governmental activities totaled approximately $31 million for the year ended June 30, 2006. A total of approximately $6.4 million was in the form of property tax collections and related revenues that reflected a decrease in the tax rate for general operations from 5.5412 ($5.5412 per $1,000 of taxable value) to 5.4185 mills, and a 2.26% increase in the overall taxable value of property located within the City. Income tax generated approximately $13.5 million from residents and non-residents who live or work in the City respectively. Intergovernmental revenues, in the form of state shared revenues, continue to be of concern. While they provided $10.2 million, it is uncertain what will happen in the next several years, given the State of Michigan's financial difficulties.

Expenses for governmental activities totaled approximately $47 million for the year ended June 30, 2006, which reflects an increase of approximately $4 million. Expenses increased primarily due to increased activity in highways/streets, demolitions and economic development. The increase in highways/streets was caused by an increase in the amount of expenditures related to non-capitalized assets, such as infrastructure. The increase in demolitions and economic development was caused by increased activity in the Community Development fund.

Business-type Activities

Business-type activities operated by the City include the water and sewer system, and parking system. Program revenues from business-type activities were approximately $31.0 million. Significant items include sewer service - $17.8 million, water supply - $12.6 million, parking - $554 thousand.

Raw water from Lake Huron is provided via the Saginaw-Midland Municipal Water Supply Corporation, a joint venture between the City of Saginaw and the City of Midland. The SMMWSC pipeline supplies the City's water treatment plant as well as Midland's large industrial customers. The City owns and operates its own sanitary sewer collection and treatment system. In accordance with regulations promulgated by the Michigan Department of Environmental Quality, the sewer treatment system is operated by the City of Saginaw. The City also owns and operates several parking surface lots and a parking ramp.

Current Economic Events

As of the date of this analysis, several issues are worth noting in evaluating the financial condition of the City of Saginaw.

Property Tax Cap: In 1979, the citizens of Saginaw froze the maximum dollar levy to that of the previous year, which stands to date at $3,828,788. Therefore the corporate millage rate must be adjusted annually with each change in taxable value to ensure adherence to the imposed dollar levy cap or 7.5 mills, whichever is lower.

Renaissance Zones: Development in Renaissance Zones has increased and allows for residents of the zone to be assessed immaterial property taxes, and no local or state income taxes. Businesses located in the Renaissance Zone are exempt from local and state corporate taxes. Recent medical activity in zones has resulted in job movement from inside and outside of the City into the zones. Property ownership and tax filing status may impact income taxes because some of the higher paying jobs may be exempt from income taxes.

Economic growth: The City continues to experience moderate economic growth. The Saginaw Housing Commission and Habitat for Humanity continue to provide scattered public housing and building blitz within the City of Saginaw.

Future State of Michigan Public Act 425 Agreements or corresponding service agreements are being negotiated with other communities as they increase business and residential development. These agreements will provide a direct revenue flow to the General Fund. The most promising 425 Agreement revenue stream is local income tax.

Local income tax: The City of Saginaw receives 40.8% of its General Fund revenue from local income tax. Economic conditions continue to have a negative impact on this revenue source. For the 2006-2007 budget, the revenue from income taxes is expected to remain steady.

State shared revenues: The City of Saginaw receives 30.5% of its General Fund revenue from state revenue sharing. The State of Michigan is experiencing significant budget problems, which it is attempting to partially remedy by cutting payments to shared sales tax revenues to local units of government. The City's 2006-2007 budget showed an overall increase of 1%, amounting to approximately $77,170. It is our belief that any additional and continued cuts in state shared revenue will severely impact the City's ability to provide services.

Financial Analysis of City Funds and Budgets

The General Fund ended 2005-2006 with a fund balance of $5.2 million, of which the following amounts were unreserved but designated:

- $0.2 million for budget stabilization
- $0.2 million for the self insurance fund deficit
- $0.2 million for parking funds deficit
- $0.2 million for workers compensation fund deficit

Of the remaining $4,375,909 of fund balance, $14,644 is reserved for encumbrances, $43,000 is reserved long-term advances and $724,111 is designated for use in the 2006-2007 fiscal year. The unreserved, undesignated fund balance is $3,594,154 as of June 30, 2006. The budget stabilization reserve and the unreserved and undesignated amount ($3,808,646) represented 11.55% of the June 30, 2006 General Fund expenditures and other financing uses. That same number represents 11.32% of the fiscal year 2006-2007 budget (prior to 2006-2007 budget amendments).

Several factors affected General Fund operating results:

- Local income tax was up by $0.32 million due to increased collection efforts
- State shared revenue was down by $0.35 million due to the State reductions
- Investment income was up by $0.23 million due to higher yields

The General Fund budget is amended throughout the year, and resulted in $205,806 in revenues over expenditures. Revenues were $86,142 over budget while expenditures were $93,375 over budget. All of the City's seven (7) collective bargaining units did not have ratified agreements in place as of the end of the fiscal year ending June 30, 2006.

The Local Streets fund continues to struggle with a minimal fund balance for the third time in over 15 years, approximately $16,000.

The Rubbish Fund has a June 30, 2006 fund balance of $549,950.

Paid Time Off (PTO) Liability Fund had a fund balance of $0.3 million and $0.7 million as of June 30, 2006 and June 30, 2005, respectively. The projected unfunded liability is $5 and $5 million as of June 30, 2006 and June 30, 2005, respectively. The PTO liability has changed to 5% funded from 20% funded.

The City's June 30, 2001 $115 million in unfunded health care liability impacts all funds. Prior to the 2003-2004 fiscal year, General Fund was the single contributing fund to this liability. After receiving the June 30, 2001 actuary report, other funds are budgeted to contribute. A plan to fund 50% of the $115 million liability is being developed and requires a $500,000, annual contribution to the Public Employee Healthcare fund.

Capital Projects

During the year ended June 30, 2006, the City performed the following significant street projects.

Project Information	
Project Name	**Description**
2005-2006 CDBG Sidewalk Ramps	Construction of ADA Ramps at intersections to be compliant with the Americans with Disabilities Act in Block Grant Areas Only
2005-2006 CDBG Resurfacing	Used as match money to Reconstruct Sheridan Ave. ($126,050) total project cost $615,484.
C-1564 WWTP Headworks Project – Phase A	Upgrade to the Wastewater Treatment Plant, multi-year and multi-million dollar projects
E. Genesee Reconstruction	Reconstructed from Webber to Hartsuff and replaced Water and Sewer mains
ST0660	$1,990,263 ($572,503 paid by MDEC)
06H001	$64,304
Traffic Signals	$81,000 (city share $16,200) for 4 intersections
Traffic Signals	Mackinaw and Weiss – split cost with Saginaw County

Long Term Debt

At the end of the current fiscal year, the City of Saginaw had total bonded debt outstanding of $52.7 million in principal and $6.8 million in interest. Of this amount, $1.6 million in principal comprises debt backed by the full faith and credit of the government. The remainder of the City of Saginaw's debt represents bonds secured solely by specified revenue sources (e.g., revenue bonds).

City of Saginaw's Outstanding Debt
General Obligation and Revenue Bonds

	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
General obligation bonds	$547,482	$36,373	$ 1,075,000	$ 564,519	$ 1,622,482	$ 600,892
Revenue Bonds	-	-	51,055,766	6,202,854	51,055,766	6,202,854
Total	$547,482	$36,373	$52,130,766	$6,767,373	$52,678,248	$ 6,803,746

Contacting the City of Saginaw

This report is intended to aid our residents and other interested parties in understanding the City of Saginaw's financial condition. Questions and comments should be directed to the Fiscal Services Department at the Saginaw City Hall, 1315 South Washington Avenue, Saginaw, Michigan 48601. Fiscal Services staff can be reached at 989-759-1443 or at saginaw-mi@domino.com.

BASIC FINANCIAL STATEMENTS

CITY OF SAGINAW
STATEMENT OF NET ASSETS
June 30, 2006

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$ 4,636,533	$ 12,005,322	$ 16,641,855	$ 3,235,577
Investments	2,815,150	3,798,770	6,613,920	-
Receivables	10,792,056	5,741,537	16,533,593	193,723
Internal balances	(121,431)	121,431	-	-
Prepaid items and other assets	36,319	-	36,319	-
Inventory	544,804	544,714	1,089,518	-
Other assets	-	8,952,873	8,952,873	-
Restricted cash and cash equivalents	520,013	1,704,139	2,224,152	-
Restricted investments	2,332,606	-	2,332,606	-
Nondepreciable capital assets	14,834,644	4,391,082	19,225,726	-
Depreciable capital assets, net	19,342,879	117,573,927	136,916,806	-
TOTAL ASSETS	55,733,573	154,833,795	210,567,368	3,429,300
LIABILITIES				
Accounts payable and accrued expenses	3,265,775	3,324,372	6,590,147	175
Unearned revenue	985,090	-	985,090	-
Noncurrent liabilities:				
Due within one year	2,320,785	6,712,686	9,033,471	-
Due in more than one year	7,878,517	46,613,000	54,491,517	-
TOTAL LIABILITIES	14,450,167	56,650,058	71,100,225	175
NET ASSETS				
Invested in capital assets, net of related debt	32,080,041	69,779,191	101,859,232	-
Restricted for:				
Debt service	-	1,658,963	1,658,963	-
Capital projects	101,492	2,187,726	2,289,218	-
Endowments:				
Expendable	189,457	-	189,457	-
Nonexpendable	2,332,606	-	2,332,606	-
Other purposes	518,106	3,704,045	4,222,151	3,429,125
Unrestricted	6,061,704	20,853,812	26,915,516	-
TOTAL NET ASSETS	$ 41,283,406	$ 98,183,737	$ 139,467,143	$ 3,429,125

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue
Primary government					
Governmental activities:					
General government:					
Other general government	$ 4,030,596	$ 832,456	$ 10,000	$ -	$ (3,188,140)
Administration:					
Fiscal services	2,200,472	2,191,907	-	-	(8,565)
Public safety:					
Fire protection	10,012,274	10,894	-	-	(10,001,380)
Police protection	13,033,292	(237,556)	97,650	-	(13,173,198)
Police grants	512,472	6,475	171,527	-	(334,470)
Other public safety	60	20,284	75,593	-	95,817
General services:					
Highways and streets	6,044,300	8,541	5,340,217	332,121	(363,421)
Garbage, rubbish and recycling	3,188,863	1,421,698	-	-	(1,767,165)
Other general services	2,944,612	601,970	-	-	(2,342,642)
Community services:					
Demolitions	733,634	125,116	-	-	(608,518)
Contributions to other organizations	5,000	-	-	-	(5,000)
Other community services	1,135,891	701,121	105,400	-	(329,370)
Economic development	3,205,416	187,388	4,207,325	75,600	1,264,897
Interest on long-term debt	107,231	-	-	-	(107,231)
Total governmental activities	47,154,113	5,870,294	10,007,712	407,721	(30,868,386)
Business-type activities:					
Sewer	16,138,058	17,825,740	-	41,228	1,728,910
Water	10,532,120	12,624,376	-	199,154	2,291,410
Parking	392,963	553,749	-	-	160,786
Wave Pool	141,771	-	-	-	(141,771)
Total business-type activities	27,204,912	31,003,865	-	240,382	4,039,335
Total primary government	$ 74,359,025	$ 36,874,159	$ 10,007,712	$ 648,103	$ (26,829,051)
Component units	$ 582,003	$ 41,098	$ 68,061	$ -	$ (472,844)

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	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net assets				
Net (expense) revenue	$ (30,868,386)	$ 4,039,335	$ (26,829,051)	$ (472,844)
General revenues:				
Property taxes	6,375,531	-	6,375,531	322,325
Income taxes	13,549,513	-	13,549,513	-
Grants and contributions not restricted to specific programs	10,167,880	-	10,167,880	-
Unrestricted investment earnings	641,208	222,223	863,431	37,581
Miscellaneous	145,890	4,080	149,970	-
Transfers	(21,034)	21,034	-	-
Total general revenues and transfers	30,858,988	247,337	31,106,325	359,906
Change in net assets	(9,398)	4,286,672	4,277,274	(112,938)
Net assets, beginning of year, as restated	41,292,804	93,897,065	135,189,869	3,542,063
NET ASSETS, END OF YEAR	$ 41,283,406	$ 98,183,737	$ 139,467,143	$ 3,429,125

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS				
Cash and cash equivalents - Note C	$ -	$ 157,415	$ 1,871,243	$ 2,028,658
Income taxes receivable	1,342,882	-	-	1,342,882
Accounts receivable, net of allowances	1,269,011	102,923	18,297	1,390,231
Accrued interest receivable	-	-	953	953
Due from other governmental units	3,404,742	1,210,189	970,965	5,585,896
Inventory	-	-	389,944	389,944
Property taxes receivable - Note P	138,029	-	68,343	206,372
Assessments receivable	80,693	-	483,257	563,950
Investments - Note C	1,844,918	-	-	1,844,918
Due from other funds - Note N	-	-	9,824	9,824
Notes and contracts receivable				
Housing and other	-	1,677,354	-	1,677,354
Restricted assets				
Cash and cash equivalents - Note C	200,000	84,031	235,982	520,013
Accrued interest receivable	14,492	-	-	14,492
Investments - Note C	-	-	2,332,606	2,332,606
Advance to other funds - Note N	43,000	-	-	43,000
TOTAL ASSETS	$ 8,337,767	$ 3,231,912	$ 6,381,414	$ 17,951,093

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2006

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
LIABILITIES AND FUND EQUITIES				
Liabilities				
Accounts payable	$ 411,463	$ 446,034	$ 624,496	$ 1,481,993
Accued wages payable	533,981	19,839	81,985	635,805
Due to other governmental units	134,509	100,084	24,958	259,551
Due to other funds - Note N	172,306	-	186,390	358,696
Deposits	683,199	-	-	683,199
Deferred revenue - Note D	1,218,242	2,622,955	193,298	4,034,495
Long-term advances due to other funds - Note N	-	43,000	-	43,000
Total Liabilities	3,153,700	3,231,912	1,111,127	7,496,739
Fund Equities				
Fund balances				
Reserved for:				
Encumbrances	14,644	-	57,156	71,800
Inventory	-	-	389,944	389,944
Long-term advances to other funds	43,000	-	-	43,000
Trusts and endowments	-	-	2,335,413	2,335,413
Specific projects	-	-	518,106	518,106
Unreserved:				
Designated for:				
Self Insurance Fund	176,362	-	-	176,362
Workers' Compensation Fund	206,059	-	-	206,059
Parking Fund	211,245	-	-	211,245
Budget stabilization	214,492	-	-	214,492
Subsequent year's expenditures	724,111		758,376	1,482,487
Designated, reported in:				
Capital projects	-	-	101,492	101,492
Undesignated, reported in:				
General Fund	3,594,154	-	-	3,594,154
Special Revenue Funds	-	-	923,150	923,150
Permanent Fund	-	-	186,650	186,650
Total Fund Balances	5,184,067	-	5,270,287	10,454,354
TOTAL LIABILITIES AND FUND EQUITIES	$ 8,337,767	$ 3,231,912	$ 6,381,414	$ 17,951,093

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2006

Fund balances - total governmental funds	$	10,454,354
Amounts reported for *governmental activities* in the statement of net assets are different because:		
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.		3,049,404
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Add - capital assets		49,236,147
Deduct - accumulated depreciation		(16,667,685)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Deduct - installment contracts and loans payable		(1,941,962)
Deduct - accumulated compensated absences		(5,322,992)
Deduct - accrued interest payable		(29,346)
Elimination of Internal Service Fund activities		2,505,486
Net assets of governmental activities	$	41,283,406

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues				
General operating property taxes	$ 3,787,630	$ -	$ 2,036,825	$ 5,824,455
Special assessments	67,076	-	-	67,076
City income tax	13,549,513	-	-	13,549,513
State shared revenues	10,143,430	-	5,055,949	15,199,379
Licenses, permits and fees	1,538,447	25,459	1,508,282	3,072,188
Fines, penalties and forfeitures	294,540	-	39,494	334,034
Grants, donations and contributions	2,385,433	4,218,462	1,136,824	7,740,719
Interest on loans and investments	491,679	55,180	36,167	583,026
Rents and privileges	51,500	-	-	51,500
Sale of materials and services	933,534	-	61,307	994,841
Loan repayments	-	131,281	-	131,281
Total Revenues	33,242,782	4,430,382	9,874,848	47,548,012
Expenditures				
Current expenditures				
General government	3,596,652	-	-	3,596,652
Administration	2,194,405	807,606	-	3,002,011
Public safety	22,992,670	-	721,365	23,714,035
Highways and streets	-	-	6,158,243	6,158,243
General services	2,818,023	-	3,249,447	6,067,470
Community services	1,050,383	-	166,529	1,216,912
Economic development	-	1,975,259	282,483	2,257,742
Capital outlay	-	825,286	-	825,286
Debt service				
Principal	305,118	475,000	-	780,118
Interest	11,718	78,080	-	89,798
Total Expenditures	32,968,969	4,161,231	10,578,067	47,708,267
Revenues over (under) expenditures	273,813	269,151	(703,219)	(160,255)
Other financing sources (uses)				
Transfers in	405,186	-	1,406,315	1,811,501
Transfers out	(473,193)	(269,151)	(672,482)	(1,414,826)
Total Other Financing Sources (Uses)	(68,007)	(269,151)	733,833	396,675
Net change in fund balances	205,806	-	30,614	236,420
Fund balances at beginning of year	4,978,261	-	5,239,673	10,217,934
FUND BALANCES AT END OF YEAR	$ 5,184,067	$ -	$ 5,270,287	$ 10,454,354

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net change in fund balances - total governmental funds	$	236,420
Amounts reported for *governmental activities* in the statement of activities are different because:		
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		(515,515)
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.		
Add - capital additions		678,321
Deduct - net value of capital assets sold		(4,299)
Deduct - depreciation expense		(1,351,955)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Add - principal payments on long-term liabilities		780,118
Add - decrease in accrued compensated absences		30,841
Add - decrease in accrued interest payable		13,429
Elimination of Internal Service Fund activities		123,242
Change in net assets of governmental activities	$	(9,398)

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
General operating property taxes	$ 3,768,736	$ 3,768,736	$ 3,787,630	$ 18,894
Special assessments	140,000	140,000	67,076	(72,924)
City income tax	12,700,000	13,004,240	13,549,513	545,273
State shared revenues	10,317,572	10,317,572	10,143,430	(174,142)
Licenses, permits and fees	1,642,448	1,642,448	1,538,447	(104,001)
Fines, penalties and forfeitures	297,960	297,960	294,540	(3,420)
Grants, donations and contributions	2,216,683	2,219,943	2,385,433	165,490
Interest on loans and investments	291,126	291,126	491,679	200,553
Rents and privileges	82,000	82,000	51,500	(30,500)
Sale of materials and services	1,476,277	1,392,615	933,534	(459,081)
Total Revenues	32,932,802	33,156,640	33,242,782	86,142
Expenditures				
Current expenditures				
General government	3,912,775	3,851,619	3,596,652	(254,967)
Administration	2,037,960	2,227,803	2,194,405	(33,398)
Public safety - Note G	22,576,643	22,647,030	22,992,670	345,640
General services	2,648,165	2,803,539	2,818,023	14,484
Community services	1,178,652	1,028,767	1,050,383	21,616
Debt Service				
Principal - Note G	305,118	305,118	305,118	-
Interest - Note G	11,718	11,718	11,718	-
Total Expenditures	32,671,031	32,875,594	32,968,969	93,375
Revenues over (under) expenditures	261,771	281,046	273,813	(7,233)
Other financing sources (uses)				
Transfers in	406,250	406,250	405,186	(1,064)
Transfers out	(601,521)	(618,732)	(473,193)	145,539
Total Other Financing Sources (Uses)	(195,271)	(212,482)	(68,007)	144,475
Net change in fund balances	$ 66,500	$ 68,564	205,806	$ 137,242
Fund balance at beginning of year			4,978,261	
FUND BALANCE AT END OF YEAR			$ 5,184,067	

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
Fees	$ 54,048	$ 54,048	$ 25,459	$ (28,589)
Grants and entitlements	3,671,785	3,671,785	4,218,462	546,677
Interest on deposits and investments	-	-	419	419
Interest on loans	75,000	75,000	54,761	(20,239)
Loan repayments	365,000	365,000	131,281	(233,719)
Total Revenues	4,165,833	4,165,833	4,430,382	264,549
Expenditures				
Current expenditures				
Administration	1,029,868	1,029,868	807,606	(222,262)
Program support services	1,218,179	1,230,679	1,036,376	(194,303)
Loan disbursements	294,000	281,500	53,778	(227,722)
Grant expenditures	492,855	492,855	885,105	392,250
Capital outlay				
Public improvements	288,076	498,076	825,286	327,210
Debt service				
Principal	475,000	475,000	475,000	-
Interest	78,080	78,080	78,080	-
Total Expenditures	3,876,058	4,086,058	4,161,231	75,173
Revenues over (under) expenditures	289,775	79,775	269,151	189,376
Other financing sources (uses)				
Transfers out	(369,775)	(289,775)	(269,151)	(20,624)
Net change in fund balances	$ (80,000)	$ (210,000)	-	$ 210,000
Fund balance at beginning of year			-	
FUND BALANCE AT END OF YEAR			$ -	

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	$ 4,622,877	$ 7,292,957	$ 89,488	$ 12,005,322	$ 2,607,875
Accounts receivable, net of allowances	1,557,510	2,816,716	370,453	4,744,679	6,728
Accrued interest receivable	2,086	-	-	2,086	3,198
Due from other governments	-	937,758	-	937,758	-
Inventories	544,714	-	-	544,714	154,860
Prepaid expenses	-	-	-	-	36,319
Investments	2,822,610	975,060	1,100	3,798,770	970,232
Assessments receivable	3,694	53,320	-	57,014	-
Due from other funds	-	232,191	-	232,191	1,092,298
Restricted current assets					
Cash and cash equivalents	1,195,305	-	-	1,195,305	-
Cash - bond proceeds	508,834	-	-	508,834	-
Total Current Assets	11,257,630	12,308,002	461,041	24,026,673	4,871,510
Noncurrent Assets					
Investment in Saginaw-Midland Water Supply Corporation	8,935,038	-	-	8,935,038	-
Unamortized bond discount	17,835	-	-	17,835	-
Net Noncurrent Assets	8,952,873	-	-	8,952,873	-
Capital assets					
Land	427,261	982,374	201,203	1,610,838	-
Buildings and improvements	63,288,977	59,353,758	11,669,459	134,312,194	189,146
Combined sewer overflow facilities	-	103,188,901	-	103,188,901	-
Plant and office equipment	3,341,603	3,823,276	654,509	7,819,388	673,830
Vehicular and radio equipment	-	-	-	-	7,226,068
Construction in progress	137,062	2,643,182	-	2,780,244	-
Less allowances for depreciation	(36,344,174)	(80,172,136)	(11,230,246)	(127,746,556)	(6,479,983)
Net Capital Assets	30,850,729	89,819,355	1,294,925	121,965,009	1,609,061
TOTAL ASSETS	$ 51,061,232	$ 102,127,357	$ 1,755,966	$ 154,944,555	$ 6,480,571

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2006

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
LIABILITIES AND NET ASSETS					
Current liabilities payable from current assets					
Accounts payable	$ 316,925	$ 191,949	$ 3,572	$ 512,446	$ 137,689
Accrued wages payable	81,997	117,141	2,488	201,626	37,896
Due to other governmental units	8,041	20,673	-	28,714	295
Due to other funds	-	-	561,463	561,463	414,154
Current portion of accrued sick and vacation/PTO payable	225,210	313,746	-	538,956	-
Current portion of long-term debt	-	170,000	-	170,000	120,935
Total Current Liabilities Payable From Current Assets	632,173	813,509	567,523	2,013,205	710,969
Payable from restricted assets					
Accounts payable	185,515	1,338,385	-	1,523,900	-
Customer deposits	792,465	-	-	792,465	-
Accrued interest	-	265,221	-	265,221	-
Current portion of long-term debt	1,515,000	4,488,730	-	6,003,730	-
Total Current Liabilities Payable From Restricted Assets	2,492,980	6,092,336	-	8,585,316	-
Total Current Liabilities	3,125,153	6,905,845	567,523	10,598,521	710,969
Long-term liabilities					
Workers' comp claims payable	-	-	-	-	1,873,087
Insurance claims payable	-	-	-	-	522,090
Accrued sick and vacation/PTO payable	349,932	236,805	14,175	600,912	163,651
Long-term debt, exclusive of current portion					
Revenue bonds	1,220,052	-	-	1,220,052	-
CSO construction projects	-	41,493,242	-	41,493,242	-
General obligation bonds and contracts	-	3,298,794	-	3,298,794	254,585
Total Long-term liabilities, exclusive of current portion	1,569,984	45,028,841	14,175	46,613,000	2,813,413
Total Liabilities	4,695,137	51,934,686	581,698	57,211,521	3,524,382
Net Assets					
Investment in capital assets, net of related debt	28,115,677	40,368,589	1,294,925	69,779,191	1,453,541
Restricted for:					
Sick and vacation	-	-	-	-	255,757
Bond and interest redemption	1,658,963	-	-	1,658,963	-
Operation and maintenance	705,026	-	-	705,026	-
Repairs and replacements	1,678,892	-	-	1,678,892	-
Surplus fund	2,999,019	-	-	2,999,019	-
Bond construction projects	508,834	-	-	508,834	-
Unrestricted (deficit)	10,699,684	9,824,082	(120,657)	20,403,109	1,246,891
Total Net Assets	46,366,095	50,192,671	1,174,268	97,733,034	2,956,189
TOTAL LIABILITIES AND NET ASSETS	$ 51,061,232	$ 102,127,357	$ 1,755,966	$ 154,944,555	$ 6,480,571

