CITY OF SAGINAW

Michigan

Annual Financial Report

For the Fiscal Year Ended
June 30, 2008

REHMANN ROBSON

Certified Public Accountants

ANNUAL FINANCIAL REPORT
OF THE
CITY OF SAGINAW, MICHIGAN

For the Fiscal Year Ended June 30, 2008

CITY COUNCIL

Joyce Seals, Mayor
Larry Coulouris, Mayor Pro-Tem
Greg Branch
Dan Fitzpatrick
Amanda Kitterman
Amos O'Neal
William Scharffe
Paul Virciglio
Andrew Wendt

CITY MANAGER

Darnell Earley

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FINANCIAL

REHMANN ROBSON
Certified Public Accountants
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INDEPENDENT AUDITORS' REPORT

December 22, 2008

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, 2008, 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.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Saginaw, Michigan***, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons of the General Fund and major special revenue fund for the year then ended in conformity with accounting principles general accepted in the United States of America.

As discussed in Note IV.H., beginning General Fund and Nonmajor Special Revenue Funds' fund balances and Governmental Activities net assets have been restated.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated December 22, 2008, 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.

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The Management's Discussion and Analysis as listed on pages 3 through 10 in the table of contents and the Pension Analysis of Funding Progress on page 61 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

As management of the ***City of Saginaw, Michigan***, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash* flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, general services, and community and economic development. The business-type activities of the City include the Water services, Sewer services, and the Parking System operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a Tax Increment Finance Authority, Downtown Development Authority, Economic Development Corporation, Local Development Finance Authority, and a Brownfield Redevelopment Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Community Development Fund, both of which are considered to be major funds.

Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 13-19 of this report.

Proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Parking services operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Saginaw uses internal service funds to account for its Information Systems operations, Radio Revolving activities, Mailing Services, Motor Pool operations, Risk Management program, and Employee Benefits.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, and Sewer Fund, each of which are considered to be major funds. Data from the other proprietary funds are combined and presented separately. Individual fund data for each of these nonmajor enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 21-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 62-100 of this report.

Government-wide Financial Analysis

Net assets: The City of Saginaw has combined net assets of $159,113,831. Business type activities comprise $103,950,209 and governmental activities make up $55,163,622 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	
	2008	2007	2008	2007	2008	2007
Current and other assets	$ 24,338,087	$ 24,895,865	$ 39,037,011	$ 32,006,330	$ 63,375,098	$ 56,902,195
Capital assets	45,078,844	47,173,678	126,024,882	123,377,193	171,103,726	170,550,871
Total assets	69,416,931	72,069,543	165,061,893	155,383,523	234,478,824	227,453,066
Current liabilities	5,058,585	4,360,330	4,884,344	5,026,620	9,942,929	10,130,583
Long-term liabilities	9,194,724	9,934,532	56,227,340	48,673,348	65,422,064	58,607,880
Total liabilities	14,253,309	14,294,862	61,111,684	53,699,968	75,364,993	68,738,463
Net assets:						
Invested in capital related debt	44,021,349	45,625,909	70,941,541	75,854,872	114,962,890	121,480,781
Restricted	5,503,153	3,308,444	8,083,845	8,616,819	13,586,998	11,925,263
Unrestricted	5,639,120	8,840,328	24,924,823	17,211,864	30,563,943	25,308,559
Total net assets	$ 55,163,622	$ 57,774,681	$103,950,209	$ 101,683,555	$ 159,113,831	$ 158,714,603

Net assets increased $399,228 during the year. The primary cause of the change is due to a decrease in program and general revenues and inflationary increases in expenses for the year ended June 30, 2008. However, the decrease in revenues were offset by larger decreases in expenses, causing an overall increase in net assets.

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, 2008.

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues:						
Program revenues:						
Charges for services	$ 5,661,961	$ 7,549,861	$ 29,223,515	$ 31,101,822	$ 34,885,476	$ 38,651,683
Operating grants and contributions	9,632,858	10,162,202	-	-	9,632,858	10,162,202
Capital grants and contributions	-	64,815	2,291,247	2,506,790	2,291,247	2,571,605
General revenues:						
Property taxes	9,659,348	9,526,016	-	-	9,659,348	9,526,016
Income taxes	12,776,297	13,184,001	-	-	12,776,297	13,184,001
Grants and contribution not restricted to specific programs	10,190,126	9,885,030	-	-	10,190,126	9,885,030
Unrestricted investment earnings	657,012	783,619	321,511	351,193	978,523	1,134,812
Miscellaneous	84,034	83,147	-	-	84,034	83,147
Gain (loss) on disposal of capital assets	87,729	43,995	-	-	87,729	43,995
Total revenues	48,749,365	51,282,686	31,836,273	33,959,805	80,585,638	85,242,491
Expenses:						
General government	6,647,886	6,602,243	-	-	6,647,886	6,602,243
Public safety	24,813,794	25,320,789	-	-	24,813,794	25,320,789
Highway/streets	7,072,430	7,368,662	-	-	7,072,430	7,368,662
Garbage, rubbish and recycling	3,368,174	3,548,904	-	-	3,368,174	3,548,904
Other general services	3,295,094	3,000,796	-	-	3,295