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
RECONCILIATION OF NET ASSETS ON THE STATEMENT OF NET ASSETS FOR ENTERPRISE FUNDS TO NET ASSETS OF BUSINESS-TYPE ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2006

Net assets - total enterprise funds	$	97,733,034
Amounts reported for *business-type activities* in the statement of net assets are different because:		
Elimination of Internal Service Fund activities		450,703
Net assets of business-type activities	$	98,183,737

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
User charges	$ 12,092,354	$ 17,292,653	$ 553,749	$ 29,938,756	$ 6,759,248
Sale of materials and services	415,686	49,667	-	465,353	18,931
Penalties for delinquencies	116,336	487,500	-	603,836	-
Total Operating Revenues	12,624,376	17,829,820	553,749	31,007,945	6,778,179
Operating expenses					
Costs of goods sold	-	-	-	-	67,021
Salaries	-	-	76,396	76,396	972,061
Employee benefits	-	-	122,844	122,844	876,165
Contractual services	-	-	14,171	14,171	1,021,026
Internal user charges	-	-	40,196	40,196	458,701
Insurance	-	-	17,800	17,800	1,284,954
Utilities	-	-	41,596	41,596	190,306
Supplies and materials	-	-	10,142	10,142	288,786
Administration	1,523,344	1,836,820	-	3,360,164	-
Customer accounting	280,352	224,420	-	504,772	-
Meter maintenance and service	367,413	338,987	-	706,400	-
System maintenance and service	1,624,782	1,892,216	-	3,516,998	-
Treatment, disposal and pumping	3,616,959	4,691,049	-	8,308,008	-
Remote facilities	-	989,012	-	989,012	-
Raw water operations	1,047,462	-	-	1,047,462	-
Claims and judgements	-	-	-	-	427,628
Depreciation	1,182,441	5,209,710	193,208	6,585,359	503,258
Other	-	-	25,511	25,511	28,837
Total Operating Expenses	9,642,753	15,182,214	541,864	25,366,831	6,118,743
Operating Income (Loss)	2,981,623	2,647,606	11,885	5,641,114	659,436
Nonoperating revenues (expenses)					
Interest on investments	211,621	29,641	3,280	244,542	129,996
Interest expense on bonded indebtedness	(212,228)	(1,087,919)	-	(1,300,147)	(30,862)
Amortization on bond discount	(8,917)	-	-	(8,917)	-
Amortization of gain on bond refunding	27,533	-	-	27,533	-
Gain (loss) on sale of investments	(11,004)	(11,315)	-	(22,319)	-
Gain (loss) on disposal of capital assets	-	-	-	-	(224)
Grants and entitlements	199,154	41,228	-	240,382	3,198
Contractual obligations to Saginaw-Midland Water Supply Corporation	(1,277,641)	-	-	(1,277,641)	-
Increase in Investment in Saginaw-Midland Water Supply Corporation	500,498	-	-	500,498	-
Total Nonoperating Revenues (Expenses)	(570,984)	(1,028,365)	3,280	(1,596,069)	102,108
Net Income (Loss) Before Transfers	2,410,639	1,619,241	15,165	4,045,045	761,544
Transfers					
Transfers in	21,034	-	-	21,034	39,241
Transfers out	-	-	-	-	(456,950)
Net Transfers	21,034	-	-	21,034	(417,709)
Change in Net Assets	2,431,673	1,619,241	15,165	4,066,079	343,835
Net assets at beginning of year, as restated	43,934,422	48,573,430	1,159,103	93,666,955	2,612,354
NET ASSETS AT END OF YEAR	$ 46,366,095	$ 50,192,671	$ 1,174,268	$ 97,733,034	$ 2,956,189

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS OF ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Net change in fund net assets - total enterprise funds	$	4,066,079
Elimination of Internal Service Fund activities		220,593
Change in net assets of business-type activities	$	4,286,672

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2006

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service
Cash flows from operating activities:					
Receipts from interfund services provided	$ 495	$ 1,612,573	$ -	$ 1,613,068	$ 8,197,154
Receipts from customers	12,528,447	20,543,797	398,859	33,471,103	-
Payments to suppliers	(4,525,911)	(3,292,626)	(110,236)	(7,928,773)	(3,731,894)
Payments to employees	(3,718,299)	(5,543,732)	(195,042)	(9,457,073)	(1,936,578)
Payments for interfund services used	-	-	(87,106)	(87,106)	(462,942)
Net Cash Provided By (Used For) Operating Activities	4,284,732	13,320,012	6,475	17,611,219	2,065,740
Cash flows from noncapital financing activities:					
Grants and entitlements	-	-	-	-	3,198
Transfers in	21,034	-	-	21,034	39,241
Transfers out	-	-	-	-	(456,950)
Net Cash Provided By (Used For) Noncapital Financing Activities	21,034	-	-	21,034	(414,511)
Cash flows from capital and related financing activities:					
Purchases of capital assets	(1,540,990)	(3,188,784)	(7,100)	(4,736,874)	(434,002)
Proceeds from sale of equipment	-	-	-	-	10,414
Grants and entitlements	199,154	41,228	-	240,382	-
Bond / installment contract proceeds	-	2,393,794	-	2,393,794	166,106
Principal paid on long-term debt	(1,420,000)	(4,510,684)	-	(5,930,684)	(116,276)
Interest paid on long-term debt	(212,228)	(1,108,810)	-	(1,321,038)	(30,862)
Contractual obligations to Saginaw-Midland Supply Corporation	(1,277,641)	-	-	(1,277,641)	-
Net Cash (Used For) Capital and Related Financing Activities	(4,251,705)	(6,373,256)	(7,100)	(10,632,061)	(404,620)
Cash flows from investing activities:					
Purchase of investment securities	(102,190)	-	(8)	(102,198)	-
Proceeds from sale and maturities of investment securities	-	20,758	-	20,758	22
Interest on investments	198,761	18,326	3,280	220,367	129,996
Net Cash Provided By (Used For) Investing Activities	96,571	39,084	3,272	138,927	130,018
Increase (Decrease) in cash and cash equivalents	150,632	6,985,840	2,647	7,139,119	1,376,627
Cash and cash equivalents at beginning of year	6,176,384	307,117	86,841	6,570,342	1,231,248
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 6,327,016	$ 7,292,957	$ 89,488	$ 13,709,461	$ 2,607,875
Cash flows from operating activities:					
Operating income (loss)	$ 2,981,623	$ 2,647,606	$ 11,885	$ 5,641,114	$ 659,436
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	1,182,441	5,209,710	193,208	6,585,359	503,258
Change in assets and liabilities:					
Accounts receivable	(93,114)	2,910,780	(154,890)	2,662,776	24,945
Due from other governmental units	-	(206,459)	-	(206,459)	984,337
Inventories	1,754	-	-	1,754	58,813
Prepaid expenses	-	-	-	-	-
Assessments receivable	(3,694)	9,656	-	5,962	45,339
Due from other funds	495	1,612,573	49	1,613,117	-
Accounts payable	191,852	1,115,582	(1,016)	1,306,418	71,325
Accrued wages payable	8,140	(3,786)	192	4,546	(457)
Due to other governments	(26,304)	2,732	-	(23,572)	(1,410)
Due to other funds	-	-	(46,959)	(46,959)	405,452
Unearned revenue	-	-	-	-	-
Customer deposits	879	-	-	879	-
Claims payable	-	-	-	-	(598,813)
Accrued sick and vacation/PTO payable	40,660	21,618	4,006	66,284	(86,485)
Net Cash Provided By (Used For) Operating Activities	$ 4,284,732	$ 13,320,012	$ 6,475	$ 17,611,219	$ 2,065,740

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Pension and Other Employee Benefits Trust Funds	Agency
ASSETS		
Cash and cash equivalents	$ -	$ 1,803,649
Accounts receivable	-	195,862
Prepaid Insurance	-	211,449
Taxes receivable for the account of other governmental units	-	1,140,861
Restricted assets		
Cash and cash equivalents	4,708,993	-
Accrued interest receivable	435,841	-
Investments, at market value		
Money market funds	1,203,664	-
U.S. Government agencies	22,205,959	-
Corporate and foreign bonds	16,544,924	-
Common equity securities	47,673,778	-
Equity mutual funds	30,498,583	-
Other	2,081,628	-
Total Assets	125,353,370	$ 3,351,821
LIABILITIES		
Accounts payable	29,581	863,661
Accrued wages payable	409,809	-
Due to other governmental units	-	1,739,616
Claims payable	-	742,349
Other current liabilities	-	6,195
Total Liabilities	439,390	$ 3,351,821
Net Assets		
Held in trust for pension benefits	$ 124,913,980	

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
For the Year Ended June 30, 2006

Additions		
Contributions:		
Employer	$	3,926,717
Plan members		1,078,002
Total contributions		5,004,719
Investment income (loss):		
Interest		2,499,425
Dividends		3,210,183
Mutual fund rebates		30,570
Net appreciation in fair value of investments		3,343,913
Investment expenses		(436,088)
Total investment income		8,648,003
Total Additions		13,652,722
Deductions		
Police pension benefits		6,266,889
Fire pension benefits		5,154,310
Administrative expenses		368,629
Refunds of member contributions		113,820
Total Deductions		11,903,648
Net increase for the year		1,749,074
Net Assets Held in Trust for Pension Benefits		
Beginning of year		123,164,906
End of year	$	124,913,980

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
COMPONENT UNITS
STATEMENT OF NET ASSETS
June 30, 2006

	TIFA Activities	DDA Activities	LDFA Activities	Brownfield Activities	Total
ASSETS					
Cash and cash equivalents	$ 31,275	$ 226,623	$ 2,972,210	$ 5,469	$ 3,235,577
Receivables	44	26,787	75,397	91,495	193,723
TOTAL ASSETS	31,319	253,410	3,047,607	96,964	3,429,300
LIABILITIES					
Accounts payable	-	175	-	-	175
NET ASSETS					
Restricted for:					
Other purposes	31,319	253,235	3,047,607	96,964	3,429,125
TOTAL NET ASSETS	$ 31,319	$ 253,235	$ 3,047,607	$ 96,964	$ 3,429,125

The accompanying notes are an integral part of these financial statements.

CITY OF SAGINAW
COMPONENT UNITS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2006

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
TIFA Activities	$ -	$ -	$ -	$ -
DDA Activities	63,266	41,098	-	(22,168)
LDFA Activities	450,676	-	-	(450,676)
Brownfield Activities	68,061	-	68,061	-
Total component unit activities	$ 582,003	$ 41,098	$ 68,061	$ (472,844)

	Component Units: TIFA Activities	DDA Activities	LDFA Activities	Brownfield Activities	Total
Changes in net assets					
Net (expense) revenue	$ -	$ (22,168)	$ (450,676)	$ -	$ (472,844)
General revenues:					
Property taxes	-	46,673	247,780	27,872	322,325
Unrestricted investment earnings	-	3,921	33,660	-	37,581
Total general revenues	-	50,594	281,440	27,872	359,906
Change in net assets	-	28,426	(169,236)	27,872	(112,938)
Net assets, beginning of year	31,319	224,809	3,216,843	69,092	3,542,063
NET ASSETS, END OF YEAR	$ 31,319	$ 253,235	$ 3,047,607	$ 96,964	$ 3,429,125

The accompanying notes are an integral part of these financial statements.

NOTE A - REPORTING ENTITY

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Saginaw, Michigan (the primary government) and its component units. The component units discussed below are included in the City's reporting entity as they are entities for which the government is considered to be financially accountable.

Discrete Component Units

The component units columns in the government-wide financial statements include the financial data of the City's thirteen component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

Tax Increment Finance Authority (TIFA) - Two component units - City Council established TIFA districts pursuant to Act 450 of the public Acts of 1980 for the Saginaw Division Tower and Morley Building projects. Property tax revenues received from the "captured" portion of these properties are restricted to pay project expenditures or set aside for future development within the districts depending on the development plan adopted for each project. The members of the governing board of the TIFA are appointed by City Council and development agreements of the TIFA districts are also approved by City Council. The City has the ability to significantly influence the operations of the TIFA. Complete financial statements of the TIFA can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Downtown Development Authority (DDA) - Three component units - The members of the governing board of the DDA are appointed by City Council and development agreements of the DDA districts are also approved by City Council. Districts were established for the Commerce Center, Sils Island and the DDA. The City has the ability to significantly influence the operations of the DDA. Complete financial statements of the DDA can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Saginaw Economic Development Corporation (SEDC) - One component unit – The members of the governing board of the SEDC are appointed by City Council and they review and approve loans to businesses located within the City limits. The City has the ability to significantly influence the operations of the SEDC. The financial statements of the SEDC were not available for inclusion in the June 30, 2006 financial statements.

Local Development Finance Authority (LDFA) - Six component units - When legislation expired for TIFA projects (above), City Council established LDFA districts pursuant to Act 281 of the Public Acts of 1986 for the following economic development projects: Thomson Saginaw Ball Screw Company, Sexton, Baker Perkins, Treasure Island, Saginaw Machine Systems and Saginaw Tool and Die. Property tax revenues received from the "captured" portion of these properties are restricted to pay project expenditures or set aside for future development within the districts depending on the development plan adopted for each project. The members of the governing board of the LDFA are appointed by City Council and development agreements of the LDFA districts are also approved by City Council. The City has the ability to significantly influence the operations of the LDFA. Complete financial statements of the LDFA can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Brownfield Redevelopment Authority SRRF - One component unit - Property tax revenues received from the "captured" portion of these properties are restricted to pay site clean up expenditures and future development depending on the development plan adopted for each project. The members of the governing board of the Authority are appointed by City Council and they review and approve development plans for businesses relocating within designated areas of the City where property was once contaminated. The City has the ability to significantly influence the operations of the Brownfield Redevelopment Authority. Complete financial statements of the Authority can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

Joint Venture - Saginaw-Midland Municipal Water Supply Corporation

The City of Saginaw purchases raw water from the Saginaw-Midland Municipal Water Supply Corporation. This corporation brings water from Lake Huron, beginning at Whitestone Point, through a joint supply line, to Junction Station, at which point it is pumped through separate lines to Midland and Saginaw. The joint line is operated and maintained by the Corporation, which is an inter-governmental body composed of six members. Three members each are appointed by the Saginaw and Midland City Councils. The City of Saginaw owns 23/43rds of the Saginaw-Midland Municipal Water Supply Corporation and the City of Midland owns 20/43rds.

This joint venture is accounted for in the Water Fund using the equity method. The City reported an increase in equity of $500,498 as nonoperating revenues. At June 30, 2006, total outstanding bonded debt of the Saginaw-Midland Municipal Water Supply Corporation was $23,085,932. The City was obligated for $12,348,289 of this total. During fiscal year 2006, the City paid the Corporation $1,277,641 to finance its share of the contractual obligations. The City's equity of $8,935,038 in the Saginaw-Midland Municipal Water Supply Corporation is recorded as an Investment within the Noncurrent Assets section on the statement of net assets of the Water Fund.

The financial information for the year ended June 30, 2006 for the Saginaw-Midland Municipal Water Supply Corporation follows:

Total Assets	$ 40,238,160	Total Revenues	$ 4,998,655
Total Liabilities	23,533,523	Total Expenses	4,062,940
Net Assets	$ 16,704,637	Net Income	935,715
Net Assets:			
City of Saginaw	$ 8,935,038	Net Assets at	
City of Midland	7,769,599	Beginning of Year	15,768,922
Total Net Assets	$ 16,704,637	Total Net Assets	$ 16,704,637

Complete financial statements can be obtained at the Saginaw-Midland Municipal Water Supply Corporation, 4678 Three Mile Road, Bay City, Michigan, 48706.

NOTE B - BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

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 the interfund activity has been removed from these statements. *Governmental 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 financial accountable.

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 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, except for agency funds which do not have a measurement focus. 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 and one year for reimbursement based grants. 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, franchise taxes, licenses, intergovernmental revenues 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.

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 *community development fund* accounts for the grant revenues and related community development projects under the grants.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the government's water distribution and treatment system.

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

Additionally, the City reports the following fund types:

Internal service funds account for fringe benefit and fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

The *pension and other employee benefit trust funds* account for the activities of the Policemen and Firemen Pension Fund and Public Employee Healthcare Fund, which accumulate resources for pension and health benefit payments for qualified employees.

Agency funds are use to account for assets held for other governments in an agency capacity, including tax collections.

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 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 enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise 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 City's policy to use restricted resources first, then unrestricted resources as they are needed.

Significant Accounting Policies

Budgets and Budgetary Accounting - The City Charter requires the City Council, by resolution, to determine and adopt the budget and make the appropriations for the next fiscal year and to provide, by resolution, for a tax levy of the amount necessary to be raised by taxation at least 30 days prior to the first day of the upcoming fiscal year. Budgetary control is exercised at the department (appropriation center) level in the General Fund and at the fund level for all other budgeted funds. General Fund line item budget transfers from one account to another within the same appropriation center can be made without City Council approval. All budget transfers from one appropriation center to another or from the General Fund Contingent Appropriation account must be approved by City Council. In all other funds, line item budget transfers from one account to another within the same department and fund can be made without City Council approval.

All unencumbered appropriations lapse at the end of the fiscal year unless specific requests to reserve funds for capital items are made by the departments and approved by the City Controller. The subsequent fiscal year's budget is then amended when these expenditures are recorded. Encumbrances outstanding at June 30, 2006 do not lapse but are brought forward to the new fiscal year.

The General Fund, Community Development, Major Streets, Local Streets, Rubbish Collection, Police Grants, Drug Forfeiture, Andersen Center Operation, Boat Launch Operation and Economic Development Special Revenue Funds are under formal budgetary control as is required by Michigan Public Act 621. Budgets shown in the financial statements were prepared on the modified accrual basis. This is the same basis used to reflect actual results and consists only of those amounts contained in the formal budget approved by City Council. Special Revenue Funds are considered to be departments for budgetary purposes. All Enterprise and Internal Service Funds are budgeted annually for internal control purposes only. Budgetary information for these funds is not required in the financial statements. Budgetary control for the Capital Projects Fund is on a project basis because most exceed one fiscal year. Any funds not expended during the current fiscal year are carried forward until spent or reallocated. City Council does not formally adopt budgets for the Municipal Streets, Marina Grant, and Urban Development Action Grant Special Revenue Funds or the Trust and Agency Funds.

Cash and Cash Equivalents - Cash and cash equivalents for all funds includes amounts in demand deposits, petty cash and certain investments which are payable upon the demand of the City and have an original maturity of three months or less. Cash balances in most of the City's operating funds are pooled and invested in various investments throughout the year. Each fund's cash balance is reported in a separate cash account and the City allocates interest earnings based on the average cash balance in each fund during the year. For purposes of the Statement of Cash Flows, the City considers all highly liquid investments held by trustees with a maturity of three months or less when purchased to be cash equivalents. In addition, all cash and investments with the City Treasurer are also considered to be cash equivalents since they are available on demand.

Investments – All investments are stated at fair value. It is the general intent of the City to hold investments to maturity. In the Policemen and Firemen Pension Fund, investments are traded when the opportunity to increase the overall yield of the investment portfolio arises.

Employee Sick Leave, Vacation/PTO and Compensatory Time - The liability for unused sick and vacation/PTO hours as earned by employees at various rates has been recorded as long-term liabilities in the governmental and business-type activities. AFSCME, SEIU and non-union management employees are paid for all of their accumulated PTO days, up to a maximum of 1,312 hours, upon death, termination or retirement. Fire fighters are paid for all of their accumulated PTO days, up to a maximum of 2,148 hours, upon death, termination or retirement. POAM union employees are paid for one-half of their accumulated unused sick days upon death or retirement up to a maximum of 1,312 hours in addition to their unused vacation hours. Certain employee groups are allowed to accumulate overtime hours and later use these accumulated hours as time off in lieu of a cash payment.

Encumbrances - Encumbrances are commitments under purchase orders or contracts. Outstanding encumbrances at year-end are not recorded as expenditures until the goods or services are received. Only those encumbrances that are recorded as payables at June 30 are included as expenditures for budgetary presentations. Fund balance has been reserved for all outstanding encumbrances in the governmental fund types and will be recorded as expenditures in the subsequent fiscal year.

Interfund Receivables and Payables - During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets and service debt. To the extent that certain transactions between funds had not been received or paid as of June 30, 2006, the resulting interfund receivables and payables have been recorded (see Note N).

Inventories - Supplies inventories recorded in the various fund types are stated at cost. Inventories in the Special Revenue, Enterprise and Internal Service Funds consist of expendable materials and supplies held for consumption. The costs of the materials and supplies are recorded as expenditures/expenses at the time they are used. Until then, they are considered to be an asset. Physical inventories are taken at the end of each fiscal year and the asset account is adjusted accordingly. Inventories in the Enterprise and Internal Service Funds are valued on the average cost method. Inventories in the Special Revenue Funds are valued on the first-in, first-out method. The inventory balances in the Major Streets Special Revenue Funds are equally offset by a fund balance reserve, which indicates that these amounts do not constitute "available spendable resources" even though they are a component of current assets.

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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than $3,000 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 costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

For the governmental activities, infrastructure includes only those infrastructure assets acquired subsequent to July 1, 2002.

Depreciation - It is computed using the straight-line method over the estimated useful lives of the related assets as follows: streets system infrastructure (7-50 years), buildings and improvements (50 years); combined sewer overflow facilities (25 years); wave pool complex (25 years); plant equipment (15 years); radio equipment (8 years); office and data processing equipment (5 years); and vehicles (5 years).

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 fund financial statements, governmental fund types recognize bond premium 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.

Reservations and Designations of Fund Equities - Reservations of fund balance are established to identify (1) claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, for example: encumbrances, prepaid items, inventories, specific projects and long-term advances to other funds. Such reserves are not intended as valuation allowances, but merely demonstrate the current unavailability of the subject assets to pay current expenditures. Designations of fund balance have been made for Capital Projects, Self Insurance Fund, Workers Compensation, Parking Fund and Budget Stabilization. These portions of fund balance are intended to be used for these purposes and are not available for appropriation or expenditure. Restrictions of net assets in the Enterprise Funds represent amounts that are required to be segregated in accordance with City ordinances. These portions of net assets are intended to be used for these purposes and are not available for appropriation or expense.

Restricted Assets - Restricted assets result from revenue bond ordinance reserve requirements and proceeds of bond issues stipulated for construction of capital assets. They also result from other legal or contractual requirements which restrict the use of resources.

NOTE C - DEPOSITS AND INVESTMENTS

	Deposits	Investments	Total
Financial statement caption:			
Primary Government:			
Cash and cash equivalents	$ 16,641,855	$ -	$ 16,641,855
Investments	-	6,613,920	6,613,920
Restricted cash and cash equivalents	520,013	1,704,139	2,224,152
Restricted investments	-	2,332,606	2,332,606
Component Units:			
Cash and cash equivalents	3,235,577	-	3,235,577
Fiduciary Funds:			
Cash and cash equivalents	1,803,649	-	1,803,649
Restricted cash and cash equivalents	4,708,993	-	4,708,993
Investments	-	120,208,536	120,208,536
	$ 26,910,087	$ 130,859,201	$ 157,769,288

Investments – The City's investment policy is in compliance with Michigan Complied Laws, Section 129.91. State statutes authorize the City to invest public funds in the following:

- Bonds and other direct obligations of the United States or an agency or instrumentality of the United States.

- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.

- Commercial paper rated at the time of purchase A-1 or A-2 by Standard and Poor's Corporation or P-1 or P-2 by Moody's Commercial Paper Record and which matures not more than 270 days after the day of purchase.

- Bankers acceptances of United States banks.

- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.

- Mutual funds registered under the investment company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.

- External investment pools as authorized by Public Act 20 as amended through 12/31/97.

- The Policemen and Firemen Retirement System is also authorized to invest a portion of its assets in stocks that are registered on a national securities exchange that have paid dividends for five of the last seven years and mutual funds of diversified investment companies having assets greater than $100 million.

As of June 30, 2006, the maturities and credit quality rating of debt securities are as follows:

		Investment Maturities (In Years)				
	Fair Value	Less Than 1	1 - 5	6 - 10	More Than 10	S&P Rating
Primary Government						
Bank Inv. Pooled Funds	$ 555,429					Not Rated
Corporate Bonds	482,245					Not Rated
Money Market Funds	5,459,698					Not Rated
MI Class Pooled Funds	2,203,210					Not Rated
Mutual Funds	520,384					Not Rated
U.S. Govt. Agencies	1,429,699		$ 1,429,699			AAA
Total Primary Government	10,650,665					
Pension and Other Employee Benefits Funds						
Money Market Funds	1,203,664					Not Rated
Government Obligations	3,368,085		4,771,314	$1,115,892	$ 1,026,600	AAA
Government Agencies	18,837,873	$ 500,933	2,072,651	3,942,500	8,323,114	AAA
Mortgage Backed Securities	3,958,299		18,616	29,828	1,904,025	AAA
Corporate Bonds	12,586,625	178,700	1,832,746	3,104,627	14,160,498	AAA - BBB-
Collateralized Mgt. Obligations	2,081,628			1,412,128	1,597,378	AAA
Common Stocks	49,272,412					N/A
Mutual Funds	28,899,950					Not Rated
Total Police & Firemen Fund	120,208,536					
Total Investments	$130,859,201					

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end $16,735,636 of the City's bank balance of $17,082,215 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the City's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the City's name.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The City's investment policy does not have specific limits in excess of state law on concentration of credit. All investments held at year end are reported above.

NOTE D - RECEIVABLES

Receivables as of year end for the City's governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business Type Activities	Component Units
Income Taxes	$ 1,342,882	$ -	$ -
Accounts	1,635,647	4,820,808	-
Accrued Interest	22,173	2,086	6,532
Intergovernmental	5,589,094	937,758	91,241
Property Taxes	206,372	-	95,950
Assessments			
Due within one year	533,851	57,014	-
Due after one year	30,099	-	-
Notes			
Due within one year	35,000	-	-
Due after one year	1,642,354	-	-
Reserve for uncollectible accounts	(245,416)	(76,129)	-
Total receivables	$ 10,792,056	$ 5,741,537	$ 193,723

Governmental funds report deferred revenue in connection with receivables for revenues 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 earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned
Property taxes receivable (General Fund)	$ 138,029	$ -
Property taxes receivable (Non-major Governmental fund types)	68,344	-
Accounts receivable (General Fund)	1,063,033	-
Accounts receivable (Community Development)	103,969	-
Assessments receivable (General Fund)	17,180	-
Assessments receivable (Non-major Governmental fund types)	12,919	-
Notes receivable	1,645,930	-
Grant drawdowns prior to meeting all eligibility requirements	-	985,090
	$ 3,049,404	$ 985,090

NOTE E - PAYABLES

Accounts payable and accrued expenses as of year end for the City's governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business-type Activities
Payables:		
Accounts	$ 1,619,683	$ 2,036,346
Accrued liabilities	673,701	201,626
Intergovernmental	259,846	28,714
Deposits	683,199	792,465
Accrued interest	29,346	265,221
Total payables	$ 3,265,775	$ 3,324,372

NOTE F– LONG-TERM OBLIGATIONS

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006	Due Within One Year
Business-type activities:					
4.70% to 6.00% 2000 water revenue bonds	$ 4,100,000	$ -	$(1,420,000)	$ 2,680,000	$ 1,515,000
2.00% State of Michigan sewage disposal system bonds	30,445,920	-	(3,305,794)	27,140,126	3,270,870
2.25% State of Michigan sewage disposal system bonds	7,417,088	-	(484,890)	6,932,198	497,860
2.50% State of Michigan sewage disposal system bonds	12,604,648	-	(695,000)	11,909,648	720,000
3.60% to 5.50% Drake/Douglas sewage general obligation bonds	1,100,000	-	(25,000)	1,075,000	25,000
1.625% State of Michigan wastewater treatment improvement bonds	-	2,393,794	-	2,393,794	145,000
Accrued sick and vacation/PTO payable	1,073,584	605,240	(538,956)	1,139,868	538,956
Plus: Deferred gain on refunding	82,585	-	(27,533)	55,052	-
Total business-type activities	$ 56,823,825	$ 2,999,034	$(6,497,173)	$ 53,325,686	$ 6,712,686

	Balance June 30, 2005	Additions	Deductions	Balance June 30, 2006	Due Within One Year
Governmental activities:					
Workers' compensation claims payable	$ 2,390,339	$ -	$ (517,252)	$ 1,873,087	$ -
Insurance claims payable	603,651	-	(81,561)	522,090	-
5.10% to 5.90% 1994 general obligation judgment bonds	285,000	-	(65,000)	220,000	70,000
Installment contracts payable:					
Street dump trucks	51,101	-	(51,101)	-	-
Compost Screener	15,917	-	-	15,917	15,917
Pierce fire pumpers	461,163	-	(305,118)	156,045	156,045
Komatsu wheel loader	-	111,348	(27,837)	83,511	27,837
Morbark wood chipper	40,690	-	(17,711)	22,979	12,896
Bobcat skid loader	-	54,758	(5,728)	49,030	10,202
Accrued sick, vacation /PTO, compensatory time payable	5,603,969	1,490,562	(1,607,888)	5,486,643	1,607,888
Section 108 loans payable to Department of Housing and Urban Development (DHUD)	2,245,000	-	(475,000)	1,770,000	420,000
Total governmental activities	$ 11,696,830	$ 1,656,668	$(3,154,196)	$ 10,199,302	$ 2,320,785

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities.

For the governmental activities, workers' compensation and insurance claims payable are liquidated by the internal service funds and accrued sick and vacation/PTO payable and compensatory time payable are generally liquidated by the general fund and certain special revenue funds.

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2006, excluding accrued sick and vacation/PTO payable, workers' compensation payable, insurance claims payable, compensatory time payable and Section 108 loans payable to DHUD are as follows:

Due	Business-type Activities		Governmental Activities		Totals	
In	Principal	Interest	Principal	Interest	Principal	Interest
2007	$ 6,173,730	$ 1,184,071	$ 292,897	$ 19,315	$ 6,466,627	$ 1,203,386
2008	5,886,476	1,018,131	123,627	10,777	6,010,103	1,028,908
2009	4,710,737	856,265	114,076	5,660	4,824,813	861,925
2010	4,756,755	756,839	11,796	559	4,768,551	757,398
2011	4,852,266	655,848	5,086	62	4,857,352	655,910
2012	4,975,954	552,177			4,975,954	552,177
2013	5,046,915	446,095			5,046,915	446,095
2014	3,771,080	351,935			3,771,080	351,935
2015	3,463,082	272,584			3,463,082	272,584
2016	1,746,620	213,068			1,746,620	213,068
2017	1,783,539	170,685			1,783,539	170,685
2018	1,658,972	129,111			1,658,972	129,111
2019	1,557,975	88,403			1,557,975	88,403
2020	1,327,871	46,891			1,327,871	46,891
2021	218,794	15,270			218,794	15,270
2022	100,000	7,500			100,000	7,500
2023	100,000	2,500			100,000	2,500
	$ 52,130,766	$ 6,767,373	$ 547,482	$ 36,373	$ 52,678,248	$ 6,803,746

The total requirements of principal and interest on long-term obligations at June 30, 2006 for business-type activity obligations are summarized as follows:

Business-type activities obligations:	Principal	Interest
Water Revenue Bonds	$ 2,680,000	$ 206,872
State of Michigan Sewage Disposal System Bonds (2.00%)	27,140,126	2,267,032
State of Michigan Sewage Disposal System Bonds (2.25%)	6,932,198	1,067,655
State of Michigan Sewage Disposal System Bonds (2.50%)	11,909,648	2,346,450
Drake/Douglas General Obligation Bonds	1,075,000	564,519
State of Michigan Sewage Treatment Improvement Bonds (1.625%)	2,393,794	314,845
Total Enterprise Obligations	$ 52,130,766	$ 6,767,373

The total requirements of principal and interest on long-term obligations at June 30, 2006 for governmental activities obligations are summarized as follows:

Governmental Activities Obligations:	Principal	Interest
1994 Debt Service Judgment Bonds	$ 220,000	$ 19,583
Pierce Fire Pumpers	156,045	2,372
Compost Screener	15,917	876
Komatsu Wheel Loader	83,511	6,993
Morbark Wood Chippers	22,979	1,012
Bobcat Skid Loader	49,030	5,537
Total General Obligations	547,482	36,373
Total Future Debt Service Requirements	$ 52,678,248	$ 6,803,746

State law and the City's revenue bond ordinances require that the City maintain such user charges and fees for service as may be required to meet all operating, reserve and debt service requirements. These ordinances also require various accounts be maintained to cover operation and maintenance; improvements and extension; repairs and replacements; and a reserve for bond and interest redemption. Annual contributions are made to these accounts as required and to the reserve for bond and interest redemption to maintain it at a level equal to the largest annual debt service payment outstanding. Any funds remaining after meeting these requirements may be placed in a surplus fund to be used to meet future debt or reserve requirements or to provide a means of financing further improvements and extensions to the water system.

NOTE G - ACTIVITY EXCEEDING APPROPRIATIONS

The following funds had excess of expenditures over appropriation at the legal level of budgetary control:

	Appropriations	**Actual**	**Budget Variance**
GENERAL FUND:			
General Government			
Cable Television Operation	$ 41,110	$ 42,762	$ 1,652
Elections	124,251	126,114	1,863
Retiree Health Insurance	1,598,180	1,678,723	80,543
Geographical Information System Charges	35,262	35,268	6
Fiscal Services			
Controller	500,188	570,812	70,624
Public Safety			
Administration	$ 333,867	$ 345,753	$ 11,886
Patrol	8,350,110	8,742,563	392,453
Suppression	8,857,030	9,134,221	277,191
Training	184,719	188,817	4,098
General Services			
Street Lighting	537,700	583,806	46,106
Abatement of Nuisances	57,886	134,803	76,917
Building and Grounds Maintenance	855,418	977,779	122,361
Community Services			
Demolitions	-	38,608	38,608
Planning and Economic Development	313,590	320,355	6,765

	Appropriations	Actual	Budget Variance
SPECIAL REVENUE FUNDS:			
Community Development			
Grant expenditures	492,855	885,105	392,250
Capital outlay – public improvements	498,076	825,286	327,210

NOTE H – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$ 14,755,225	$ 7,663	$ -	$ 14,762,888
Construction in progress	1,421,267	71,756	(1,421,267)	71,756
Total capital assets not being depreciated	$ 16,176,492	79,419	(1,421,267)	14,834,644
Capital assets being depreciated:				
Infrastructure	8,419,305	453,972	-	8,873,277
Building	14,276,917	1,495,889	-	15,772,806
Equipment	7,410,129	77,617		7,487,746
Vehicle and radio equipment	10,053,238	426,693	(123,213)	10,356,718
Total capital assets being depreciated	40,159,589	2,454,171	(123,213)	42,490,547
Less accumulated depreciation				
Infrastructure	(943,224)	(418,969)	-	(1,362,193)
Building	(8,287,284)	(319,607)	-	(8,606,891)
Equipment	(5,350,367)	(578,298)	-	(5,928,665)
Vehicle and radio equipment	(6,821,837)	(538,339)	110,257	(7,249,919)
Total accumulated depreciation	(21,402,712)	(1,855,213)	110,257	(23,147,668)
Total capital assets being depreciated, net	18,756,877	598,958	(12,956)	19,342,879
Governmental activities Capital assets, net	$ 34,933,369	$ 678,377	$(1,434,223)	$ 34,177,523

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$ 1,610,838	$ -	$ -	$ 1,610,838
Construction in progress	334,411	2,445,833	-	2,780,244
Total capital assets not being depreciated	1,945,249	2,445,833	-	4,391,082
Capital assets being depreciated:				
Building and Improvements	132,468,188	1,844,006	-	134,312,194
CSO facilities	103,188,901	-	-	103,188,901
Equipment	7,372,353	447,035	-	7,819,388
Total capital assets being depreciated	243,029,442	2,291,041		245,320,483
Less accumulated depreciation				
Building and improvements	(77,838,557)	(2,397,830)	-	(80,236,387)
CSO facilities	(37,884,045)	(3,963,626)	-	(41,847,671)
Equipment	(5,438,595)	(223,903)	-	(5,662,498)
Total accumulated depreciation	(121,161,197)	(6,585,359)	-	(127,746,556)
Total capital assets being depreciated, net	121,737,421	(4,294,318)	-	117,573,927
Business-type activities Capital assets, net	$123,813,494	$(1,848,485)	$ -	$121,965,009

The Wave Pool Enterprise Fund assets were idle for the year ended June 30, 2006. At June 30 they had a net carrying value of $926,810.

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

Governmental activities:	
General government	$ 401,153
Fiscal Services Administration	13,310
Fire	178,118
Police	107,336
General services	220,860
Community services	12,210
Highways and streets	418,968
Internal service funds	503,258
Total depreciation expense – governmental activities	**$1,855,213**
Business-type activities:	
Water	$1,182,441
Sewer	5,209,710
Parking	51,437
Wave Pool	141,771
Total depreciation expense – business-type activities	**$6,585,359**

NOTE I - LITIGATION, CONTINGENCIES, COMMITMENTS AND SUBSEQUENT EVENTS

The City is a defendant in various civil and administrative legal actions arising during the normal course of its activities. In accordance with FASB Statement 5, *Accounting for Contingencies*, the City accrues for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated (see Note O).

The City Attorney protects the legal interests of the City by vigorously defending these actions and believes these actions will either be favorably resolved or that it is too early to estimate any possible loss upon the outcome of such cases. Often, the City Attorney negotiates expedient settlements on behalf of the City in amounts substantially less than the amount sought by the claimants. The City does not admit liability, however, in any of the cases settled.

The City is self-insured for workers' compensation. Over the past few years, the number of workers' compensation claims has greatly decreased. In accordance with GASB Statement No. 10, an estimate of the City's workers' compensation liability has been recorded in an Internal Service Fund (see Note O).

NOTE J – INTERFUND TRANSFERS

Interfund transfers for the year ended June 30, 2006, consisted of the following amounts:

	Transfers from:				
	General Fund	Community Development	Nonmajor Governmental	Internal Service	Total
Transfers to:					
General Fund	$ -	$-	$ -	$ 405,186	$ 405,186
Nonmajor governmental	473,193	269,151	633,241	30,730	1,406,315
Water	-	-	-	21,034	21,034
Internal Service	-	-	39,241	-	39,241
	$ 473,193	$ 269,151	$ 672,482	$ 456,950	$ 1,871,776

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the fund collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected into the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE K – DEFICIT BALANCES IN FUND EQUITIES

In the Nonmajor Enterprise Funds, the Parking Fund had a net assets deficit at the fiscal year ended June 30, 2006 in the amount of $211,245. In the Internal Service Funds, the Self Insurance Fund and the Workers' Compensation Fund had net assets deficits at the fiscal year ended June 30, 2006 in the amount of $176,362 and $206,059, respectively. Deficit Elimination Plans will be prepared for Council approval and then filed with the Local Audit and Finance Division of the State of Michigan.

NOTE L - RETIREMENT SYSTEMS

The City participates in three pension plans: the City of Saginaw Policemen and Firemen Retirement System, a single-employer defined benefit system, the Michigan Municipal Employees Retirement System (MERS), a State administered agent multi-employer defined benefit public retirement system that acts as a common investment and administrative agent for virtually all Michigan municipal employees, and a defined contribution system through MERS and ICMA. Permanent, full time employees not covered under the Policemen and Firemen Retirement System are covered under MERS if employed before June 30, 2000. After June 30, 2000, new permanent, full time employees not covered by the Policemen and Firemen Retirement System are covered under the defined contribution system that is held in trust by ICMA for the sole benefit of the participating employees. The Policemen and Firemen pension plan is maintained as a Pension Trust Fund and is reported on herein as part of the City's reporting entity. The required supplemental 6-year historical trend information provides information about the progress made in accumulating sufficient assets to pay benefits when due.

DEFINED CONTRIBUTION PENSION PLAN

The City of Saginaw Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the City and administered by an outside third-party administrator. All City employees hired after July 1, 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other City employees that are not vested in the City's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan.

Employees vest in the City's contributions according to years of service completed. Employees with 3 years of service are 20% vested. The vesting schedule increases 20% for each additional year of service, with the employee becoming fully vested upon 7 years of completed service.

At June 30, 2006, there were 89 plan members. The City is required to contribute 10% of the employees' gross wages and the eligible employee is required to contribute 5% of their gross wages. The contribution requirements of plan members and the City are established and may be amended by the City Council.

Employer contributions to the Plan for the year ended June 30, 2006 amounted to $380,479 and employee contributions were $196,075.

A stand-alone pension plan report has not been issued for the defined contribution plan.

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The City's defined benefit pension plan, the City of Saginaw Employees Retirement Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling (800) 767-6377.

All permanent, full time employees not covered under the Policemen and Firemen Retirement System are covered under MERS.

Funding Policy

The City is required to contribute an amount equal to a percentage of covered payroll which is determined based on union negotiated rates and actuarially determined rates; the current rate to cover normal costs ranges from 25.47% to 69.9% of annual covered payroll. Under the plan, eligible employees are required to contribute 4.7% of earned wages to the MERS plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2006, the City's annual pension cost of $3,335,932 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 22 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
06/30/04	$ 2,303,220	100%	$ 0
06/30/05	3,056,773	100%	0
06/30/06	3,335,932	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/03	$ 77,584,618	$ 124,739,715	$ 47,155,097	69%	$ 10,357,413	455%
12/31/04	76,412,097	134,160,873	57,748,776	57%	9,837,556	587%
12/31/05	76,032,977	135,876,876	59,843,899	56%	9,005,017	665%

POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Plan Description and Contribution Information

The City has a single-employer defined benefit contributory pension plan which provides retirement, death and disability benefits covering all Police and Fire personnel of the City, subject to certain eligibility requirements. Membership of the plan consisted of the following at June 30, 2004 the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	381
Active plan members	178
Total	559

Eligible members of the Plan are required to contribute eight percent (8%) for police, with an additional 3.5% for patrol and command members, and eight percent (8%) for fire of their annual compensation to the Plan with the City contributing such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to Plan members. The current rate paid by the City is 40.61% of annual covered payroll for police patrol and command and 44.11% for all other members.

The City of Saginaw is the Administrator of the Plan. Administrative costs of the Plan are financed through investment earnings. The Plan is included as a pension trust fund in the City's financial statements and a stand alone financial report of the Plan has not been issued.

Plan amendments are under the authority of Ordinance D One, Chapter 5, Article One, of the Saginaw General Code which states all amendments are to be approved by City Council. Changes in required contributions are approved by the Policemen and Firemen Pension Board.

Significant Accounting Policies

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. The City's contributions to the Plan are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value which is determined using selected bases as follows: short-term investments are reported at cost, which approximates fair value; securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; investments that do not have established fair values are reported at estimated fair value; and cash deposits are reported at carrying amounts which reasonably estimates fair value.

No single investment comprised more than five percent of the total investments for the Police and Fire Retirement System at June 30.

The Plan's annual pension cost of $3,626,717 was equal to the Plan's required and actual contributions for the current year.

The annual required contribution for the current year was determined as part of a June 30, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.75% to 17.75% per year. Both (a) and (b) included an inflation component of 4.75%. The assumptions did not include post-retirement benefits. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2004 was 27 years.

GASB Statement No. 25 Required Supplementary Information is presented after the Footnotes on page 56.

NOTE M - EMPLOYEE BENEFITS

In addition to contributing to the Michigan Municipal Employees Retirement System described in Note L, all full time City employees, except sworn Police and Fire personnel, contribute to Social Security (6.20%), up to a maximum of $4,984.80, and Medicare (1.45%). All sworn Police and Fire personnel hired after April 1, 1986 contribute 1.45% to Medicare. All regular part time employees, those who work between twenty and thirty-two hours per week, contribute 1.45% to Medicare and 3.75% to a deferred compensation account in lieu of Social Security. The City contributes a matching 3.75%.

The City paid or accrued premiums, claims and administrative fees to third party administrators for its full time employees totaling $4,710,756, an increase of 13.35% from the prior fiscal year, as follows:

	Fiscal Year 2006	Fiscal Year 2005	Increase (Decrease)
Health Insurance	$ 3,929,434	$ 3,295,113	$ 634,321
Dental Insurance	323,287	316,403	6,884
Life Insurance	148,173	113,766	34,407
Short/Long term disability	225,841	350,290	(124,449)
Vision Care	84,021	80,450	3,571
Total Payments	$ 4,710,756	$ 4,156,022	$ 554,734

The cost of these premiums is charged to City funds based on the actual cost for each employee.

OTHER POSTEMPLOYMENT BENEFITS

In addition to the pension benefits described in Note L, the City of Saginaw continues health insurance coverage to all employees upon retirement according to Union contracts negotiated with the various employee bargaining groups. Life insurance is also provided upon retirement as follows: $6,000 for the Fire fighters employee group; $7,000 for the Police Command employee group; and $10,000 for the non-union Management, Supervisory, Police Patrol, Salaried and Hourly employee groups. Dental insurance is continued upon retirement only to the Fire fighters covered by Delta Dental. Dental insurance for all other employee groups is terminated upon retirement.

In addition to the health care expenditures for full time employees above, expenditures in the amount of $7,118,911 were recognized for postretirement health care benefits, an increase of 24.1%, over the prior fiscal year, as follows:

	No. of Retirees	Fiscal Year 2006	Fiscal Year 2005
Health Insurance	713	$ 7,062,242	$ 5,683,241
Dental Insurance	76	40,914	37,655
Life Insurance	517	15,755	15,336
Total Payments		$ 7,118,911	$ 5,736,232

The cost of these premiums is charged to City funds based on the actual cost for each retiree.

The City has obtained an actuarial valuation as of June 30, 2001, that indicates that the City has a $115 million liability for unfunded postretirement health care benefits that has not been recorded in the City's financial statements

NOTE N - INTERFUND RECEIVABLES AND PAYABLES

Interfund balances at June 30, 2006 consisted of the following:

	Due From					
	General Fund	Community Development	Nonmajor Governmental	Nonmajor Enterprise	Internal Service	Total
Due to:						
General Fund	$ -	$ 43,000	$ -	$ -	$ -	$ 43,000
Nonmajor governmental	9,824	-	-	-	-	9,824
Sewer	-	-	-	232,191	-	232,191
Internal Service	162,482	-	186,390	329,272	414,154	1,092,298
Total	$ 172,306	$ 43,000	$ 186,390	$ 561,463	$414,154	$1,377,313

The balance of $43,000 due to the General Fund from the Community Development Fund resulted from loans made in the Community Development Fund for the use of residential rehabilitation known as the Russell Street Homes. As these loans are paid back to the Community Development Fund, the money is transferred to the General Fund to reduce the interfund receivable.

All remaining balances resulted from the time lag between the dates that (1) goods and services are provided or reimbursable expenditures occur and (2) transactions are recorded in the accounting system.

NOTE O – SELF INSURANCE

General Liability

The City's insurance carriers are Genesis Insurance Company for general liability coverage and St Paul Insurance for vehicle damage and liability. The City is insured up to $21 million with a $100,000 deductible per occurrence for general liability and for $15,000 per vehicle/$30,000 per occurrence with a $1,000 deductible for automobile liability. There were no reductions of insurance coverage from the prior year.

The self-insurance program for general liability is accounted for in the Self Insurance Internal Service Fund. The revenues for this fund's operation are reimbursements from various funds and a transfer from the General Fund. Funds are charged for general liability insurance based on total budget. Losses, deductibles, legal and administrative fees are paid from this fund. The liability for known claims is estimated by ASC, a third-party claims administrator.

The changes in the claims liability for the fiscal years ended June 30, 2005 and 2006 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/05	$ 674,194	$ (15,223)	$ (55,320)	$ 603,651
6/30/06	603,651	(14,644)	(66,917)	522,090

Other types of risk are covered by commercial insurance. There were no insurance settlements that exceeded coverage in the last three years.

Health Insurance

The self-insurance program for health insurance is accounted for in the Employee Benefits Agency Fund, with any expenses charged to the applicable departments within the City's other funds, and the Public Employee Healthcare Fund (trust fund). An independent administrator (Blue Cross) is hired to process the daily claims. The City is responsible for individual claims up to $50,000 and Blue Cross is responsible for paying the claims above this amount. There were no reductions of insurance coverage from the prior year. The City is also responsible for paying administrative charges and for actual prescription claims. The revenues for this Fund's operation are reimbursements from various funds. The liability of the end of the year is based on claims already incurred and reported and on estimates of incurred but not reported claims as provided by Blue Cross.

The changes in the claims liability for the year ended June 30, 2006 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/06	$ -	$ 609,223	$ -	$ 609,223

Workers' Compensation

The self-insurance program for workers' compensation is accounted for in the Workers' Compensation Internal Service Fund. Cambridge, Inc. administers this program. They are responsible for processing incident reports, claims investigation, payment of claims and coordinating workers' compensation cases with the City's Employee Services Division. The revenues for this fund's operation are reimbursements from various funds and a transfer from the General Fund. Funds are charged for workers' compensation insurance on a percentage of actual salaries. The percentages vary depending on the payroll classification of each employee and are a composite of the rates of several insurance companies. Deposits for claims and administrative expenses are paid from this fund. The liability for known claims is estimated by Cambridge, Inc. Incurred But Not Reported claims are judged to be immaterial by Management.

The City also carries Excess Workers' Compensation coverage for claims exceeding $300,000 and Employers' Liability coverage in the amount of $1,000,000 through American Home Assurance Company. These coverages will provide financial protection for the City in the event of a major employment-related catastrophe. The City currently has ten workers' compensation claims that exceed $300,000.

The changes in the claims liability for the fiscal years ended June 30, 2005 and 2006 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/05	$ 2,307,062	$573,051	$ 489,774	$ 2,390,339
6/30/06	2,390,339	(87,162)	430,090	1,873,087

NOTE P - PROPERTY TAXES

City property taxes are levied each July 1 on the taxable value of property located in the City as of the preceding December 31, tax day and the lien date. In accordance with the provisions of Proposal A (see below), taxable value is the lower of the following three computations: 1) assessed/state equalized value; 2) the prior year's taxable value multiplied by the increase in the consumer price index or five percent (5%), whichever is less; or 3) the multiplier value. Proposal A requires the City Assessor to annually establish the assessed values and the equalization of said assessed values by the State of Michigan at 50 percent of current market value, prior to the application of formulas to determine the taxable value. Real property taxable value for the July 1, 2005 levy was assessed at $586,486,625 and personal property taxable value was assessed at $120,114,398.

The City of Saginaw's operating tax rate for the fiscal year ended June 30, 2006 was 5.4185 mills (limited to 7.50 mills) with an additional 2.9532 mills for rubbish collection. The City did not levy for debt service.

On March 15, 1994, voters in the State of Michigan approved Proposal A, a property tax reform proposal, which shifted the funding of education from property taxes to a combination of property taxes, higher sales tax and a real estate transfer tax. Property taxes were reduced to a maximum of six mills for homestead property and eighteen mills for non-homestead property; the State Sales Tax was increased from four cents to six cents; and a new real estate transfer tax of $7.50 per thousand dollars was added. In addition, Proposal A restricted the growth of assessments on individual properties to the increase in the consumer price index or five percent (5%), whichever is less, until ownership of the property is transferred. The citizens of Saginaw subsequently approved an additional four mills for public libraries when Proposal A eliminated their millage from the school's millage and another three mills to operate a public transportation system.

Taxes are due and payable on July 1 at the City Treasurer's Office and become delinquent after 30 days. To all real and personal taxes paid on or after August 1, there shall be added interest at the rate of ½ of 1 percent for every month, or fraction thereof, from August 1 until the date of payment. A penalty of ½ of 1 percent is also added after July 31. From March 1 and thereafter, real taxes are collected by the Treasurer of Saginaw County, who adds and keeps a collection fee of four percent (4%) on the unpaid balance, and in addition, adds interest at the rate of one percent (1%) per month from March 1 until the date of payment. Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The general tax law provides that real estate with delinquent taxes shall be sold at a state land sale.

Tax Limitation

By general law, property taxes for City purposes are limited to two percent (2%) of the assessed valuation of all real and personal property in the municipality, provided that no such restriction shall prevent the levy of taxes required for the payment of general debt obligations.

The charter of the City of Saginaw provided that City taxes shall be subject to the overall limitation (City, School and County) imposed by Section 21, Article X, of the Michigan State Constitution, which is 1-1/2 percent of assessed value exclusive of debt incurred prior to December 8, 1932. Act No. 44, Public Acts of 1948, effective August 20, 1948, amended all Michigan city charters nullifying charter limitations and authorized that the levy for city purposes shall not exceed one percent (1%) of assessed valuation in any one year, unless and until a different tax rate limitation is provided by charter. State equalized valuations have been used in place of local assessed valuations.

On November 6, 1979, pursuant to an initiatory referendum, the City Charter was amended by the electors of the City of Saginaw to reduce the maximum property tax, which may be levied by the City in any year from 10 mills to 7.50 mills. The amendment further provided that if in subsequent years the assessed value of all property within the City is increased for any reason, this maximum 7.50 mill rate would have to be permanently reduced so as to yield the same gross dollar revenue as the fiscal year 1979 property tax revenue yield ($3,828,778). The amendment further provided for up to a 3 mill emergency levy if a specific emergency is declared by the Mayor and concurred in by a 3/4ths vote of the full Council.

On November 5, 2002 and May 3, 2005, special elections were held to remove the property tax dollar limitation of $3,828,778 and the 7.50 mill limitation that was approved by the voters on November 6, 1979. The voters overwhelmingly defeated the proposal in both special elections.

NOTE Q - ECONOMIC DEVELOPMENT PROJECTS

Primary Government:

Baker Perkins Project

The City purchased a large industrial complex located in the southern area of the City at the end of 1987 and leased the office portion of the site to the seller. In February 1988, the City sold the office portion to Krauss Portfolio, Ltd. (KPL) and they assumed the lease with the former owner of the property. The balance of the site was retained by the Local Development Finance Authority (LDFA) for future development.

The LDFA leased the majority of the balance of the property comprising the Baker Perkins Project and the use of the property and certain equipment to Saginaw Industrial Machining, Inc. (SIM) to operate an industrial machining business. The business is financed with a line of credit from LaSalle Bank, secured by the assignment by the City (and the LDFA through private developers) of a portion of an income stream obtained from payments of tax increments made by the Tax Increment Finance Authority (TIFA) to the City from the Saginaw Division Tower Project.

In November 1989, the LDFA approved the sale of the Baker Perkins complex to the Saginaw Industrial Center (SIC). SIC agreed to remodel the facility, lease space and personal property to tenants and market it as an inner-city industrial park. The LDFA would act as an optional lessee and would lease space, if necessary, in the facility to provide an ongoing cash stream for debt service. The developer secured a $1.1 million loan from a local bank to purchase the option from KPL, exercise the option and purchase the balance of the site from the LDFA and to make improvements to the facility. The bank's security would be the optional lease from the LDFA. The TIFA and LDFA pledged a portion of the cash stream from the Saginaw Division Tower Project to make the lease payments, if necessary. The payments assigned by the City to LaSalle Bank would be made by the developer, but still backed by the LDFA. The LDFA would have a first mortgage on the Baker Perkins real estate and personal property and a secured personal guarantee from an independent individual to make the LDFA whole in case of a loss.

On August 20, 1990, the TIFA and LDFA approved a Comprehensive Development Agreement with Saginaw Plastic Molding, Inc. (SPM). This project established SPM as an operating tenant at the SIC property and secured an additional $825,000 loan from Citizens Bank primarily for the purchase of machinery and equipment which will be leased by SIC to SIM and SPM for its use. This loan is secured by an amendment to the existing Master Lease and amendments to the assignments of the income streams not already committed. The LDFA used the income stream to pay debt service payments on the new bank loan. SPM agreed to repay the LDFA all sums advanced, with interest, amortized over the then remaining term of the General Motors lease.

On April 17, 1996, the LDFA deferred the repayment of Interim Rental Advances made to SPM until the earlier of: 1) the date SPM completes the lease obligations for its blow molding machine under the Equipment Lease; or 2) the date the Equipment Lease is otherwise terminated for any reason including default of SPM. The LDFA also waived the payment of interest on the Interim Rental Advances provided SPM does not default in any of its obligations. No payments were made by SPM during the fiscal year.

Brownfield Authority Site Remediation Revolving Fund (SRRF)

The City received a grant in the amount of $200,000 from the U.S. Environmental Protection Agency for a Brownfields Assessment Demonstration Pilot. Peerless Environmental Services, Inc. was selected to prepare an inventory of contaminated sites, prioritize the sites and perform Phase 1 environmental assessments. Businesses must prepare a Redevelopment Plan to clean up the site and make improvements. The eligible costs can be reimbursed from property taxes that are captured from the increase in the taxable value established at the date the City Council approves the Plan and the taxable value after improvements are completed. School taxes are excluded from captured taxes unless the project receives special review from the Michigan Department of Environmental Quality.

On April 12, 2000, the City was awarded a supplemental grant from the U.S. Environmental Protection Agency in the amount of $200,000 to continue environmental testing of sites along the Saginaw River and in the City's Renaissance Zones and to expand the eligible areas to include the entire Brownfield Authority Zone.

NOTE R - RESTATEMENTS

An adjustment was made in the Motor Pool Fund to properly record the value of capital leases payable June 30, 2005. The liability was overstated and net assets were understated in 2005. The adjustment had the following effect on the beginning net assets:

Net assets, as previously stated	$ 1,416,843
Prior period adjustment to capital eases payable	8,737
Net assets, as restated	$ 1,425,580

An adjustment was made in the Sewer Fund to properly record the grants receivable at June 30, 2005. The asset was understated and net assets were understated in 2005. The adjustment had the following effect on the beginning net assets:

Net assets, as previously stated	$ 47,842,131
Prior period adjustment to receivables	731,299
Net assets, as restated	$ 48,573,430

The Sewer Fund prior period adjustment also had the same effect on the beginning net assets of the Business-Type Activities.

For the Governmental Activities on the Statement of Net Assets for the year ended June 30, 2005, an error was made in accounting for capital leases payable. The Motor Pool Fund's prior period adjustment also had an effect on beginning of the year net assets. In addition, the Public Employee Healthcare Fund was reclassified from an Internal Service Fund to a Trust Fund. These items had the following effect on the beginning net assets:

Net assets, as previously stated	$ 42,493,922
Prior period adjustments:	
Adjustment to capital leases payable	15,088
Effect of Motor Pool adjustment	8,737
Reclassification of Public Employee Healthcare Fund	(1,224,943)
Net assets, as restated	$ 41,292,804

NOTE S – SUBSEQUENT EVENTS

In April 2006, the City accepted the bid from Champagne & Marx, Inc. for the Hoyt Avenue reconstruction project. This project involved repaving and water main reconstruction for approximately $1,600,000 to be completed by November 2006.

In September 2005, the City issued limited tax general obligation bonds in the amount of $10,000,000 for the purpose of making capital improvements to the wastewater treatment plant, including screening and grit removal equipment, new and renovated primary treatment tanks, and raw sewage pumping station and related improvements. In September 2005 the City accepted the bid from Gerace Construction in the amount of $3,925 million for the Wastewater Treatment Plant project. This project will replace the screening within the plant, and is divided into three phases. Phase I was underway as of June 30, 2006. The total project cost for Phase I will be approximately $5 million, with $3.5 million to be provided through SRF Bonds, and the remainder coming from EPA grants and local matching funding.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SAGINAW

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Six-Year Trend Information

Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/01	$ 2,774,774	100%	$ 0
6/30/02	3,117,085	100%	0
6/30/03	2,938,416	100%	0
6/30/04	3,429,637	100%	0
6/30/05	3,369,291	100%	0
6/30/06	3,626,717	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/99	$117,394,374	$126,108,914	$ 8,714,540	93%	$ 11,669,475	75%
6/30/00	129,367,787	133,634,986	4,267,199	97%	12,487,533	34%
6/30/01	135,682,004	140,839,430	5,157,246	96%	11,489,493	45%
6/30/02	135,026,633	148,878,425	13,851,792	91%	11,732,914	118%
6/30/03	128,401,451	148,989,436	20,587,985	86%	10,208,281	202%
6/30/04	120,251,339	157,533,568	37,282,229	76%	9,903,748	376%

SUPPLEMENTARY

INFORMATION

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

This fund is the general operating fund of the City. All general tax revenues, state revenue sharing, income tax and other receipts that are not allocated by law or contractual agreement to another fund are accounted for here. This fund accounts for the general operating expenditures of the City, such as Police and Fire, Recreation, Cemeteries, Employee Services, Inspections, Fiscal Services, Public Works and Engineering and all other expenditures not recorded elsewhere.

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET
GENERAL FUND
June 30, 2006
(With Comparative Actual Amounts for June 30, 2005)

	2006	2005
ASSETS		
Cash and cash equivalents	$ -	$ 469,886
Income taxes receivable	1,342,882	1,679,869
Accounts receivable, net of allowances	1,269,011	1,740,934
Accrued interest receivable	14,492	9,726
Due from other governmental units	3,404,742	3,336,993
Property taxes receivable	138,029	129,192
Assessments receivable	80,693	101,875
Investments	1,844,918	1,717,450
Due from other funds	-	22,242
Restricted assets		
Cash and cash equivalents	200,000	200,000
Long-term advances to other funds	43,000	44,704
TOTAL ASSETS	$ 8,337,767	$ 9,452,871
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$ 411,463	$ 472,938
Accued wages payable	533,981	563,849
Due to other governmental units	134,509	74,734
Due to other funds - Note N	172,306	1,224,002
Customer deposits	683,199	589,631
Deferred revenue - Note D	1,218,242	1,549,456
Total Liabilities	3,153,700	4,474,610
Fund balances		
Reserved for:		
Encumbrances	14,644	36,081
Long-term advances to other funds	43,000	44,704
Unreserved:		
Designated for:		
Self Insurance Fund	176,362	266,595
Workers' Compensation Fund	206,059	790,932
Parking Fund	211,245	409,238
Budget stabilization	214,492	209,726
Subsequent year's expenditures	724,111	-
Undesignated, reported in:		
General Fund	3,594,154	3,220,985
Total Fund Balances	5,184,067	4,978,261
TOTAL LIABILITIES AND FUND EQUITIES	$ 8,337,767	$ 9,452,871

CITY OF SAGINAW, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006
(With Comparative Actual Amounts for the Year ended June 30, 2005)

	For the Year Ended June 30, 2006				
	Original Budget	Amended Budget	Actual	Variance Over (Under)	Year Ended June 30, 2005 Actual
REVENUES					
General operating property taxes	$ 3,768,736	$ 3,768,736	$ 3,787,630	$ 18,894	$ 3,657,758
Special assessments	140,000	140,000	67,076	(72,924)	93,334
City income tax	12,700,000	13,004,240	13,549,513	545,273	13,228,923
State shared revenues					
Sales tax	10,232,572	10,232,572	10,079,971	(152,601)	10,398,895
Race track	60,000	60,000	16,964	(43,036)	53,208
Liquor licenses	25,000	25,000	46,495	21,495	45,612
Total State Shared Revenues	10,317,572	10,317,572	10,143,430	(174,142)	10,497,715
Departmental and miscellaneous					
Housing and business licenses	530,000	530,000	398,386	(131,614)	204,531
Construction and other permits	217,810	217,810	274,443	56,633	261,431
Fees	894,638	894,638	865,618	(29,020)	863,842
Fines, penalties and forfeitures	297,960	297,960	294,540	(3,420)	410,552
Grants, donations and contributions	2,216,683	2,219,943	2,385,433	165,490	2,011,394
Interest	291,126	291,126	491,679	200,553	256,756
Rents and privileges	82,000	82,000	51,500	(30,500)	-
Sale of materials and services	1,476,277	1,392,615	933,534	(459,081)	1,057,108
Total Departmental and Miscellaneous Revenues	6,006,494	5,926,092	5,695,133	(230,959)	5,065,614
TOTAL REVENUES	32,932,802	33,156,640	33,242,782	86,142	32,543,344
EXPENDITURES					
General Government	3,912,775	3,851,619	3,596,652	(254,967)	3,702,025
Fiscal Services (Administration)	2,037,960	2,227,803	2,194,405	(33,398)	2,045,421
Public Safety	22,576,643	22,647,030	22,992,670	345,640	22,116,629
General Services	2,648,165	2,803,539	2,818,023	14,484	2,858,392
Community Services	1,178,652	1,028,767	1,050,383	21,616	1,074,485
Debt Service	316,836	316,836	316,836	-	316,835
TOTAL EXPENDITURES	32,671,031	32,875,594	32,968,969	93,375	32,113,787
REVENUES OVER (UNDER) EXPENDITURES	261,771	281,046	273,813	(7,233)	429,557
OTHER FINANCING SOURCES (USES)					
Transfers in	406,250	406,250	405,186	(1,064)	319,732
Transfers out	(601,521)	(618,732)	(473,193)	145,539	(837,474)
TOTAL OTHER FINANCING SOURCES (USES)	(195,271)	(212,482)	(68,007)	144,475	(517,742)
Net change in fund balances	$ 66,500	$ 68,564	205,806	$ 137,242	(88,185)
Fund balances at beginning of year			4,978,261		5,066,446
FUND BALANCES AT END OF YEAR			$ 5,184,067		$ 4,978,261

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF DEPARTMENTAL AND MISCELLANEOUS REVENUES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual Revenues	Variance Over (Under)
LICENSES				
Business and occupational	$ 230,000	$ 230,000	$ 102,408	$ (127,592)
Rental housing	300,000	300,000	295,978	(4,022)
TOTAL LICENSES	530,000	530,000	398,386	(131,614)
CONSTRUCTION AND OTHER PERMITS	217,810	217,810	274,443	56,633
FEES				
Property tax administration	302,588	302,588	365,626	63,038
Gun registration	1,000	1,000	1,520	520
Zoning code	15,000	15,000	6,135	(8,865)
Witness	15,000	15,000	7,043	(7,957)
Japanese Tea House	10,000	10,000	6,414	(3,586)
Vehicle storage	30,000	30,000	2,970	(27,030)
Hazmat clean up	6,000	6,000	9,194	3,194
Fire Department	50	50	450	400
Cable television	515,000	515,000	466,266	(48,734)
TOTAL FEES	894,638	894,638	865,618	(29,020)
FINES, PENALTIES AND FORFEITURES				
Traffic violations (except parking)	115,000	115,000	106,924	(8,076)
Traffic violations - parking	24,750	24,750	19,058	(5,692)
Penalties on property taxes	81,210	81,210	126,397	45,187
Transfer affidavit fines	77,000	77,000	42,161	(34,839)
TOTAL FINES, PENALTIES AND FORFEITURES	297,960	297,960	294,540	(3,420)
GRANTS, DONATIONS AND CONTRIBUTIONS				
City/County/School Liaison	10,000	10,000	10,000	-
FEMA grant	-	-	25,436	25,436
Indirect costs	2,188,683	2,188,683	2,188,692	9
Reimbursement for Police overtime	18,000	18,000	75,593	57,593
Other grants	-	3,260	85,712	82,452
TOTAL GRANTS, DONATIONS AND CONTRIBUTIONS	2,216,683	2,219,943	2,385,433	165,490

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF DEPARTMENTAL AND MISCELLANEOUS REVENUES
AND OPERATING TRANSFERS IN
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual Revenues	Variance Over (Under)
INTEREST				
Investments	$ 140,000	$ 140,000	$ 269,195	$ 129,195
Cemetery endowments	40,000	40,000	-	(40,000)
Deferred special assessments	13,376	13,376	17,053	3,677
City income taxes	97,750	97,750	205,431	107,681
TOTAL INTEREST	291,126	291,126	491,679	200,553
RENTS AND PRIVILEGES				
Land and buildings	82,000	82,000	51,500	(30,500)
SALE OF MATERIALS AND SERVICES				
Cemetery services and markers	386,000	386,000	332,121	(53,879)
Cemetery grave spaces	100,000	100,000	94,745	(5,255)
Police Department services	30,000	30,000	30,270	270
Abandoned vehicle auction proceeds (net)	100,000	100,000	18,045	(81,955)
Fire Department services	11,000	11,000	3,989	(7,011)
Engineering plans and specifications	2,000	2,000	965	(1,035)
Sale of land	60,000	60,000	6	(59,994)
Insurance proceeds	-	47,688	115,054	67,366
Surplus receipts	179,600	184,100	39,101	(144,999)
Elections services	-	-	740	740
Other	607,677	471,827	298,498	(173,329)
TOTAL SALE OF MATERIALS AND SERVICES	1,476,277	1,392,615	933,534	(459,081)
TRANSFERS IN				
Sick and Vacation Fund	406,250	406,250	405,186	(1,064)
TOTAL DEPARTMENTAL AND MISCELLANEOUS REVENUES AND TRANSFERS IN	$ 6,412,744	$ 6,332,342	$ 6,100,319	$ (232,023)

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
GENERAL GOVERNMENT				
City Council	$ 81,766	$ 81,766	$ 73,109	$ (8,657)
City/County/School Liason	-	15,000	11,898	(3,102)
City Manager	489,347	423,592	400,438	(23,154)
Cable Television Operation	40,960	41,110	42,762	1,652
Employee Services	567,404	515,182	475,049	(40,133)
City Clerk	333,812	334,612	268,788	(65,824)
Elections	124,251	124,251	126,114	1,863
City Attorney	611,541	611,237	484,503	(126,734)
Unemployment Compensation	71,427	71,427	-	(71,427)
Retiree Health Insurance	1,557,005	1,598,180	1,678,723	80,543
Geographical Information System Charges	35,262	35,262	35,268	6
TOTAL GENERAL GOVERNMENT	3,912,775	3,851,619	3,596,652	(254,967)
FISCAL SERVICES (Administration)				
Administration	226,478	254,590	230,830	(23,760)
Controller	485,188	500,188	570,812	70,624
Treasurer/Income Tax	765,654	899,385	864,024	(35,361)
Assessor	426,188	439,188	395,498	(43,690)
Purchasing	134,452	134,452	133,241	(1,211)
TOTAL FISCAL SERVICES (Administration)	2,037,960	2,227,803	2,194,405	(33,398)
PUBLIC SAFETY				
Police Department				
Administration	332,098	333,867	345,753	11,886
Patrol	8,364,003	8,350,110	8,742,563	392,453
Administrative Services	474,947	474,629	411,336	(63,293)
Investigation	1,904,084	1,851,619	1,758,558	(93,061)
Building and Property Management	1,220,630	1,216,585	1,172,335	(44,250)
Technical Services	502,282	519,664	457,513	(62,151)
Total Police Department	12,798,044	12,746,474	12,888,058	141,584

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
PUBLIC SAFETY (CONTINUED)				
Fire Department				
Administration	$ 389,724	$ 379,946	$ 365,339	$ (14,607)
Suppression	8,728,335	8,857,030	9,134,221	277,191
Training	220,038	184,719	188,817	4,098
Prevention	163,531	163,695	148,173	(15,522)
Apparatus Operation and Maintenance	276,971	315,166	268,062	(47,104)
Total Fire Department	9,778,599	9,900,556	10,104,612	204,056
TOTAL PUBLIC SAFETY	22,576,643	22,647,030	22,992,670	345,640
GENERAL SERVICES				
Public Works and Engineering	123,412	123,412	111,599	(11,813)
Street Lighting	537,700	537,700	583,806	46,106
Public Improvements	495,539	495,539	392,692	(102,847)
Traffic Engineering	51,512	11,188	-	(11,188)
Abatement of Nuisances	57,886	57,886	134,803	76,917
Cemeteries Operation and Maintenance	667,541	667,541	565,934	(101,607)
Adult Sports	-	5,000	4,505	(495)
Japanese Tea House and Cultural Center	49,855	49,855	46,905	(2,950)
Parks Building Maintenance	17,394	-	-	-
City Hall Maintenance	1,046	-	-	-
Building and Grounds Maintenance	646,280	855,418	977,779	122,361
TOTAL GENERAL SERVICES	2,648,165	2,803,539	2,818,023	14,484
COMMUNITY SERVICES				
Inspections and Zoning	783,562	693,677	686,420	(7,257)
Demolitions	-	-	38,608	38,608
Planning and Economic Development	373,590	313,590	320,355	6,765
Contributions to Other Organizations	21,500	21,500	5,000	(16,500)
TOTAL COMMUNITY SERVICES	1,178,652	1,028,767	1,050,383	21,616

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
DEBT SERVICE				
Principal	$ 305,118	$ 305,118	$ 305,118	$ -
Interest	11,718	11,718	11,718	-
TOTAL DEBT SERVICE	316,836	316,836	316,836	-
TRANSFERS OUT				
Transfers to Internal Service Funds:				
Information Services Fund	-	1,587	-	(1,587)
Transfers to Special Revenue Funds:				
Streets Funds	475,958	491,582	390,452	(101,130)
Police Grant Funds	125,563	125,563	82,741	(42,822)
TOTAL TRANSFERS OUT	601,521	618,732	473,193	(145,539)
TOTAL APPROPRIATIONS, EXPENDITURES AND TRANSFERS OUT	$ 33,272,552	$ 33,494,326	$ 33,442,162	$ (52,164)

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

MAJOR, LOCAL AND MUNICIPAL STREETS FUNDS

The Major and Local Streets Funds receive allocations of State collected gasoline taxes and license fees to be used for the maintenance, repair and construction of streets and bridges within the City. The Municipal Street Fund functions as an inventory account for street maintenance materials. These materials are reallocated to the Major and Local Streets Funds upon completion of construction.

RUBBISH COLLECTION FUND

Under authority of State law, the City levies a special property tax earmarked to support the cost of operating a weekly rubbish collection and disposal service. This fund accounts for the tax levy proceeds, household rubbish fees and composting fees. It also records the expenditures for rubbish collection, hauling and disposal, recycling, composting and trash cleanup.

MARINA GRANT FUND

This fund accounts for the revenues and expenditures of grant funds received from the Michigan Department of Natural Resources. Funds will be used for land acquisition, development and construction of a marina.

COMMUNITY POLICING FUND

This fund accounts for the revenues and expenditures of Police officers assigned to various City neighborhoods. This program provides the residents with a greater sense of protection and gives them the responsibility for developing and implementing problem solving strategies for their neighborhoods.

AUTO THEFT PREVENTION GRANT FUND

This fund accounts for grant funds received from the State of Michigan pursuant to Act 10 of the Public Acts of 1986. These funds are used by the Saginaw Police Department and Saginaw Township Police Department for the prevention and investigation of automobile thefts in Saginaw County.

POLICE TRAINING FUND

The fund accounts for allocations received from the State of Michigan pursuant to Act 302 of the Public Acts of 1982. Distributions are made twice annually based on the number of sworn Police officers. These funds can only be expended for direct costs of criminal justice training of Police officers.

YOUTH INITIATIVE GRANT FUND

This fund accounts for grant funds received from the U.S. Department of Justice. The funds will be used to engage youths and their families in programs that will enhance their self-awareness, self esteem and reduce their use of substances through participation in substance abuse programs.

NONMAJOR GOVERNMENTAL FUNDS
(continued)

SPECIAL REVENUE FUNDS

DRUG FORFEITURE FUND
This fund accounts for all expenditures and funds received from the forfeiture of cash and property seized during drug raids.

ANDERSEN CENTER OPERATION FUND
This fund accounts for the operation and maintenance expenditures and building rentals for the Andersen Enrichment Center. This fund also accounts for the private donations and individual contributions received by the Saginaw Community Enrichment Commission to provide financial support to cultural and creative arts organizations and to sponsor various social and community events to improve the quality of life in the City.

URBAN DEVELOPMENT ACTION GRANT
This fund accounts for the repaid loans received from the developer of the Saginaw Division Tower building. The developer received a Section 108 Loan and an Urban Development Action Grant from the Department of Housing and Urban Development for the renovation of the building and site clearance.

BOAT LAUNCH OPERATION FUND
This fund accounts for the revenues collected from the Wickes and Rust Avenue boat launches for parking and admission fees. This fund also accounts for the operation and maintenance expenditures of these facilities.

ECONOMIC DEVELOPMENT FUND
This fund was established to provide funds to be used as local match for federal and state grants for riverfront development projects. These funds are proceeds from a loan that was paid off when the Morley Building was sold.

CARL H. IBERSHOFF FUND
This fund accounts for monies received from the Carl H. Ibershoff Trust.

NONMAJOR GOVERNMENTAL FUNDS
(continued)

DEBT SERVICE FUND

The Debt Service Fund is used to account for the accumulated resources used for the payment of general obligation bond principal and interest. The current payments are related to the 1994 Judgment Bonds.

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds.

PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for cemetery care and parks improvements purposes in support of the City's programs.

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Streets	Rubbish Collection
ASSETS				
Cash and cash equivalents	$ 488,422	$ -	$ -	$ 459,994
Accounts receivable, net of allowances	16,888	-	-	-
Accrued interest receivable	-	-	-	-
Due from other governmental units	656,183	173,079	-	-
Inventory	389,944	-	-	-
Property taxes receivable	-	-	-	68,343
Assessments receivable	-	15,846	-	467,411
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
TOTAL ASSETS	$ 1,551,437	$ 188,925	$ -	$ 995,748
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 220,628	$ 5,247	$ -	$ 355,050
Accrued wages payable	35,380	13,552	-	13,526
Due to other governmental units	12,746	889	-	8,878
Due to other funds	-	140,186	-	-
Deferred revenue	-	12,919	-	68,344
Total Liabilities	268,754	172,793	-	445,798
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Encumbrances	57,078	-	-	-
Inventory	389,944	-	-	-
Subsequent year's expenditures	555,177	-	-	-
Specific projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated	280,484	16,132	-	549,950
Total Fund Balances	1,282,683	16,132	-	549,950
TOTAL LIABILITIES AND FUND BALANCES	$ 1,551,437	$ 188,925	$ -	$ 995,748

Special Revenue Funds				
	Police Grants Funds			
Marina Grant	Community Policing	Auto Theft Prevention Grant	Police Training	Youth Initiative Grant
$ -	$ 8,974	$ 5,403	$ 18,395	$ -
1,034	-	-	-	-
-	-	-	-	-
29,741	-	-	-	21,483
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 30,775	$ 8,974	$ 5,403	$ 18,395	$ 21,483
$ -	$ 1,527	$ 1,641	$ -	$ 1,894
-	7,447	2,694	-	3,598
-	-	-	-	-
30,213	-	-	-	15,991
562	-	1,068	18,395	-
30,775	8,974	5,403	18,395	21,483
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 30,775	$ 8,974	$ 5,403	$ 18,395	$ 21,483

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2006

	Special Revenue Funds			
	Drug Forfeiture	Andersen Center Operation	Urban Development Action Grant	Boat Launch Operation
ASSETS				
Cash and cash equivalents	$ -	$ 68,882	$ 445,701	$ 23,456
Accounts receivable, net of allowances	-	-	-	349
Accrued interest receivable	-	953	-	-
Due from other governmental units	-	-	-	-
Inventory	-	-	-	-
Property taxes receivable	-	-	-	-
Assessments receivable	-	-	-	-
Due from other funds	9,824	-	-	-
Restricted assets				
Cash and cash equivalents	208,943	27,039	-	-
Investments	-	-	-	-
TOTAL ASSETS	$ 218,767	$ 96,874	$ 445,701	$ 23,805
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	$ 1,259	$ 2,729	$ -	$ 3,094
Accrued wages payable	4,894	894	-	-
Due to other governmental units	1,086	1,359	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	300	-	-
Total Liabilities	7,239	5,282	-	3,094
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Encumbrances	-	78	-	-
Inventory	-	-	-	-
Subsequent year's expenditures	194,597	-	-	8,602
Specific projects	16,931	27,039	445,701	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated	-	64,475	-	12,109
Total Fund Balances	211,528	91,592	445,701	20,711
TOTAL LIABILITIES AND FUND BALANCES	$ 218,767	$ 96,874	$ 445,701	$ 23,805

Special Revenue Funds						
Economic Development	Carl H. Ibershoff Trust	Total	Debt Service	Capital Projects	Permanent Fund	Totals
$ 134,695	$ 2,807	$ 1,656,729	$ -	$ 25,866	$ 188,648	$ 1,871,243
-	-	18,271	-	26	-	18,297
-	-	953	-	-	-	953
14,879	-	895,365	-	75,600	-	970,965
-	-	389,944	-	-	-	389,944
-	-	68,343	-	-	-	68,343
-	-	483,257	-	-	-	483,257
-	-	9,824	-	-	-	9,824
-	-	235,982	-	-	-	235,982
-	-	-	-	-	2,332,606	2,332,606
$ 149,574	$ 2,807	$ 3,758,668	$ -	$ 101,492	$ 2,521,254	$ 6,381,414
$ 29,429	$ -	$ 622,498	$ -	$ -	$ 1,998	$ 624,496
-	-	81,985	-	-	-	81,985
-	-	24,958	-	-	-	24,958
-	-	186,390	-	-	-	186,390
91,710	-	193,298	-	-	-	193,298
121,139	-	1,109,129	-	-	1,998	1,111,127
-	2,807	2,807	-	-	2,332,606	2,335,413
-	-	57,156	-	-	-	57,156
-	-	389,944	-	-	-	389,944
-	-	758,376	-	-	-	758,376
28,435	-	518,106	-	-	-	518,106
-	-	-	-	101,492	-	101,492
-	-	923,150	-	-	186,650	1,109,800
28,435	2,807	2,649,539	-	101,492	2,519,256	5,270,287
$ 149,574	$ 2,807	$ 3,758,668	$ -	$ 101,492	$ 2,521,254	$ 6,381,414

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Streets	Rubbish Collection
Revenues				
General operating property taxes	$ -	$ -	$ -	$ 2,036,825
State of Michigan gas and weight taxes	3,742,341	1,048,204	-	-
Trunkline maintenance	265,404	-	-	-
Fees	-	-	-	1,419,518
Drug forfeitures	-	-	-	-
Grants and entitlements	616,389	-	-	-
Interest on deposits and investments	-	63	-	3,485
Sale of materials and services	9,808	5,781	-	2,180
Total Revenues	4,633,942	1,054,048	-	3,462,008
Expenditures				
Current expenditures				
Public safety	-	-	-	-
Highways and streets	4,278,657	1,879,586	-	-
Garbage and rubbish	-	-	-	3,249,447
Community services	-	-	-	-
Economic development	-	-	-	-
Total Expenditures	4,278,657	1,879,586	-	3,249,447
Revenues over (under) expenditures	355,285	(825,538)	-	212,561
Other financing sources (uses)				
Transfers in	195,226	828,467	-	30,730
Transfers out	(633,241)	-	-	-
Total Other Financing Sources (Uses)	(438,015)	828,467	-	30,730
Net change in fund balances	(82,730)	2,929	-	243,291
Fund balances at beginning of year	1,365,413	13,203	-	306,659
FUND BALANCES AT END OF YEAR	$ 1,282,683	$ 16,132	$ -	$ 549,950

Special Revenue Funds				
	Police Grants Funds			
Marina Grant	Community Policing	Auto Theft Prevention Grant	Police Training	Youth Initiative Grant
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	73,633	36,161	61,733
-	22	-	-	-
-	841	5,243	-	391
-	863	78,876	36,161	62,124
-	270,014	113,200	36,161	110,541
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	270,014	113,200	36,161	110,541
-	(269,151)	(34,324)	-	(48,417)
-	269,151	34,324	-	48,417
-	-	-	-	-
-	269,151	34,324	-	48,417
-	-	-	-	-
-	-	-	-	-
$ -	$ -	$ -	$ -	$ -

Continued

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2006

	Special Revenue Funds			
	Drug Forfeiture	Andersen Center Operation	Urban Development Action Grant	Boat Launch Operation
Revenues				
General operating property taxes	$ -	$ -	$ -	$ -
State of Michigan gas and weight taxes	-	-	-	-
Trunkline maintenance	-	-	-	-
Fees	-	62,149	-	26,615
Drug forfeitures	39,494	-	-	-
Grants and entitlements	7,754	105,400	-	-
Interest on deposits and investments	11,360	311	20,926	-
Sale of materials and services	-	2,675	-	-
Total Revenues	58,608	170,535	20,926	26,615
Expenditures				
Current expenditures				
Public safety	191,449	-	-	-
Highways and streets	-	-	-	-
Garbage and rubbish	-	-	-	-
Community service	-	164,531	-	-
Economic development	-	-	77,441	25,287
Total Expenditures	191,449	164,531	77,441	25,287
Revenues over (under) expenditures	(132,841)	6,004	(56,515)	1,328
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net change in fund balances	(132,841)	6,004	(56,515)	1,328
Fund balances at beginning of year	344,369	85,588	502,216	19,383
FUND BALANCES AT END OF YEAR	$ 211,528	$ 91,592	$ 445,701	$ 20,711

Special Revenue Funds						
Economic Development	Carl H. Ibershoff Trust	Total	Debt Service	Capital Projects	Permanent Fund	Totals
$ -	$ -	$ 2,036,825	$ -	$ -	$ -	$ 2,036,825
-	-	4,790,545	-	-	-	4,790,545
-	-	265,404	-	-	-	265,404
-	-	1,508,282	-	-	-	1,508,282
-	-	39,494	-	-	-	39,494
160,154	-	1,061,224	-	75,600	-	1,136,824
-	-	36,167	-	-	-	36,167
-	-	26,919	-	-	34,388	61,307
160,154	-	9,764,860	-	75,600	34,388	9,874,848
-	-	721,365	-	-	-	721,365
-	-	6,158,243	-	-	-	6,158,243
-	-	3,249,447	-	-	-	3,249,447
-	-	164,531	-	-	1,998	166,529
179,755	-	282,483	-	-	-	282,483
179,755	-	10,576,069	-	-	1,998	10,578,067
(19,601)	-	(811,209)	-	75,600	32,390	(703,219)
-	-	1,406,315	-	-	-	1,406,315
-	-	(633,241)	(39,241)	-	-	(672,482)
-	-	773,074	(39,241)	-	-	733,833
(19,601)	-	(38,135)	(39,241)	75,600	32,390	30,614
48,036	2,807	2,687,674	39,241	25,892	2,486,866	5,239,673
$ 28,435	$ 2,807	$ 2,649,539	$ -	$ 101,492	$ 2,519,256	$ 5,270,287

CITY OF SAGINAW, MICHIGAN
MAJOR STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
State of Michigan gas and weight taxes	$ 4,163,914	$ 3,742,341	$ (421,573)
Trunkline maintenance	200,000	265,404	65,404
Grants and entitlements	215,000	616,389	401,389
Sale of materials and services	100,000	9,808	(90,192)
Total Revenues	4,678,914	4,633,942	(44,972)
Expenditures			
Current expenditures			
Routine maintenance of roads and streets	1,586,428	1,881,443	295,015
Routine maintenance of bridges	162,434	110,980	(51,454)
Winter maintenance of roads and streets	519,447	452,165	(67,282)
Traffic services maintenance	815,208	557,841	(257,367)
State trunkline maintenance	207,496	188,560	(18,936)
Administration	1,004,966	512,071	(492,895)
Capital outlay			
Construction and resurfacing of streets	339,000	563,850	224,850
Bridge reconstruction	20,000	11,747	(8,253)
Total Expenditures	4,654,979	4,278,657	(376,322)
Revenues over (under) expenditures	23,935	355,285	331,350
Other financing sources (uses)			
Transfers in	-	195,226	195,226
Transfers out	(423,052)	(633,241)	210,189
Total transfers	(423,052)	(438,015)	(14,963)
Net change in fund balances	$ (399,117)	(82,730)	$ 316,387
Fund balance at beginning of year		1,365,413	
FUND BALANCE AT END OF YEAR		$ 1,282,683	

CITY OF SAGINAW, MICHIGAN
LOCAL STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
State of Michigan gas and weight taxes	$ 1,109,454	$ 1,048,204	$ (61,250)
Interest on deposits and investments	7,000	63	(6,937)
Sale of materials and services	23,000	5,781	(17,219)
Total Revenues	1,139,454	1,054,048	(85,406)
Expenditures			
Current expenditures			
Routine maintenance of roads and streets	750,659	1,029,664	279,005
Winter maintenance of roads and streets	197,546	246,032	48,486
Traffic services maintenance	178,884	379,436	200,552
Administration	435,417	224,454	(210,963)
Total Expenditures	1,562,506	1,879,586	317,080
Revenues over (under) expeditures	(423,052)	(825,538)	(402,486)
Other financing sources (uses)			
Transfers in	423,052	828,467	405,415
Net change in fund balances	$ -	2,929	$ 2,929
Fund balance at beginning of year		13,203	
FUND BALANCE AT END OF YEAR		$ 16,132	

CITY OF SAGINAW, MICHIGAN
RUBBISH COLLECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
General operating property taxes	$ 2,110,550	$ 2,036,825	$ (73,725)
Fees	1,588,500	1,419,518	(168,982)
Interest on deposits and investments	-	3,485	3,485
Sale of materials and services	68,300	2,180	(66,120)
Total Revenues	3,767,350	3,462,008	(305,342)
Expenditures			
Current expenditures			
Administration	609,583	672,827	63,244
Rubbish collection and disposal	2,306,515	2,200,538	(105,977)
Recycling and composting	956,419	376,082	(580,337)
Debt service	15,088	-	(15,088)
Total Expenditures	3,887,605	3,249,447	(638,158)
Revenues over (under) expenditures	(120,255)	212,561	332,816
Other financing sources (uses)			
Transfers in	9,948	30,730	20,782
Net change in fund balances	$ (110,307)	243,291	$ 353,598
Fund balance at beginning of year		306,659	
FUND BALANCE AT END OF YEAR		$ 549,950	

CITY OF SAGINAW, MICHIGAN
POLICE GRANTS FUNDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	$ 258,332	$ 171,527	$ (86,805)
Interest on deposits and investments	-	22	22
Sale of materials and services	-	6,475	6,475
Total Revenues	258,332	178,024	(80,308)
Expenditures			
Current expenditures			
Public safety	679,475	529,916	(149,559)
Revenues (under) expenditures	(421,143)	(351,892)	69,251
Other financing sources			
Transfers in	423,563	351,892	(71,671)
Net change in fund balances	$ 2,420	-	$ (2,420)
Fund balances at beginning of year		-	
FUND BALANCES AT END OF YEAR		$ -	

CITY OF SAGINAW, MICHIGAN
DRUG FORFEITURE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Drug forfeitures	$ 54,471	$ 39,494	$ (14,977)
Grants and entitlements	-	7,754	7,754
Interest on deposits and investments	4,000	11,360	7,360
Total Revenues	58,471	58,608	137
Expenditures			
Current expenditures			
Public safety	247,312	191,449	(55,863)
Net change in fund balances	$ (188,841)	(132,841)	$ (56,000)
Fund balance at beginning of year		344,369	
FUND BALANCE AT END OF YEAR		$ 211,528	

CITY OF SAGINAW, MICHIGAN
ANDERSEN CENTER OPERATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	$ 50,000	$ 62,149	$ 12,149
Grants and entitlements	-	105,400	105,400
Interest on deposits and investments	-	311	311
Sale of materials and services	-	2,675	2,675
Total Revenues	50,000	170,535	120,535
Expenditures			
Current expenditures			
Community service	164,913	164,531	(382)
Net change in fund balances	$ (114,913)	6,004	$ 120,917
Fund balance at beginning of year		85,588	
FUND BALANCE AT END OF YEAR		$ 91,592	

CITY OF SAGINAW, MICHIGAN
BOAT LAUNCH OPERATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	$ 15,000	$ 26,615	$ 11,615
Expenditures			
Current expenditures			
Community services	24,010	25,287	1,277
Net change in fund balances	$ (9,010)	1,328	$ 10,338
Fund balance at beginning of year		19,383	
FUND BALANCE AT END OF YEAR		$ 20,711	

CITY OF SAGINAW, MICHIGAN
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2006

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	$ 258,332	$ 160,154	$ (98,178)
Expenditures			
Current expenditures			
Economic development	679,475	179,755	(499,720)
Revenues (under) expenditures	(421,143)	(19,601)	(401,542)
Other financing sources			
Transfers in	423,563	-	(423,563)
Net change in fund balances	$ 2,420	(19,601)	$ (22,021)
Fund balances at beginning of year		48,036	
FUND BALANCES AT END OF YEAR		$ 28,435	

NONMAJOR ENTERPRISE FUNDS

PARKING FUND

Revenues and expenses relating to the operation of the parking system are recorded in the Parking Fund. Assets of the parking system are also recorded here.

WAVE POOL FUND

The fund accounts for the operation, maintenance and debt service expenses of the wave pool complex.

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2006

	Parking	Wave Pool	Totals
ASSETS			
Current assets			
Cash and cash equivalents	$ -	$ 89,488	$ 89,488
Accounts receivable, net of allowances	370,453	-	370,453
Investments	-	1,100	1,100
Total Current Assets	370,453	90,588	461,041
Capital Assets			
Land	201,203	-	201,203
Buildings and improvements	8,210,589	3,458,870	11,669,459
Plant and office equipment	585,370	69,139	654,509
Less allowances for depreciation	(8,629,047)	(2,601,199)	(11,230,246)
Net Capital Assets	368,115	926,810	1,294,925
TOTAL ASSETS	$ 738,568	$ 1,017,398	$ 1,755,966
LIABILITIES AND NET ASSETS			
Current liabilities			
Due to other funds	$ 561,463	$ -	$ 561,463
Accounts payable	3,572	-	3,572
Accrued wages payable	2,488	-	2,488
Total Current Liabilities	567,523	-	567,523
Long-term liabilities			
Accrued sick and vacation/PTO payable	14,175	-	14,175
Total Liabilities	581,698	-	581,698
Net assets			
Investment in capital assets	368,115	926,810	1,294,925
Unrestricted (deficit)	(211,245)	90,588	(120,657)
Total Net Assets	156,870	1,017,398	1,174,268
TOTAL LIABILITIES AND NET ASSETS	$ 738,568	$ 1,017,398	$ 1,755,966

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2006

	Parking	Wave Pool	Totals
Operating revenues			
Parking ramps	$ 38,173	$ -	$ 38,173
Parking lots	150,495	-	150,495
Parking fines and tickets	365,081	-	365,081
Total Operating Revenues	553,749	-	553,749
Operating expenses			
Salaries	76,396	-	76,396
Employee benefits	122,844	-	122,844
Contractual services	14,171	-	14,171
Internal user charges	40,196	-	40,196
Insurance	17,800	-	17,800
Utilities	41,596	-	41,596
Supplies and materials	10,142	-	10,142
Depreciation	51,437	141,771	193,208
Other	25,511	-	25,511
Total Operating Expenses	400,093	141,771	541,864
Operating Income (Loss)	153,656	(141,771)	11,885
Nonoperating revenues (expenses)			
Interest on investments	-	3,280	3,280
Change in Net Assets	153,656	(138,491)	15,165
Net assets at beginning of year	3,214	1,155,889	1,159,103
NET ASSETS AT END OF YEAR	$ 156,870	$ 1,017,398	$ 1,174,268

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2006

	Parking	Wave Pool	Totals
Cash flows from operating activities:			
Receipts from customers	$ 398,859	$ -	$ 398,859
Payments to suppliers	(110,236)	-	(110,236)
Payments to employees	(195,042)	-	(195,042)
Payments for interfund services used	(87,106)	-	(87,106)
Net Cash Provided By (Used For) Operating Activities	6,475	-	6,475
Cash flows from capital and related financing activities:			
Purchases of property and equipment	(7,100)	-	(7,100)
Cash flows from investing activities:			
Purchase of investment securities	-	(8)	(8)
Interest on investments	-	3,280	3,280
Net Cash Provided By Investing Activities	-	3,272	3,272
Increase (Decrease) in cash and cash equivalents	(625)	3,272	2,647
Cash and cash equivalents at beginning of year	625	86,216	86,841
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ -	$ 89,488	$ 89,488
Cash flows from operating activities:			
Operating income (loss)	$ 153,656	$ (141,771)	$ 11,885
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	51,437	141,771	193,208
(Increase) Decrease in assets:			
Accounts receivable	(154,890)	-	(154,890)
Due from other funds	49	-	49
Increase (Decrease) in liabilities:			
Due to other funds	(46,959)	-	(46,959)
Accounts payable	(1,016)	-	(1,016)
Accrued wages payable	192	-	192
Accrued sick and vacation/PTO payable	4,006	-	4,006
Net Cash Provided By (Used For) Operating Activities	$ 6,475	$ -	$ 6,475

INTERNAL SERVICE FUNDS

INFORMATION SERVICES FUND

Computer and information services are provided to City operating departments through this fund. The operation is financed by service charges levied against user departments and service contracts with other governmental agencies.

GIS FUND

This fund is used to account for the development and operations of a City-wide geographic information system. Money for the operation of this fund is supplied from contributions from other City funds.

MOTOR POOL FUND

This fund is responsible for acquiring and maintaining vehicles and other motorized equipment for use in general City operations. The costs of maintenance and replacement are recovered through rental rates charged to City operations using the vehicles and equipment.

CENTRAL STORES FUND

This operation inventories and supplies to operating departments office supplies, postage, small hand tools, parts and other products needed in everyday operations. All incoming, outgoing and inter-departmental mail is processed by this operation. Offset printing and other duplicating services are also provided to City departments. Costs are recovered through user charges.

RADIO FUND

This fund acquires, installs and maintains two-way radio equipment for use by City operating departments. Rental fees are charged to using departments to recover the cost of maintaining and replacing equipment.

SELF INSURANCE FUND

This fund was established by City Council to serve as a general insurance reserve for liabilities and claims not covered by commercial carriers or to pay deductibles. This fund accounts for the payment of insurance premiums, the distribution of insurance costs to other City funds and records the insurance claims liability.

WORKERS' COMPENSATION FUND

This fund accounts for all expenses, revenues and claims liability relating to the City's self-insured workers' compensation program. Premiums are charged to other City funds based on budgeted salaries.

INTERNAL SERVICE FUNDS
(continued)

PTO LIABILITY FUND
This fund was established to start funding the unfunded sick and vacation liability that has accrued to City employees over the years. Payoffs upon retirement for unused days will continue to be charged to other funds until this fund has sufficient dollars accumulated. Amounts are charged to other City funds based on the actual value of accrued sick and vacation/PTO days for each employee.

PUBLIC WORKS BUILDING FUND
This fund was established to account for all operating and capital expenses required to maintain the Public Works Service Center. Rent is charged to the departments occupying the building based on square footage.

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2006

	Information Services	GIS	Motor Pool	Central Stores
ASSETS				
Current assets				
Cash and cash equivalents	$ 236,397	$ 89,820	$ 125,880	$ 26,704
Investments	-	-	-	-
Due from other funds	-	-	-	-
Accrued interest receivable	-	-	-	-
Due from other governments	-	3,198	-	-
Inventories	-	-	153,645	1,215
Prepaid insurance	-	-	-	-
Total Current Assets	236,397	93,018	279,525	27,919
Capital assets				
Buildings and improvements	-	-	189,146	-
Plant and office equipment	316,075	116,490	140,567	97,263
Vehicular and radio equipment	-	-	6,076,664	-
Less allowances for depreciation	(264,021)	(77,992)	(5,003,712)	(97,263)
Net capital assets	52,054	38,498	1,402,665	-
TOTAL ASSETS	$ 288,451	$ 131,516	$ 1,682,190	$ 27,919
LIABILITIES AND NET ASSETS				
Current liabilities				
Due to other funds	$ -	$ -	$ -	$ -
Accounts payable	20,403	3,184	13,404	422
Accrued wages payable	16,178	5,899	12,447	-
Due to other governments	-	-	-	295
Current portion of long-term debt	-	-	50,935	-
Total Current Liabilities	36,581	9,083	76,786	717
Long-term liabilities				
Workers' comp claims payable	-	-	-	-
Insurance claims payable	-	-	-	-
Accrued sick and vacation/PTO payable	78,154	17,652	57,750	-
Bonds and contracts payable	-	-	104,585	-
Total Long-term Liabilities	78,154	17,652	162,335	-
Total Liabilities	114,735	26,735	239,121	717
Net assets (deficits)				
Investment in capital assets, net of related debt	52,054	38,498	1,247,145	-
Restricted for:				
Sick and vacation	-	-	-	-
Unrestricted	121,662	66,283	195,924	27,202
Total Net Assets (Deficits)	173,716	104,781	1,443,069	27,202
TOTAL LIABILITIES AND NET ASSETS	$ 288,451	$ 131,516	$ 1,682,190	$ 27,919

Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
$ 889,127	$ 279,526	$ 928,829	$ -	$ 31,592	$ 2,607,875
-	307,049	-	663,183	-	970,232
329,272	-	763,026	-	-	1,092,298
-	-	-	6,728	-	6,728
-	-	-	-	-	3,198
-	-	-	-	-	154,860
-	36,319	-	-	-	36,319
1,218,399	622,894	1,691,855	669,911	31,592	4,871,510
-	-	-	-	-	189,146
3,435	-	-	-	-	673,830
1,149,404	-	-	-	-	7,226,068
(1,036,995)	-	-	-	-	(6,479,983)
115,844	-	-	-	-	1,609,061
$ 1,334,243	$ 622,894	$ 1,691,855	$ 669,911	$ 31,592	$ 6,480,571
$ -	$ -	$ -	$ 414,154	$ -	$ 414,154
1,052	57,166	24,401	-	17,657	137,689
205	-	426	-	2,741	37,896
-	-	-	-	-	295
-	70,000	-	-	-	120,935
1,257	127,166	24,827	414,154	20,398	710,969
-	-	1,873,087	-	-	1,873,087
-	522,090	-	-	-	522,090
-	-	-	-	10,095	163,651
-	150,000	-	-	-	254,585
-	672,090	1,873,087	-	10,095	2,813,413
1,257	799,256	1,897,914	414,154	30,493	3,524,382
115,844	-	-	-	-	1,453,541
-	-	-	255,757	-	255,757
1,217,142	(176,362)	(206,059)	-	1,099	1,246,891
1,332,986	(176,362)	(206,059)	255,757	1,099	2,956,189
$ 1,334,243	$ 622,894	$ 1,691,855	$ 669,911	$ 31,592	$ 6,480,571

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006

	Information Services	GIS	Motor Pool	Central Stores
Operating revenues				
Charges for services	$ 1,326,001	$ 348,364	$ 1,888,141	$ 111,474
Sale of materials and services	-	16,595	2,336	-
Total Operating Revenues	1,326,001	364,959	1,890,477	111,474
Operating expenses				
Cost of goods sold	-	-	-	67,021
Salaries	431,586	169,332	259,126	499
Employee benefits	330,306	72,187	403,200	20,561
Contractual services	400,140	59,656	146,256	6,898
Internal user charges	90,048	32,212	327,597	3,900
Insurance	15,823	4,297	94,978	-
Utilities	63,423	-	6,099	-
Supplies and materials	40,281	11,935	215,038	250
Claims and judgments	-	-	-	-
Depreciation	41,834	21,440	401,776	-
Other	14,916	2,616	8,832	674
Net Operating Expenses	1,428,357	373,675	1,862,902	99,803
Operating Income (Loss)	(102,356)	(8,716)	27,575	11,671
Nonoperating revenues (expenses)				
Interest on investments	8,368	-	-	-
Gain (loss) on disposal of equipment	-	-	(224)	-
Grants and entitlement	-	3,198	-	-
Interest expense on bonded indebtedness	-	-	(9,862)	-
Total Nonoperating Revenues (Expenses)	8,368	3,198	(10,086)	-
Net Income (Loss) Before Transfers	(93,988)	(5,518)	17,489	11,671
Transfers				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Transfers	-	-	-	-
Change in Net Assets	(93,988)	(5,518)	17,489	11,671
Net assets (deficits) at beginning of year, as restated	267,704	110,299	1,425,580	15,531
NET ASSETS (DEFICITS) AT END OF YEAR	$ 173,716	$ 104,781	$ 1,443,069	$ 27,202

Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
$ 192,645	$ 1,380,921	$ 1,194,654	$ -	$ 317,048	$ 6,759,248
-	-	-	-	-	18,931
192,645	1,380,921	1,194,654	-	317,048	6,778,179
-	-	-	-	-	67,021
1,621	-	32,221	-	77,676	972,061
1,035	-	1,986	-	46,890	876,165
8,488	236,902	114,924	-	47,762	1,021,026
4,944	-	-	-	-	458,701
7,226	1,151,054	-	-	11,576	1,284,954
-	-	734	-	120,050	190,306
6,501	-	2,237	-	12,544	288,786
-	(66,917)	494,545	-	-	427,628
38,208	-	-	-	-	503,258
330	-	807	-	662	28,837
68,353	1,321,039	647,454	-	317,160	6,118,743
124,292	59,882	547,200	-	(112)	659,436
38,577	12,110	37,673	33,268	-	129,996
-	-	-	-	-	(224)
-	-	-	-	-	3,198
-	(21,000)	-	-	-	(30,862)
38,577	(8,890)	37,673	33,268	-	102,108
162,869	50,992	584,873	33,268	(112)	761,544
-	39,241	-	-	-	39,241
-	-	-	(456,950)	-	(456,950)
-	39,241	-	(456,950)	-	(417,709)
162,869	90,233	584,873	(423,682)	(112)	343,835
1,170,117	(266,595)	(790,932)	679,439	1,211	2,612,354
$ 1,332,986	$ (176,362)	$ (206,059)	$ 255,757	$ 1,099	$ 2,956,189

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2006

	Information Services	GIS	Motor Pool	Central Stores
Cash flows from operating activities:				
Receipts from interfund services provided	$ 1,328,095	$ 362,477	$ 1,892,632	$ 112,321
Payments to suppliers	(516,604)	(75,858)	(423,966)	(72,876)
Payments to employees	(786,888)	(236,938)	(724,720)	(24,653)
Payments for interfund services used	(89,987)	(32,212)	(327,597)	(3,900)
Net Cash Provided By (Used For) Operating Activities	(65,384)	17,469	416,349	10,892
Cash flows from noncapital financing activities:				
Grants and entitlements	-	3,198	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net Cash Provided By (Used For) Noncapital Financing Activities	-	3,198	-	-
Cash flows from capital and related financing activities:				
Purchases of property and equipment	-	(9,291)	(424,711)	-
Proceeds from sale of equipment	-	-	10,414	-
Proceeds from installment contracts	-	-	166,106	-
Principal paid on long-term debt	-	-	(51,276)	-
Interest paid on long-term debt	-	-	(9,862)	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	-	(9,291)	(309,329)	-
Cash flows from investing activities:				
Proceeds from sale and maturities of investment securities	-	-	-	-
Interest on investments	8,368	-	-	-
Net Cash Provided By (Used For) Investing Activities	8,368	-	-	-
Increase (Decrease) in cash and cash equivalents	(57,016)	11,376	107,020	10,892
Cash and cash equivalents at beginning of year	293,413	78,444	18,860	15,812
CASH AND CASH EQUIVALENTS AT END OF YEAR	$ 236,397	$ 89,820	$ 125,880	$ 26,704
Cash flows from operating activities:				
Operating income (loss)	$ (102,356)	$ (8,716)	$ 27,575	$ 11,671
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	41,834	21,440	401,776	-
Changes in assets and liabilities:				
Due from other funds	61	-	61	-
Accounts receivable	2,094	(2,482)	2,094	847
Inventories	-	-	55,285	3,528
Prepaid insurance	-	-	-	-
Due to other funds	-	-	-	-
Accounts payable	17,979	2,646	(8,048)	(1,561)
Accrued wages payable	4,055	1,566	(5,050)	(542)
Due to other governments	-	-	-	120
Claims payable	-	-	-	-
Accrued sick and vacation/PTO payable	(29,051)	3,015	(57,344)	(3,171)
Net Cash Provided By (Used For) Operating Activities	$ (65,384)	$ 17,469	$ 416,349	$ 10,892

Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
$ 718,325	$ 1,388,990	$ 1,653,176	$ 423,682	$ 317,456	$ 8,197,154
(24,356)	(1,322,241)	(1,116,093)	-	(179,900)	(3,731,894)
(4,017)	-	(34,544)	-	(124,818)	(1,936,578)
(4,944)	(4,302)	-	-	-	(462,942)
685,008	62,447	502,539	423,682	12,738	2,065,740
-	-	-	-	-	3,198
-	39,241	-	-	-	39,241
-	-	-	(456,950)	-	(456,950)
-	39,241	-	(456,950)	-	(414,511)
-	-	-	-	-	(434,002)
-	-	-	-	-	10,414
-	-	-	-	-	166,106
-	(65,000)	-	-	-	(116,276)
-	(21,000)	-	-	-	(30,862)
-	(86,000)	-	-	-	(404,620)
-	22	-	-	-	22
38,577	12,110	37,673	33,268	-	129,996
38,577	12,132	37,673	33,268	-	130,018
723,585	27,820	540,212	-	12,738	1,376,627
165,542	251,706	388,617	-	18,854	1,231,248
$ 889,127	$ 279,526	$ 928,829	$ -	$ 31,592	$ 2,607,875
$ 124,292	$ 59,882	$ 547,200	$ -	$ (112)	$ 659,436
38,208	-	-	-	-	503,258
525,662	-	458,522	-	31	984,337
18	8,069	-	13,928	377	24,945
-	-	-	-	-	58,813
-	45,339	-	-	-	45,339
-	(4,302)	-	409,754	-	405,452
(1,811)	35,020	14,406	-	12,694	71,325
169	-	(337)	-	(318)	(457)
(1,530)	-	-	-	-	(1,410)
-	(81,561)	(517,252)	-	-	(598,813)
-	-	-	-	66	(86,485)
$ 685,008	$ 62,447	$ 502,539	$ 423,682	$ 12,738	$ 2,065,740

FIDUCIARY FUNDS

PUBLIC EMPLOYEE HEALTHCARE FUND

This fund was established to start funding the unfunded health insurance premiums that are fully paid for all City retirees. The unfunded liability is estimated at $115 million.

POLICEMEN AND FIREMEN PENSION FUND

Assets accumulated for the payment of retirement benefits for City Police and Fire personnel are recorded in this fund. Benefits for retired members are paid from this fund and active members contribute to the pension system through payroll deductions. The City contributes to the fund by an annual appropriation from the General Fund which is determined and set by an annual actuarial valuation.

AGENCY FUNDS

These funds are used to account for property taxes collected by the City for other units of government until the tax proceeds are remitted to them. Funds retained from contractors during construction projects and employee and employer payroll withholdings and benefits are also recorded here.

CITY OF SAGINAW, MICHIGAN
EMPLOYEE PENSION AND OTHER BENEFITS TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
June 30, 2006

	Public Employee Healthcare	Policemen and Firemen Pension	Total
ASSETS			
Cash and cash equivalents	$ 352,015	$ 4,356,978	$ 4,708,993
Investments, at market value			
Money market funds	1,203,664	-	1,203,664
U.S. Government agencies	-	22,205,959	22,205,959
Corporate and foreign bonds	-	16,544,924	16,544,924
Common equity securities	-	47,673,778	47,673,778
Equity mutual funds	-	30,498,583	30,498,583
Other	-	2,081,628	2,081,628
Total Investments	1,203,664	119,004,872	120,208,536
Accrued interest receivable	-	435,841	435,841
Total Assets	1,555,679	123,797,691	125,353,370
LIABILITIES			
Accounts payable	-	29,581	29,581
Accrued wages payable	-	409,809	409,809
Total Liabilities	-	439,390	439,390
Net Assets Held In Trust for Pension Benefits	$ 1,555,679	$ 123,358,301	$ 124,913,980

A schedule of funding progress for the Policemen and Firemen Pension plan is presented in on page 56.

CITY OF SAGINAW, MICHIGAN
EMPLOYEE PENSION AND OTHER BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 2006

	Public Employee Healthcare	Policemen and Firemen Pension	Total
Additions			
Contributions:			
Employer	$ 300,000	$ 3,626,717	$ 3,926,717
Plan members	-	1,078,002	1,078,002
Total contributions	300,000	4,704,719	5,004,719
Investment income (loss):			
Interest	25,403	2,474,022	2,499,425
Dividends	-	3,210,183	3,210,183
Mutual fund rebates	-	30,570	30,570
Net appreciation in fair value of investments	136,802	3,207,111	3,343,913
Investment expenses	-	(436,088)	(436,088)
Total investment income	162,205	8,485,798	8,648,003
Total Additions	462,205	13,190,517	13,652,722
Deductions			
Police pension benefits	-	6,266,889	6,266,889
Fire pension benefits	-	5,154,310	5,154,310
Administrative expenses	131,469	237,160	368,629
Refunds of member contributions	-	113,820	113,820
Total Deductions	131,469	11,772,179	11,903,648
Net increase for the year	330,736	1,418,338	1,749,074
Net Assets Held in Trust for Pension Benefits			
Beginning of year	1,224,943	121,939,963	123,164,906
End of year	$ 1,555,679	$ 123,358,301	$ 124,913,980

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2006

	Intermediate School Tax Collection	Saginaw County Tax Collection	School District Tax Collection	State Education Tax Collection	Delta College Tax Collection
ASSETS					
Cash and cash equivalents	$ 37,279	$ 80,332	$ 105,885	$ 36,352	$ 42,788
Accounts receivable	-	57,388	-	-	-
Prepaid insurance	-	-	-	-	-
Taxes receivable for other governmental units	53,106	214,998	491,649	152,979	58,998
TOTAL ASSETS	$ 90,385	$ 352,718	$ 597,534	$ 189,331	$ 101,786
LIABILITIES					
Accounts payable	$ -	$ -	$ -	$ -	$ -
Due to other governmental units	90,385	352,718	597,534	189,331	101,786
Claims payable	-	-	-	-	-
Other current liabilities	-	-	-	-	-
TOTAL LIABILITIES	$ 90,385	$ 352,718	$ 597,534	$ 189,331	$ 101,786

Public Libraries Tax Collection	Saginaw Transit Tax Collection	Undistributed Tax Collection	Contractor's Retainage	Employee Benefits	Housing Commission	Totals
$ 72,667	$ 27,919	$ -	$ 3,010	$ 1,397,417	$ -	$ 1,803,649
-	-	130,727	-	125	7,622	195,862
-	-	-	-	211,449	-	211,449
101,395	67,736	-	-	-	-	1,140,861
$ 174,062	$ 95,655	$ 130,727	$ 3,010	$ 1,608,991	$ 7,622	$ 3,351,821

$ -	$ -	$ 5	$ 3,010	$ 860,447	$ 199	$ 863,661
174,062	95,655	130,722	-	-	7,423	1,739,616
-	-	-	-	742,349	-	742,349
-	-	-	-	6,195	-	6,195
$ 174,062	$ 95,655	$ 130,727	$ 3,010	$ 1,608,991	$ 7,622	$ 3,351,821

COMPONENT UNITS

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
TIFA COMPONENT UNITS
June 30, 2006

	Saginaw Division TIFA	Morley TIFA	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Cash and cash equivalents	$ 5,155	$ 26,120	$ 31,275	$ -	$ 31,275
Property taxes receivable	31	13	44	-	44
TOTAL ASSETS	$ 5,186	$ 26,133	$ 31,319	$ -	31,319
LIABILITIES					
Deferred revenue	$ 31	$ 13	$ 44	$ (44)	-
FUND BALANCES/NET ASSETS					
Reserved for:					
TIFA/LDFA projects	5,155	26,120	31,275	(31,275)	-
TOTAL LIABILITIES AND FUND BALANCES	$ 5,186	$ 26,133	$ 31,319		
NET ASSETS, UNRESTRICTED				$ 31,319	$ 31,319

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
TIFA COMPONENT UNITS
For the Year Ended June 30, 2006

	Saginaw Division TIFA	Morley TIFA	Total Governmental Funds	Adjustments	Statement of Activities
Revenues					
General operating property taxes	$ 519	$ -	$ 519	$ (519)	$ -
Fund balances/net assets at beginning of year	4,636	26,120	30,756	563	31,319
FUND BALANCES/NET ASSETS AT END OF YEAR	$ 5,155	$ 26,120	$ 31,275	$ 44	$ 31,319

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
DDA COMPONENT UNITS
June 30, 2006

	Commerce Center DDA	Sils Island DDA	Downtown Development Authority
ASSETS			
Cash and cash equivalents	$ 33,446	$ 15,780	$ 177,397
Property taxes receivable	200	1,058	25,529
TOTAL ASSETS	$ 33,646	$ 16,838	$ 202,926
LIABILITIES			
Accounts payable	$ -	$ -	$ 175
Deferred revenue	200	1,058	25,529
Total Liabilities	200	1,058	25,704
FUND BALANCES/NET ASSETS			
Reserved for:			
Specific Projects	33,446	15,780	177,222
TOTAL LIABILITIES AND FUND BALANCES	$ 33,646	$ 16,838	$ 202,926

	Total Governmental Funds	Adjustments	Statement of Net Assets
	$ 226,623	$ -	$ 226,623
	26,787	-	26,787
	$ 253,410	$ -	253,410
	$ 175	$ -	175
	26,787	(26,787)	-
	26,962	(26,787)	175
	226,448	(226,448)	-
	$ 253,410		
NET ASSETS, UNRESTRICTED		$ 253,235	$ 253,235

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DDA COMPONENT UNITS
For the Year Ended June 30, 2006

	Commerce Center DDA	Sils Island DDA	Downtown Development Authority
Revenues			
General operating property taxes	$ 29,194	$ 2,844	$ 10,684
Fees and loan repayments	-	-	122,348
Interest on loans and investments	-	-	3,921
Total Revenues	29,194	2,844	136,953
Expenditures/Expenses			
Current expenditures/expenses			
Administration	-	-	34,839
Tax increment payments	3,072	-	25,355
Total Expenditures/Expenses	3,072	-	60,194
Net change in fund balances/net assets	26,122	2,844	76,759
Fund balances/net assets at beginning of year	7,324	12,936	100,463
FUND BALANCES/NET ASSETS AT END OF YEAR	$ 33,446	$ 15,780	$ 177,222

Total Governmental Funds	Adjustments	Statement of Activities
$ 42,722	$ 3,951	$ 46,673
122,348	(81,250)	41,098
3,921	-	3,921
168,991	(77,299)	91,692
34,839	-	34,839
28,427	-	28,427
63,266	-	63,266
105,725	(77,299)	28,426
120,723	104,086	224,809
$ 226,448	$ 26,787	$ 253,235

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
LDFA COMPONENT UNITS
June 30, 2006

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
ASSETS			
Cash and cash equivalents	$ 2,413,160	$ 372,374	$ 127,334
Property taxes receivable	12	-	68,850
Accrued interest receivable	6,532	-	-
TOTAL ASSETS	$ 2,419,704	$ 372,374	$ 196,184
LIABILITIES			
Deferred revenue	$ 12	$ -	$ 68,850
FUND BALANCES/NET ASSETS			
Reserved for:			
TIFA/LDFA projects	2,419,692	372,374	127,334
TOTAL LIABILITIES AND FUND BALANCES	$ 2,419,704	$ 372,374	$ 196,184

Treasure Island LDFA	Saginaw Machine Systems LDFA	Saginaw Tool and Die LDFA	Total Governmental Funds	Adjustments	Statement of Net Assets
$ 41,239	$ 4,513	$ 13,590	$ 2,972,210	$ -	$ 2,972,210
3	-	-	68,865	-	68,865
-	-	-	6,532	-	6,532
$ 41,242	$ 4,513	$ 13,590	$ 3,047,607	$ -	3,047,607
$ 3	$ -	$ -	$ 68,865	$ (68,865)	-
41,239	4,513	13,590	2,978,742	(2,978,742)	-
$ 41,242	$ 4,513	$ 13,590	$ 3,047,607		
		NET ASSETS, UNRESTRICTED		$ 3,047,607	$ 3,047,607

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
LDFA COMPONENT UNITS
For the Year Ended June 30, 2006

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
Revenues			
General operating property taxes	$ 141,718	$ 28,979	$ 48,784
Interest on loans and investments	33,660	-	-
Total Revenues	175,378	28,979	48,784
Expenditures/Expenses			
Current			
Administration	-	-	3,270
Tax increment payments	-	-	447,406
Total Expenditures/Expenses	-	-	450,676
Net change in fund balances/net assets	175,378	28,979	(401,892)
Fund balances/net assets (deficit) at beginning of year	2,244,314	343,395	529,226
FUND BALANCES/NET ASSETS AT END OF YEAR	$ 2,419,692	$ 372,374	$ 127,334

Treasure Island LDFA	Saginaw Machine Systems LDFA	Saginaw Tool and Die LDFA	Total Governmental Funds	Adjustments	Statement of Activities
$ 6,422	$ -	$ 26,834	$ 252,737	$ (4,957)	$ 247,780
-	-	-	33,660	-	33,660
6,422	-	26,834	286,397	(4,957)	281,440
-	-	-	3,270	-	3,270
-	-	-	447,406	-	447,406
-	-	-	450,676	-	450,676
6,422	-	26,834	(164,279)	(4,957)	(169,236)
34,817	4,513	(13,244)	3,143,021	73,822	3,216,843
$ 41,239	$ 4,513	$ 13,590	$ 2,978,742	$ 68,865	$ 3,047,607

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
BROWNFIELD COMPONENT UNIT
June 30, 2006

	Brownfield Authority SRRF	Adjustments	Statement of Net Assets
ASSETS			
Cash and cash equivalents	$ 5,469	$ -	$ 5,469
Due from other governmental units	91,241	-	91,241
Property taxes receivable	254	-	254
TOTAL ASSETS	$ 96,964	$ -	96,964
LIABILITIES			
Deferred revenue	$ 254	$ (254)	-
FUND BALANCES/NET ASSETS			
Reserved for:			
Specific Projects	96,710	(96,710)	-
TOTAL LIABILITIES AND FUND BALANCES	$ 96,964		
NET ASSETS, UNRESTRICTED		$ 96,964	$ 96,964

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BROWNFIELD COMPONENT UNIT
For the Year Ended June 30, 2006

	Brownfield Authority SRRF	Adjustments	Statement of Activities
Revenues			
General operating property taxes	$ 27,949	$ (77)	$ 27,872
Grants and entitlements	68,061	-	68,061
Total Revenues	96,010	(77)	95,933
Expenditures/Expenses			
Current			
Grant expenditures/expenses	68,061	-	68,061
Net change in fund balances/net assets	27,949	(77)	27,872
Fund balances/net assets at beginning of year	68,761	331	69,092
FUND BALANCES/NET ASSETS AT END OF YEAR	$ 96,710	$ 254	$ 96,964

REVISED
Feb. 2, 2007

Michigan Department of Treasury
496 (02/06)

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	Local Unit Name	County
☐County ☒City ☐Twp ☐Village ☐Other	City of Saginaw	Saginaw

Fiscal Year End	Opinion Date	Date Audit Report Submitted to State
June 30, 2006	December 15, 2006	December 27, 2006

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	☒	Already sent
The letter of Comments and Recommendations	☒	Will be forwarded Included
Other (Describe)	☐	

Certified Public Accountant (Firm Name)	Telephone Number		
Rehmann Robson	989 799-9580		
Street Address	**City**	**State**	**Zip**
5800 Gratiot, PO Box 2025	Saginaw	MI	48605
Authorizing CPA Signature	**Printed Name**	**License Number**	
	Gerald J. Desloover, CPA	1101007126	

CITY OF SAGINAW

Michigan

Report on Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2006

REHMANN ROBSON

Certified Public Accountants

CITY OF SAGINAW, MICHIGAN

REPORT ON EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2006

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City of Saginaw, Michigan
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2006

Federal/Pass-Through Grantor Program Title	Federal CFDA Number	Federal or (Pass-Through) Grant Number	Amended Grant Amount	Expenditures and Transfers
U.S. Department of Housing and Urban Development				
Community Development Block Grant Entitlement	14.218	B04-MC-26-0028	3,016,000	$ 1,805,227
Community Development Block Grant Entitlement	14.218	B05-MC-26-0028	2,855,412	741,185
Program Income				293,840
Total Block Grant Entitlements				2,840,252
Stewart McKinney Homeless Assistance	14.236	S04-MC-26-0028	111,640	9,659
Stewart McKinney Homeless Assistance	14.236	S05-MC-26-0028	110,312	101,031
Total Stewart McKinney Homeless Assistance				110,690
HOME Program				
Neighborhood Renewal Services Inc. - Note A	14.239	M02-MC-26-0212	184,500	127,765
Neighborhood Renewal Services Inc. - Note A	14.239	M04-MC-26-0212	110,046	2,896
Circle of Love Community Development Corporation - Note A	14.239	M05-MC-26-0212	52,955	43,822
City of Saginaw HOME programs	14.239	M02-MC-26-0212	1,045,500	38,690
City of Saginaw HOME programs	14.239	M03-MC-26-0212	553,939	553,939
City of Saginaw HOME programs	14.239	M04-MC-26-0212	502,092	254,681
City of Saginaw HOME programs	14.239	M05-MC-26-0212	706,061	70,606
Total HOME Program				1,092,399
Total U.S. Department of Housing and Urban Development				4,043,341
U.S. Department of Justice				
Community Policing Program	16.579	MI28DEP0060197	N/A	269,151
Federal Drug Forfeiture Program	16.N/A		N/A	7,754
Passed-Through the Saginaw County Sheriff				
Justice Assistance Grant	16.738		N/A	10,050
Passed-Through the Federal Bureau of Investigation				
Police Drug Investigation Overtime/Gas Reimbursement	16.579		N/A	76,697
Total U.S. Department of Justice				363,652
U.S. Department of Transportation				
Passed-Through the Saginaw County Sheriff				
Drive MI Safely	20.600		N/A	4,925

City of Saginaw, Michigan
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2006

Federal/Pass-Through Grantor Program Title	Federal CFDA Number	Federal or (Pass-Through) Grant Number	Amended Grant Amount	Expenditures and Transfers
Environmental Protection Agency				
Survey, Studies, Investigation and Special Purpose Grants	66.606		N/A	$ 731,299
Brownfield Pilots Cooperative Agreements	66.811		179,800	68,061
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		N/A	57,951
Passed-Through Michigan Dept. of Environmental Quality				
State Revolving Fund Loan Program	66.468		3,415,000	1,186,605
Total Environmental Protection Agency				2,043,916
U.S. Election Assistance Commission				
Passed-Through Michigan Dept. of State				
Help America Vote Act	90.401		N/A	105,600
U.S. Department of Homeland Security				
Passed-Through Saginaw County				
State Domestic Preparedness Equipment Support Program	97.004		N/A	3,198
Assistance to Firefighters Grant Program	97.044		N/A	49,485
Residential Fire Safety and Fire Sprinkler Initiatives	97.099		N/A	22,791
Passed-Through Michigan State Police				
03 State Homeland Security Grant Program Part II Training Grant	97.005		N/A	2,645
Total U.S. Department of Homeland Security				78,119
TOTAL FEDERAL AWARDS				$ 6,639,553

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Saginaw, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note A - These funds were provided 100% to subgrantees.

Note B - Reconciliation of the Financial Statements to the Schedule of Expenditures of Federal Awards

Included in the Financial Statements for the Fiscal Year Ended June 30, 2006 is a Michigan Economic Development Commission grant for the East Genesee Avenue Reconstruction and Watermain project. This project was administered by Saginaw County and there were no cash disbursements or receipt of cash by the City. The total incurred on the project during the fiscal year ended June 30, 2006 was $572,503.

Included in the Schedule of Expenditures of Federal Awards is the Survey, Studies, Investigation and Special Purpose Grants, which was fully expended prior to the fiscal year ended June 30, 2006. Thus, this amount is not included in the Financial Statements for the Fiscal Year Ended June 30, 2006 as grant revenue. However, since it was never included in the Schedule of Expenditures of Federal Awards before, the grant was presented on the June 30, 2006 schedule.

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*

December 15, 2006

Honorable Mayor and
Members of City Council
City of Saginaw
Saginaw, MI 48601

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Saginaw, Michigan,*** as of and for the year ended June 30, 2006, which collectively comprise the ***City of Saginaw, Michigan's*** basic financial statements and have issued our report thereon dated December 15, 2006. The report on the aggregate discretely presented component units was qualified as a result of the exclusion of the Saginaw Economic Development Corporation, which is required to be included in the reporting entity for the ***City of Saginaw, Michigan,*** under general accepting accounting principles. 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 the ***City of Saginaw, Michigan's*** internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and it operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the ***City of Saginaw, Michigan's*** ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2004-1 through 2004-7, 2004-9, 2005-1, 2005-4, 2005-5 and 2006-1 through 2006-7.

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A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2003-1, 2004-1 through 2004-7, 2005-1 and 2005-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the ***City of Saginaw, Michigan'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 statements 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. Of the reportable conditions described above, we consider items 2004-7 and 2006-7 to be instances of noncompliance.

This report is intended solely for the information and use of City management, the City Council, 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.

Rehmann Robson

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

March 21, 2007

Honorable Mayor and
Members of the City Council
City of Saginaw, Michigan

Compliance

We have audited the compliance of the ***City of Saginaw, Michigan*** 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, 2006. The ***City of Saginaw, Michigan's*** major federal programs are identified in the summary of auditors' 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 the ***City of Saginaw, Michigan's*** management. Our responsibility is to express an opinion on the ***City of Saginaw, Michigan'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 the ***City of Saginaw, Michigan'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 the ***City of Saginaw, Michigan's*** compliance with those requirements.

In our opinion, the ***City of Saginaw, Michigan*** complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2006-8 and 2006-9.

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Internal Control Over Compliance

The management of the ***City of Saginaw, Michigan*** 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 the ***City of Saginaw, Michigan'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 and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted matters involving the internal control over compliance that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect the ***City of Saginaw, Michigan's*** ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2003-1, 2004-1 through 2004-6, 2004-9, 2005-1, 2005-4, 2005-5, 2006-5 and 2006-6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, the reportable conditions described above are considered to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Saginaw, Michigan, as of and for the year ended June 30, 2006, and have issued our report thereon dated December 15, 2006. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Saginaw, Michigan, basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

The opinion on the aggregate discretely presented component units was qualified as a result of the exclusion of the Saginaw Economic Development Corporation, which is required to be included in the reporting entity for the City of Saginaw, Michigan, under general accepting accounting principles.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, 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.

Rehmann Robson

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	*Qualified*			
Internal controls over financial reporting:				
Material weakness(es) identified?	X	yes		no
Reportable condition(s) identified not considered to be material weaknesses?	X	yes		none reported
Noncompliance material to financial statements noted?		yes	X	no

Federal Awards

Internal Control over major programs:				
Material weakness(es) identified?	X	yes		no
Reportable condition(s) identified not considered to be material weaknesses?		yes	X	none reported
Type of auditor's report issued on compliance for major programs:	*Unqualified on compliance for Major Programs*			
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	X	yes		no

Identification of Major Programs:

CFDA Number	**Name of Federal Program or Cluster**
14.218	Community Development Block Grant Entitlements
14.239	HOME Program
66.468	State Revolving Fund Loan Program
66.606	Survey, Studies, Investigation and Special Purpose Grants

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

Auditee qualified as low-risk auditee? _____ yes ___X___ no

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

SECTION II – FINANCIAL STATEMENT FINDINGS

2003-1 **Reportable Condition Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that general ledger account balances are properly reconciled to a subsidiary ledger or other adequate supportive documentation on a periodic basis.

Condition: The City does not reconcile their general ledger accounts, such as cash, income tax revenue, and receivables, to supportive documentation during the year, which requires many significant adjustments to properly state the accounts at year end. The lack of reconciliations also affects the proper reporting of expenditures under the City's various grant agreements.

Questioned Costs: None.

Effect: Many of the City's general ledger account balances became materially misstated during the year and were not properly reconciled until after June 30, 2003. This situation caused internally generated financial reports to be misstated and placed the City at risk of having assets misappropriated and not being detected by City officials within a reasonable period of time.

Cause: Many factors are responsible for this situation; however, the main reason was that the Controller's office does not have sufficient, competent personnel to perform these duties. There was also significant turnover in key accounting positions, particularly the Controller and Finance Director/Treasurer.

Recommendation: Timely reconciliations are essential to the fair presentation of financial information based on accounting records. We strongly recommend that the City review their current procedures and make appropriate alterations to those procedures to ensure that all general ledger account balances are properly reconciled in a timely manner throughout the year. These alterations should include determining the appropriate number of competent staff in the Fiscal Services Department and the allocation of duties within the Department.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Status: This matter has not been corrected for the year ended June 30, 2006.

Response: The City does agree that it needs to look at the sufficiency of the staffing levels within the Controller's office, and that the turnover of staffing has impacted the internal reporting and record keeping for the City. The staffing level is being addressed, and all personnel are being trained on the proper use of the accounting software for the first time since it was installed in 1999.

2004-1 **Reportable Condition Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that cash accounts are properly reconciled on a periodic basis.

Condition: The City is not preparing bank reconciliations in a timely manner. The bank reconciliation for June 30, 2004 for the pooled cash account was not fully completed until March 2005. When the reconciliation was complete the reconciling items included unidentified deposits and incorrect payroll transfers that remained unresolved.

Questioned Costs: None.

Effect: When the City does not reconcile their cash accounts on a timely basis, the cash is more susceptible to fraud and misstatement. Also, incorrect payroll transfers cause insufficient funds to be available in the payroll account when checks are cashed and is resulting in the bank cashing the checks but charging a service fee for each check that is presented when there are insufficient funds.

Cause: Many factors are responsible for this situation; however, the main reason was that the Controller's office does not have sufficient, competent personnel to perform these duties.

Recommendation: We strongly recommend that the City review their current bank reconciliation procedures and make appropriate alterations to those procedures to ensure that all bank account balances are properly reconciled in a timely manner throughout the year. We also recommend that the procedures include the timely resolution and correction of reconciling items.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Status: This matter has not been corrected for the year ended June 30, 2006. The June 30, 2006 bank reconciliation was not completed until November 2006. In addition, the bank reconciliation included an unreconciled difference as of June 30, 2006. Also, we noted that the bank reconciliations are not sufficiently reviewed upon completion. Therefore, we also recommend that all bank reconciliations be reviewed and approved after they are completed.

Response: When the current Finance Director began working with the City in March 2006, the bank reconciliations were several months behind. This situation has existed within the City for several years.

More recently, this problem was caused by numerous issues that had been encountered between the years of 2004 and 2006, but the audits had been late during that timeframe largely due to the turnover in staff and the fact that certain records, such as the SEDC records, were taken off site as a part of an investigation. The unreconciled difference as of June 30, 2006 related to an SEDC transaction. This transaction involved an SEDC loan setup issue within the database that serves as the underlying source for all of the City's transactions. It was discovered by the Controller's office as a part of the reconciliation process, and it will be addressed when the SEDC records are returned to the City staff.

2004-2 **Reportable Condition Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that proper supporting documentation be maintained to provide for sufficient evidence of a transaction. Specifically, a receipt should support all cash and check collections by the City as a part of the records for all cash collection transactions. Also, other supporting documentation, such as remittance advices should be maintained for significant transactions to further support the amounts receipted into the City's records.

Condition: The City does not maintain printed receipts for all transactions and in many cases the supporting documentation for significant receipts is not maintained.

Questioned Costs: None.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Effect: For many significant receipting transactions there was inadequate supporting documentation to provide sufficient evidence of the transaction reflected in the City's financial records. This results in significant time being expended to obtain any available supporting documentation when needed at a later time and increases the risk that any fraud or misstatement will not be detected in a timely manner.

Cause: The Treasurer's office does not have appropriate procedures in operation that identify inadequate documentation and, therefore, appropriate action was not taken to correct the situation.

Recommendation: We recommend that the current procedures be reviewed and appropriate alterations to those procedures be made to ensure that receipts are printed for all transactions and any supporting documentation that is available is included with the appropriate receipt.

Status: All items selected for further examination during the audit for the year ended June 30, 2006 were adequately supported. However, the City does not always maintain supporting documentation for receipts in one central location.

Response: The City does maintain support for all receipts, but it is impractical for all supporting documentation to be kept in one central location. The Treasurer's office does retain remittance advices and all transactions that pass through the Treasurer's office are supported by documentation. Some documentation is in an electronic format retained on the City's network, as photocopies of all checks are kept on file. It should be noted that this comment stemmed from policies and procedures in place back in 2004 when the City encountered some internal control problems. These control problems were addressed in 2004, and the applicability of this comment to the 2005-06 fiscal year is believed to be incorrect. Documentation for certain types of receipts – building permits, CDBG payments, business licenses, and rental registration receipts, are sent back to the respective Department. Duplicates of all of these receipts can be produced by the system, and copies of checks can be retained for an indefinite period of time.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

2004-3 **Reportable Condition Considered to be a Material Weakness**

Criteria: A strong system of internal controls over cash requires that procedures be established to reconcile the cash receipts recorded in the accounting records to the physical receipts and that those items also are reconciled to the bank deposits. These procedures should involve a variety of individuals to provide for adequate segregation of duties within the cash receipting function to prevent any one individual from controlling all aspects of a cash receipt transaction. The proper segregation of duties and adequate procedures are essential to ensuring that receipts are properly reflected in the financial records and to reduce the risk of fraud.

Condition: During the fiscal year, the cash drawers in the Treasury Department were not consistently reconciled, on a daily basis, to the cash post listings produced by the cash receipt system. As a result, each type of tender from an individual cashier's drawer did not always agree to the breakdown of receipts by tender type in the cash post listing. In addition, the individual cashier was responsible for the reconciliation of their drawer to the cash post listing and the creation of a deposit ticket based on the daily cash receipts.

Questioned Costs: None.

Effect: The cash drawer counts did not always agree to the cash post listing which resulted in inconsistencies in the financial records, the daily deposits and the cash receipt documentation. The lack of adequate segregation of duties and inadequate controls creates the opportunity for fraud.

Cause: The Treasurer's office did not have appropriate control procedures in operation to provide an appropriate segregation of duties and to identify this issue and, therefore, appropriate action was not taken to correct the situation.

Recommendation: We recommend that the current procedures be reviewed and appropriate alterations to those procedures be made to provide for the segregation of duties and increased controls within the cash receipts function.

Status: This matter has not been fully corrected for the year ended June 30, 2006. During our audit we did not note any specific instances of the cash drawers

not being reconciled on a consistent basis or instances of counts not agreeing to the cash post listing. However, due to turnover in staff and heavy volume in the Treasurer's office, there still remain instances where the segregation of duties is not optimal.

Response: The City does not agree with this comment, as it applies to an internal control issue back in 2004. That issue was addressed as soon as it was encountered in that year. The Treasurer's staff does not recall any auditors inquiring into the internal controls for their office as a part of the audit just completed. The procedures for balancing out cash and reconciling batches has changed significantly since 2004. No one person is involved in any cash receipts transaction, and the daily balancing involves at a minimum two individuals. At the end of each day, all cashiers balance their cash drawers. A cash report is produced by the accounting software, and both the cash and checks received are individually balanced. If a question arises on any receipt, the City's copy of the receipt is available for staff to review. Receipts cannot be voided by cashiers, a supervisor is needed to approve any voided transaction. The daily balancing is reviewed by supervisory staff. Periodically, Treasury audits each cash drawer, the petty cash drawer, and the change drawer. These audits are done with no notice.

2004-4 **Reportable Condition Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that proper supporting documentation be maintained to provide for sufficient evidence of a transaction. Specifically, manual adjustments to the financial records should be supported by adequate documentation of the purpose, appropriateness and proper approval of each adjustment.

Condition: Manual adjustments to the financial records that were made by City staff throughout the fiscal year were not filed with adequate supporting documentation.

Questioned Costs: None.

Effect: Information that is used to prepare and support manual adjustments is often needed at a later date and significant time and effort must be expended to

recreate the documentation when the documentation is inadequate. With the changes in staffing in the Fiscal Services Department, there have been situations where the supporting documentation could not be reconstructed.

Cause: The policy of the Finance Director/Treasurer was that supporting documentation was not required to be maintained with a printed copy of the adjustment as long as the documentation could be recreated if needed.

Recommendation: We recommend that the Fiscal Services Department require that all manual adjustments be filed with adequate supporting documentation. We also recommend that all manual adjustments are properly reviewed, retained and indicate appropriate management approval.

Status: This matter has not been corrected for the year ended June 30, 2006.

Response: It is the policy of the Fiscal Services Department that all adjustments be supported by adequate documentation. All transactions, manual and computer generated, are reviewed by a supervisor. During the audit, we were not made aware of any transactions that did not include adequate support. In certain circumstances, other Departments do initiate transactions on the accounting software. This is due to the decentralized structure of the Fiscal Services Department as it relates to certain tasks (payroll, accounts receivable, and accounts payable). Additionally, other transactions are automatically generated by the software for various types of transactions. The individuals responsible for updating transactions in the accounting software are aware of the fact that all transactions must be supported by adequate documentation.

2004-5 **Reportable Condition Considered to be a Material Weakness**

Criteria: The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, for those billings processed through the accounts receivable system, the system should provide accurate detail of the invoices outstanding by customer at any given point in time and this detail should directly support the receivable accounts reflected in the general ledger.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Condition: Accurate, itemized listings of outstanding invoices for City customers cannot be generated from the City's accounts receivable subsidiary module without specific manipulation of the data. As a result, a special query based on criteria defined by City staff is created to identify by customer, which billings are outstanding at a given point in time. Because these are custom written requests for information, there is the possibility that the criteria will not be properly defined to generate accurate information either by error or design.

Questioned Costs: None.

Effect: Information that is used to reconcile the receivable general ledger balances may not be reflecting the true outstanding receivables and manual adjustments are made to these balances that are incorrect. In addition, the City cannot identify accurately what invoices are unpaid by customer and therefore, they cannot prepare a proper aging of those balances. This makes it difficult to pursue collection of the balances and to estimate the uncollectibility of any given invoice.

Cause: The cashiers in the Treasury Department are not properly trained on the correct manner to enter receipts into the system to apply payments against the proper invoice and/or they are simply deciding not to enter an invoice number with the receipt.

Recommendation: We recommend that the Treasury Department take all steps possible to have cashiers enter an invoice with the corresponding receipt. This may require additional training for the cashiers and additional procedures for entering amounts into the system but will result in the information contained in the accounts receivable module to be more accurate and also allow for the generation of system reports that were created by the software company rather than the custom reports.

Status: This matter has not been corrected for the year ended June 30, 2006.

Response: This issue involves several areas, but is being addressed as a part of the training on the accounting software that all Departments within the City are receiving. While the Treasurer's office is involved to the extent that they can select how payments are to be applied, there are other issues that the City

needs to address to full rectify this problem. This includes how charges are entered and updated on the system, how other Departments have been handling adjustments to charges, and other issues that are being addressed as a part of the training for the City staff. The default for the accounting software is to apply payments to the oldest invoice first. The cashiers have been trained on how to override this process and select, when necessary, another invoice to apply payments towards. Additionally, difficulties arise whenever customers send in payments via other means, such as online bank payments. These methods often produce a check from a third party, and applicable information such as an account number is often not available. For individuals with multiple accounts and/or multiple charge codes/invoices, this presents potential problems when applying the payment. This problem is common among municipalities.

2004-6 **Reportable Condition Considered to be a Material Weakness**

Criteria: The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, the detailed records of billings that are not generated from the accounts receivable system should be maintained to support the receivable balance recorded in the general ledger.

Condition: Accurate, itemized listings of receivables that are not billed and tracked through the receivable module are not maintained for every receivable account and must be created at year end.

Questioned Costs: None.

Effect: Information that is used to reconcile the receivable general ledger balances is created only at year end and may not be reflecting the true outstanding receivables; also manual adjustments are made to these balances that are incorrect. In addition, the age and collectibility of these accounts is not evaluated until that time, if at all.

Cause: The City does not have regular reconciliation procedures in place that require maintenance of these subsidiary records and regular review of the status of these receivables.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Recommendation: We recommend that the Fiscal Services Department take all steps possible to maintain subsidiary records for these receivable accounts on a regular basis.

Status: This matter has not been corrected for the year ended June 30, 2006.

Response: This item is inter-related with 2004-5, and is being addressed as a part of the software training being conducted by the City. This training involves all City Departments, not just the Fiscal Service Department, and includes addressing issues related to charge code setup, general ledger postings, and procedural issues related to handling the modules within the accounting software. The detail supporting the open charges in the software did not substantially differ from the detail posted to the general ledger, but past practices of how adjustments were posted to the general ledger have caused the detail to differ from the general ledger for a variety of reasons. In the past, if a charge code was setup to post to a particular general ledger account and it was adjusted (either by City staff or through an auditor adjustment), that would cause the detail to differ from the general ledger within individual accounts, but the total detail within the accounting software was correct. The solution should have been to have correct the transaction not through an adjusting entry, but by correcting the underlying source of the transaction (in many cases – the charge code). This is currently being fixed by the City's staff, and it is anticipated that the data within the software will be cleaned up and the staff fully trained on the receivable and loan modules before June 30, 2007.

As for reviewing the outstanding balances and subsequent collections, the Fiscal Services staff is aggressively pursuing the collections of all outstanding charges listed on the system. The use of the charge codes, along with the past problems related to posting adjustments to the general ledger (through both internal adjustments and auditor initiated entries) has been discussed with the external auditors. The open charge listing they received at the initiation of the audit was a complete listing of all updated charges. Some of these are collected through the process of transferring the charge to the tax bills for a particular property, some have been turned over to outside collections, and some collections are being handled by City staff. When necessary, the City's Attorney has assisted with various legal matters related to collections.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

2004-7 **Reportable Condition Considered to be a Material Weakness**

Criteria: The State of Michigan requires that local municipalities that collect taxes on behalf of others distribute those collections in a timely manner. Failure to comply with this requirement needs to be reported by the auditor to the State of Michigan.

Condition: The City has not distributed tax collections that are received through the Tax Collection Agency Funds to the other units in a timely manner.

Questioned Costs: None.

Effect: The City has tax collections, such as a 2001 payment in lieu of taxes, that have not yet been distributed to the proper units. The City Treasurer has also paid some units more in taxes than was collected on their behalf. The Treasurer did not identify these problems in the normal procedures and now the City is not in compliance with State of Michigan requirements for collections and disbursements to other units.

Cause: The Treasurer was not performing regular reconciliations of the tax collection agency accounts and also not associating disbursements to the other units with specific collections.

Recommendation: We recommend that the Treasury Department take all steps possible to reconcile the tax collection agency funds on a regular basis to determine the amounts to be returned to the City or distributed to the other governmental units. We also recommend that each disbursement to a unit be supported by specific documentation of the collections that have been received on the unit's behalf. The Treasury Department must closely monitor these funds to ensure that they return to compliance with State requirements.

Status: This matter has not been corrected for the year ended June 30, 2006. The payments in lieu of taxes have yet to be distributed to the applicable other units of government. In addition, the City was not in compliance with the State requirements or the local agreements with the other municipalities for distributing their current year tax collections to other taxing entities.

Response: The City did distribute the payments in lieu of taxes at the beginning of July 2006, so this comment did apply to the fiscal year ending June 30, 2006. The City had established a schedule at the beginning of the fiscal year for the distribution of taxes, and this schedule was sent to the appropriate authorities. This has been addressed, and current tax collections are being made on a weekly basis.

2004-9 **Reportable Condition**

Criteria: All disbursements of City funds should be supported by adequate documentation and recorded within the City's general ledger.

Condition: The City paid a single invoice to a vendor twice using different methods of payments. The first payment was by check to the vendor and the second payment was through a wire transfer directly from the City's bank account to the vendor's account. The wire transfer was not recorded in the general ledger.

Questioned Costs: None.

Effect: The City paid a vendor twice for the same invoice and did not have adequate accounting records to identify this situation until the bank reconciliations were finally completed and the wire transfer was identified.

Cause: The Treasurer's Department does not have adequate procedures in place for wire transfers that would result in the communication of these wire transfers to the Fiscal Services Department in a timely manner, and that proper documentation of the purpose and approval of the wire transfers would be maintained as a part of the accounting records in the Fiscal Services Department.

Recommendation: We recommend that the Treasury Department implement procedures to ensure that wire transfers are done only when proper documentation of purpose and approval has been prepared and that these procedures include communication of these transactions to the Fiscal Services Department for proper recording in the general ledger.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Status: This matter has not been fully corrected for the year ended June 30, 2006. There was improved communication between the Fiscal Services and Treasury Departments. However, there were instances of duplicate payments to vendors, resulting from the fact that the City was billed by the vendor on two separate invoices.

Response: The City does not agree with the description of this comment. The 2004-9 comment was related to an internal problem within Fiscal Services where the Controllers office paid an invoice and an employee new at that time to the Treasurer's office electronically paid the same invoice by mistake. The matter back in 2004 involved a lack of communication within the Fiscal Services office.

The situation that occurred in 2006 did not involve the Fiscal Services Department staff, so there was no breakdown of communication or error specifically related to that Department. It involved a Community Development Block Grant (CDBG) payment that had been entered into the accounting software by staff within that Department. The overpayment involved demolition work that an outside vendor submitted for payment twice using separate invoices on separate dates. Both of these invoices were received within that Department and had been authorized for payment by supervisors within the CDBG Department. The Fiscal Services staff discovered the overpayment, and the matter was rectified with the vendor. This situation was discovered because stronger internal controls are being implemented within the Fiscal Services Department. The CDBG office will look more closely at scheduled demolitions and related vendor payments.

2005-1 **Reportable Condition Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that adequate segregation of duties exists over the general ledger posting process.

Condition: Several employees can create and post journal entries to the general ledger without separate approval. Specifically, there are Treasury Department employees that can make wire transfers of cash and then post these entries to the general ledger without prior, written approval of the entry.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Questioned Costs: None.

Effect: Journal entries can be posted to the general ledger system, without any indications of review or approval.

Cause: The City does not have procedures in place that require review and approval of all journal entries prior to posting to the general ledger.

Recommendation: We recommend that the Fiscal Services Department develop procedures that require that all journal entries be reviewed prior to posting by a proper member of management.

Status: This matter has not been corrected for the year ended June 30, 2006.

Response: The City does currently have a policy that supervisors review all journal entries prior to posting, but with the turnover of staff that occurred during the 2005-06 fiscal year, this practice was difficult to follow during the entire course of the fiscal year. With turnover in both the Treasurer and Finance Director positions encountered during 2005-06, the daily balancing of transactions within the Treasurer's office occurred, but some manual adjustments were not reviewed in a timely manner until all accounts were reconciled. The Treasury Department did have some wire transfers initiated and approved by the same person during the 2005-06 fiscal year. The policy for the Fiscal Services Department is to have a second person review all such payments and transfers prior to submission, but with reduced staffing levels this has been difficult to follow. The online transactions are restricted in the accounts that can be involved on both the sending and receiving end of the transfers, though.

2005-4 **Reportable Condition**

Criteria: OMB Circular A-87 requires that all indirect costs charged to grant funded programs be in accordance with central service cost allocation plans approved by the cognizant agency or, in cases where such plans are not subject to approval, in accordance with the plan on file.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Condition: The City is currently charging grant-funded activities for indirect costs without formal, approved cost allocation plans.

Questioned Costs: None.

Effect: The City is requesting reimbursement for potentially unallowable indirect costs, specifically for information management services for which there is no formal plan.

Cause: The City has charged grant-funded activities, specifically those in the Community Development Block Grant Fund, based upon the methodology developed during the budgeting process without having this method approved by the grantor agency.

Recommendation: We recommend that the City establish procedures to ensure that formal cost allocation plans are approved by the various grantor agencies prior to grant-funded activities being charged for any indirect costs.

Status: This matter has not been corrected for the year ended June 30, 2006.

Response: The City last updated its cost allocation plan in 2002. OMB Circular A-87, Attachment C, section G deals with the application of adjustments to both allocated and billed central service costs per a formal cost allocation plan. Specifically, the Circular states that "fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amounts established for a later year. This "carry-forward" procedure applies to all central services whose costs were fixed in the approved plan." The Circular does not specifically call for a new "plan" each year, but the amounts billed or allocated should be adjusted once actual results are known.

This comment arises because of the way the CDBG office handled questions during a HUD review. HUD had posed questions related to certain indirect costs charged, but the response specifically related to this question came from the CDBG personnel and did not involve the Finance Director for the

City. The Fiscal Services Department does have a cost allocation plan that was developed, and the costs allocated to other Departments are reviewed and updated for each fiscal year. The CDBG office incorrectly stated that the "budget as approved by Council is in effect our indirect cost plan." The plan previously developed by Maximus serves as the City of Saginaw's cost allocation plan. The amounts charged per that plan are initially allowable, and carry-forward adjustments are to be applied to the amounts charged in future periods per OMB Circular A-87. The City does want to review its plan to determine whether the assumptions and methodology listed in the plan need to be updated, so Maximus is currently reviewing the plan document and will inform the City of any adjustments required.

The City of Saginaw is not required to have its cost allocation plan approved in writing by cognizant agencies prior to costs being charged. That is per OMB Circular A-87, Attachment C, Section D paragraph 3.

2005-5 **Reportable Condition Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that the City employ sufficient properly trained and supervised staff to ensure accurate reporting of the City's financial position during the year.

Condition: The City does not currently have an adequate number of properly trained staff within the Fiscal Services Department to ensure that the City's financial position can be reasonably and accurately determined during the fiscal year.

Questioned Costs: None.

Effect: Many of the City's general ledger account balances become materially misstated during the year, which places the City at serious risk of having assets misappropriated. In addition, this situation places the City's management and council at severe disadvantages in the administration of the City's finances and budget. Also, this has caused management-level employees in the Fiscal Services Department to be too active in the day-to-day accounting function to perform their necessary oversight activities, thereby creating a lack of segregation of duties.

Cause: The primary reason for this situation is that the Fiscal Services Department does not have sufficient, competent personnel.

Recommendation: We strongly recommend that the City review the components of the current Fiscal Services staff and make the appropriate necessary steps to ensure that all staff receive appropriate training to meet the requisite competency levels. We also recommend that management evaluate their involvement in the day-to-day accounting function to determine the appropriate steps to expedite the workload and review process.

Status: This matter has not been corrected for the year ended June 30, 2006.

Response: The City of Saginaw agrees with this finding. A Finance Director was added in March 2006, and staffing is being evaluated and trained as needed to ensure that accurate, timely financial information will be provided. The reduction of personnel in the past impacted the City in several ways. Certain tasks were decentralized such as Accounts Payable and Accounts Receivable data entry. This contributed to other findings previously mentioned for the City, and had a direct correlation to the ability to reconcile information in the accounting software.

Due to the decentralization of various accounting-related tasks, it is not uncommon for another Department to initiate a transaction which is incorrect or has inadequate support. This forces external auditors to provide audit comments to the Fiscal Services staff, and complicates the financial reporting whenever the Fiscal Services Department has difficulty in obtaining responses and/or support to a transaction in a timely manner. The end result is that the Fiscal Services staff are often placed in a position whereby they need to decide whether they update/post the transaction without adequate explanations or support, or whether they hold up the financial reporting until the explanations are received. Posting of transactions without adequate support has been previously discussed, and the Fiscal Services staff is working hard to alleviate this situation. However, a large portion of the problems encountered were due to the turnover of key staff positions and the impact this had on updating/posting transaction in the system. It has been recommended that the Fiscal Services office add back the Deputy Controller position to help assist with tracking grants and reviewing account

reconciliation work. Other staffing needs are being evaluated and will be addressed.

All financial-related tasks that are currently being handled by other Departments need to be coordinated with the Fiscal Services Department. This includes involving Fiscal Services in all grant tracking and reporting, debt issuances, fixed asset purchases, project reporting, receivable adjustments, and other areas. Additionally, other Departments that have significant impact on the functionality and use of the accounting software need to coordinate on the training, updates, and problems encountered in their areas to ensure that prioritization can be established that will match overall organizational goals and objectives.

The only way the City has been able to catch up with its record keeping is through the assignment of staff duties to supervisory personnel. This does create a potential problem related to the segregation of duties, but the Fiscal Services Department's policy is that all transactions require a review by at least a second responsible individual. The cut back in staffing over the past few years has shifted many tasks that would normally be handled by staff onto the supervisors within the Department. These cut backs were necessary to balance the budget for the City of Saginaw. Most of the comments in this Schedule of Findings and Questioned Costs are directly related to the problems caused by the staffing levels within the Fiscal Services Department.

2006-1 **Reportable Condition**

Criteria: ACT 51 requires that no more than 10% of Michigan Transportation Fund, Winter Maintenance and interest revenues of the Major and Local Street Funds be spent on administrative activities.

Condition: Fiscal Services does not currently have an adequate review process of the Major and Local Streets Funds to determine that the 10% limit is not over-spent during the year.

Questioned Costs: None.

Effect: During the year, administrative and non-administrative expenditures are commingled on the City's general ledger. The amounts reported on the annual ACT 51 Report submitted to the State also do not necessarily agree to the amounts indicated on the general ledger.

Cause: The primary reason for this situation is that the administrative expenditures charged to the general ledger are partly based upon budget allocations and are not updated periodically to reflect actual expenditures during the year.

Recommendation: We strongly recommend that the City review the process for charging administrative expenditures to the Major and Local Streets Funds to ensure that they are within the 10% limitations required by ACT 51.

Response: The City anticipates that the addition of the Finance Director and the training of City staff will rectify this situation. Additionally, the City is more closely monitoring the general ledger account postings for both Payroll and Accounts Payable data entry to ensure costs are correctly classified. Staff are being trained in the Fleet and Fixed Asset modules within the accounting software to ensure that equipment costs are being correctly charged out, and the work order system is being evaluated and will be correctly implemented to ensure direct costs are correctly classified.

It should be noted that in past years the General Fund always had provided contributions in excess of those required to meet the matching requirements. Act 51 states "the documented expense of administration, including indirect engineering and record keeping, may be charged to the street funds up to a maximum of 10 percent of the funds returned to the local unit, under the provisions of Section 13(6)(d) of the Act. General fund contributions in excess of those required…may be used up to 100 percent to cover excess administrative expenses. However, administrative expenses must be documented and reasonable." This was discussed with the Michigan Department of Transportation before the submission of the Act 51 reports.

2006-2 **Reportable Condition**

Criteria: A strong system of internal controls mandates that inventory accounts are properly reconciled on a periodic basis.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Condition: The City is not reconciling physical inventory counts to the general ledger in a timely manner. Additionally, reports prepared to reflect physical counts include obsolete items and items no longer held in inventory by the City.

Questioned Costs: None.

Effect: When the City does not reconcile their inventory accounts on a timely basis, the inventory is more susceptible to fraud and misstatement.

Cause: The City does not have procedures in place to periodically reconcile physical inventory counts to the general ledger.

Recommendation: We strongly recommend that the City review their current inventory reconciliation procedures and make appropriate alterations to those procedures to ensure that all inventory account balances are properly reconciled to physical inventory counts in a timely manner throughout the year.

Response: The City disagrees with a portion of this comment. Procedures are in place to perform physical inventory counts, and it has been the practice of the City to perform the physical inventory counts annually. A large portion of the problem encountered in this area rests with the use of the software, especially as it pertains to the year-end processing. The Inventory module has not been correctly closed out at year-end, and this has caused additional work to be performed related to reconciling the general ledger balances. This occurred both at June 30, 2005 and June 30, 2006. The problems encountered are directly related to the training the staff has received on the accounting software, and has since been addressed through hands-on training specifically related to this module. This training is inter-related with the Fleet training and with training in other modules within the accounting software. At no point were the detail count sheets lost, and the actual quantities and value of the Inventory were determinable. The majority of the problem rested in the use of the software and whether the general ledger accounts were automatically updated or required adjusting entries to reflect final inventory balances.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

2006-3 **Reportable Condition**

Criteria: A strong system of internal controls mandates that procedures are in place to ensure accurate record keeping of capital assets.

Condition: The City does not have sufficient procedures in place to ensure capital asset additions and deletions are properly accounted for in the City's capital asset records.

Questioned Costs: None.

Effect: The City's capital asset records and general ledger required several audit adjustments in order to avoid misstatement.

Cause: The Fiscal Services Department does not have procedures in place to track capital asset additions and disposals on a periodic basis. The City currently tracks capital assets at year-end by utilizing spreadsheets with minimal, and often insufficient, detail.

Recommendation: We strongly recommend that the City review their current procedures for tracking capital assets and make appropriate alterations to those procedures to ensure capital assets are recorded correctly without significant audit adjustments. We also recommend the City utilizes software specifically designed for capital asset record keeping to simplify the process.

Response: The City of Saginaw agrees with this finding. The past practice of tracking assets with a spreadsheet is being addressed. The accounting software includes a module for fixed assets that integrates with other modules. This will allow for the City to more accurately track fixed asset additions and deletions, equipment rental costs, equipment maintenance, charges to Streets Funds, and other important tasks. The training for the fixed assets module is scheduled for April 2007.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

2006-4 **Reportable Condition**

Criteria: A strong system of internal controls mandates that procedures are in place to ensure accurate record keeping of long-term debt, including installment contracts meeting the criteria for capital leases.

Condition: The City makes bond payments via wire transfer, which are posted to the general ledger by journal entry. However, the debt payments are often posted to the wrong general ledger account, causing the debt to be misstated. In addition, the City purchased several assets using installment contracts and leases during the year, however, only the actual cash payments were included on the general ledger.

Questioned Costs: None.

Effect: The City's long-term debt and capital asset schedules and general ledger required several audit adjustments in order to avoid misstatement.

Cause: Journal entries posting the debt wire transfers are not properly reviewed to determine that the proper general ledger accounts are used. Long-term debt schedules are not reviewed and updated to ensure that they reflect all applicable debt until after year-end. The Fiscal Services Department does not have procedures in place to track capital assets purchased via installment contracts.

Recommendation: We strongly recommend that the City review their current procedures for posting long-term debt journal entries, tracking capital assets, and updating applicable debt and asset records and make appropriate alterations to those procedures to ensure all long-term debt is recorded on the general ledger and applicable supporting schedules.

Response: The City agrees with this comment. Part of the problem occurred through a lack of personnel within the Fiscal Services Department. The personnel situation is being addressed, and the procedures for recording transactions have changed. All transactions now require the review of a second person. Additionally, the Treasurer's office is ensuring that it updates and maintains information related to all debt for the City. A portion of this problem has

been caused through the decentralization of tasks within the City. The Fiscal Services Department has not been involved in all debt issuances up front, so procedures are being implemented to ensure that all Departments coordinate all debt-related activity with the Fiscal Services Department.

2006-5 **Reportable Condition**

Criteria: The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, for those payments processed through the accounts receivable system, the system should provide accurate detail of any over or pre-payments.

Condition: Accurate, itemized listings of outstanding over or pre-payments for City customers (recorded as contra receivables on the general ledger) cannot be generated from the City's accounts receivable subsidiary module.

Questioned Costs: None.

Effect: The contra receivable general ledger accounts carried large credit balances throughout the year and became significantly misstated.

Cause: The accounts receivable module has not been properly utilized. In addition, the contra receivable accounts are not reconciled during the year.

Recommendation: We recommend that the City review their current procedures and make appropriate alterations to those procedures to ensure that the contra receivable general ledger balances are properly reconciled in a timely manner throughout the year.

Response: The City is reviewing the accounts receivable module in the accounting software. This is a multi-step process, and it is being coordinated with the company involved in the training of the accounting software for the City. The setup for this module has been reviewed and issues that impact the contra accounts are being addressed.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

2006-6 **Reportable Condition**

Criteria: A strong system of internal controls mandates that all grants received by the City are recorded in the general ledger.

Condition: The City received several grants that the Fiscal Services Department was not aware of, specifically the EPA grant for construction of 2 wastewater pumping stations and sewer main replacement, the MEDC grant for construction along East Genesee, and the HAVA voting system reimbursement.

Questioned Costs: None.

Effect: Grant revenues and expenditures were not properly recorded in the general ledger.

Cause: The Fiscal Services Department does not have an established communication system with other departments to ensure that they are aware of all grants.

Recommendation: We recommend that the Fiscal Services Department take all steps possible to ensure that all future grants are properly identified and recorded on the general ledger.

Response: The City agrees with this comment. A great deal of this problem occurred through a lack of personnel within the Fiscal Services Department. The grant application process within the City is largely decentralized, and often does not involve Fiscal Services staff. This has led staff in other Departments to maintain that the grant tracking and reporting is a responsibility solely of their functional area, and that the Fiscal Services staff do not need to become involved. Because of this, procedures are being implemented to ensure that all Departments communicate grant-related activity with the Fiscal Services Department, and it is being recommended that the Deputy Controller position is added back to the Fiscal Services compliment, as that position is responsible for grant tracking.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

2006-7 **Reportable Condition**

Criteria: The pension ordinance requires no disbursement shall be made from funds of the system unless approved by a specific or continuing motion adopted by the Pension Board of Trustees.

Condition: An employee, Patrick McGowan, retired effective July 23, 2005 without formal approval by the Board of Trustees. In addition, the final benefit calculations were not reviewed and verified by the City's actuary prior to payment, as is customarily done.

Questioned Costs: None.

Effect: Pension disbursements were made that were never formally approved by the Pension Board.

Cause: The City allowed employees to receive benefits without ensuring that all applicable ordinance requirements were met.

Recommendation: We recommend that the City take the necessary steps to ensure that each retiree's benefits are submitted to the actuary in a timely manner. We also recommend that all future retirements are approved by the Pension Board of Trustees.

Response: The City agrees with this comment. The individual in question is being presented to the Pension Board for formal approval.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings 2003-1, 2004-1 through 2004-6, 2004-9, 2005-1, 2005-4, 2005-5, 2006-5 and 2006-6 are also considered findings for all major programs and are reportable conditions that are considered to be material weaknesses related to internal controls over federal awards.

2006-8 HOME Program Expenditures

Grantor: U.S. Department of Housing and Urban Development **CFDA #:** 14.239

Award Name: HOME Program

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, indicates that for expenditures to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be adequately documented. In addition, City internal control procedures require that there be proper support, documentation and approval of expenditures.

Condition: During the fiscal year ended June 30, 2006, the City charged two expenditures (group number 1972) to the HOME program that could not be supported by documentation in the Controller's Office. Documentation was provided by the Block Grant Department to support the allowability and dollar amount of the expenditures. However, since documentation could not be provided by the Controller's Office, approval of these expenditures could not be substantiated.

Questioned Costs: None.

Effect: The Controller's Office has no documentation or audit trail of why these expenditures were made.

Cause: The documentation supporting this expenditure has been either misfiled or misplaced.

Recommendation: We recommend that the City implement procedures to ensure that documentation that includes department and Controller approval is maintained for all disbursements.

2006-9 State Revolving Fund Loan Program Expenditures

Grantor: Environmental Protection Agency **CFDA #:** 66.468

Award Name: State Revolving Fund Loan Program

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, indicates that for expenditures to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be adequately documented. In addition, City internal control procedures require that there be proper support, documentation and approval of expenditures.

Condition: During the fiscal year ended June 30, 2006, the Controller did not approve all of the expenditures of this program.

Questioned Costs: None.

Effect: Disbursements were made without evidence of the Controller's approval.

Cause: The Controller did not initial or sign off on all Accounts Payable Edit Listings, thereby indicating approval of the disbursement.

Recommendation: We recommend that the City implement procedures to ensure that documentation that includes department and Controller approval is maintained for all disbursements.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

FINANCIAL STATEMENT FINDINGS

The finding listed as 2003-1 has also been issued as a financial statement finding for the fiscal years ended June 30, 1999 through 2005. The findings listed as 2004-1 through 2004-7, 2004-9, 2005-1, 2005-4 and 2005-5 have also been issued as financial statement findings during the fiscal year ended June 30, 2005.

Prior Year Corrected Findings

2004-8 **Reportable Condition**

Criteria: To maintain accurate and complete accounting records and maintain adequate control of cash collections, the deposits and receipts of cash collections should occur in a timely manner.

Condition: The City has a few decentralized locations that make deposits of cash receipts directly at the bank and then provide the supporting documentation to the City Fiscal Services Department but these deposits are not reflected in the City's general ledger at the time of the transaction.

Questioned Costs: None.

Effect: The City's general ledger does not accurately reflect the activity of the decentralized locations and this often results in unidentified deposits that must be resolved before the monthly bank reconciliations can be completed. The general ledger also does not reflect the timing of the deposits and there are often issues with the deposits being recorded in the incorrect time period.

Cause: When the decentralized locations provide the supporting documentation to the City Fiscal Services Department, these transactions are not immediately recorded in the City's general ledger and may not be recorded for several days or even weeks.

Recommendation: We recommend that the Fiscal Services Department implement procedures to ensure that these transactions are recorded in a timely manner that results in the general ledger accurately reflecting the activity of the decentralized locations.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Status: This matter has been corrected for the year ended June 30, 2006.

2004-10 **Reportable Condition**

Criteria: The State of Michigan Uniform Accounting Procedures Manual issued by the Department of Treasury requires that the City use separate bank accounts for the current tax collections, ACT 51 road/street funds, bond issues and other restricted funds.

Condition: The City includes the cash of the Tax Collection Agency Funds, the Major and Local Street Funds, and restricted cash such as portions of the pension and drug forfeiture cash in the pooled cash account.

Questioned Costs: None.

Effect: The City is not complying with the State Uniform Accounting Procedures Manual.

Cause: A decision was made by the City Treasurer to include these funds in the pooled account.

Recommendation: We recommend that the City Treasurer establish separate bank accounts for the Tax Collection Agency Funds, ACT 51 funds and any restricted cash.

Status: This matter has been corrected for the year ended June 30, 2006. As of June 30, the City Treasurer has created separate bank accounts for the Tax Collection Agency Funds and the ACT 51 funds.

2005-2 **Reportable Condition**

Criteria: The pension ordinance requires that employees meet various requirements prior to retirement in order to receive pension benefits.

Condition: There were employees that retired during the year ended June 30, 2005 that did not meet the minimum requirements for retirement, but were still allowed to receive benefit payments. In addition, there are employees that retired prior to July 1, 2004 that also did not meet the requirements for retirement.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Questioned Costs: None.

Effect: The stated voluntary retirement age for a police officer/fire fighter to receive voluntary retirement is actuarial age fifty, as long as they have reached 20 years of credited service. On October 11, 2002, Deputy Police Chief O'Neal was allowed to retire with 16 years and 11 months of service. On January 21, 2005 Deputy Police Chief Booker was allowed to retire with 19 years and 1 month of service. The stated service credit requirements are that in no case shall less than 10 days of service rendered be credited as a month of service; nor shall less than 10 months of service in any calendar year rendered be credited as a year of service; nor shall more than one year of service be credited any member for all service rendered in any calendar year. On January 2, 1996, Police Chief Perez was credited with 5 years of service upon payment to the pension system of 5% of his full-time compensation multiplied by the five years of service time. On December 28, 2002, Assistant Fire Chief Garcia was credited with 3 years and 5 months of service upon payment to the pension system of 5% of his full-time compensation multiplied by the 3 years and 5 months of service time. On August 14, 2004, Police Chief Pussehl was credited with 7 years and 4 months of service time upon payment to the pension system of $38,459.99. On January 21, 2005, Deputy Police Chief Booker was credited with 11 months of service upon payment to the pension system of $4,441.33. Since the aforementioned individuals did not meet the pension ordinance requirements, amendments to the ordinance were required to have been made by the City Council. However, no such action appeared to have been taken by the Council during the year ended June 30, 2005.

Cause: The City allowed employees to receive benefits without ensuring that all applicable ordinance changes were made.

Recommendation: We recommend that the City Council take the necessary steps to ensure that the ordinance is updated to allow these retirements. Also, we recommend that no payments are made to future retirees without the proper assurance that all requirements have been met.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

Status: This matter has been corrected for the year ended June 30, 2006.

2005-3 **Reportable Condition**

Criteria: The City must comply with state statutes regarding the investment of the public funds.

Condition: There were investments held during the year ended June 30, 2005 that did not comply with these state statutes.

Questioned Costs: None.

Effect: The State has determined that investments which have been held by the City for over twenty years, are in violation of State investment guidelines. In addition, the City purchased insurance policies on key City employees to be held as long-term investments during the year ended June 30, 2005. These investments are held in the Public Employee Healthcare Internal Service Fund; however they are not allowable investments of the fund.

Cause: The City purchased the insurance policies without first establishing a public employee health care trust fund, thereby causing these investments to be unauthorized.

Recommendation: We recommend that the City establish a public employee health care trust in accordance with the Public Employee Retirement System Investment Act, PA 314 of 1965, MCL 38.1132 to 38.1140. No further action is recommended for the other unauthorized investments of the City because they have matured during the year ended June 30, 2006.

Status: This matter has been corrected for the year ended June 30, 2006.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2004-11 Failure to Complete and Submit Single Audit in a Timely Manner

Grantor: All **CFDA #:** All

Award Name: All

Criteria: The Office of Management and Budget Circular A-133 requires recipients of federal funds to have their data collection form and the reporting package submitted to the Federal Audit Clearinghouse within the earlier of 30 days after the receipt of the auditor's report or nine months after the end of audit period.

Condition: For the year ended June 30, 2004, the City was not prepared to begin the single audit within the earlier of the two criteria given. The single audit process did not begin until after the nine month period had already expired.

Questioned Costs: None.

Effect: The City is not in compliance with The Office of Management and Budget Circular A-133.

Cause: Many factors are responsible for this situation, however, the main reason was that the Controller's office does not have sufficient, competent personnel to perform duties required for the City to be prepared in time to meet the criteria.

Recommendation: We recommend that the City implement whatever procedures or reorganization it deems necessary to ensure that all grant program activities are properly reconciled on a periodic basis throughout the year so that the single audit can be completed in a timely manner.

Status: This matter has been corrected for the year ended June 30, 2006.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2006

2004-12 Community Block Grant Entitlements Expenditures

Grantor: U.S. Department of Housing and Urban Development **CFDA #:** 14.218

Award Name: Community Block Grant Entitlements

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, indicates that for expenditures to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be adequately documented. In addition, City internal control procedures require that there be proper support, documentation and approval of expenditures.

Condition: During the fiscal year ended June 30, 2004, the City charged several expenditures to the Community Entitlement Block Grant program that did not have adequate supportive documentation, such as a vendor invoice. In addition, some expenditures did not have the appropriate approvals indicated from either the department or the Controller's office staff. In addition, there were amounts paid for subscriptions to magazines/newspapers, which do not appear to be necessary and reasonable for proper and efficient performance and administration of the CDBG program, and were therefore unallowable.

Questioned Costs:

No vendor invoice	$ 301
Lack of approval	10,695
Unallowable	54
Total questioned costs	$ 11,050

Effect: Contractors were paid with no approval and in some cases no invoice. Also, some expenditures did not meet the compliance requirements for the Community Entitlement Block Grant program.

Cause: Many factors are responsible for this situation, however, the main reason for was that the CDBG program did not have an individual designated as the supervisor for oversight of the program.

Recommendation: We recommend that the City implement procedures to ensure that all grant program activities are properly documented and supported with formal vendor invoices, which are approved by both the proper grant program personnel, such as the Development Director, and Controller's office personnel. In addition, we recommend that the City implement procedures to ensure that all amounts charged to grant programs are for allowable expenditures.

Status: This matter has been corrected for the year ended June 30, 2006.

2005-6 Allocation of Payroll Expenditures

Grantor: U.S. Department of Housing and Urban Development **CFDA #:** 14.218

Award Name: Community Development Block Grant Entitlements

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities / are charged to both federally funded and non-federally funded cost centers, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency.

Condition: During the fiscal year ended June 30, 2005, a portion of the City Manager's salary and benefits were charged to the CDBG Entitlement program. However, for the 6/16/05 payroll, the amounts charged did not agree to the amounts to be charged based on his timesheet.

Questioned Costs: None.

Effect: Payroll charges to the federal program were not charged based upon the Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

Cause: Many factors are responsible for this situation, however, the main reason for was that the Community Entitlement Block grant program did not have an individual designated as the supervisor for oversight of the program. Also, the

Controller's office did not have sufficient staff to perform a review of payroll charged to the grant programs in the general ledger.

Recommendation: We recommend that the City implement procedures to ensure that only actual time worked on federal programs is charged to the grant.

Status: This matter has been corrected for the year ended June 30, 2006.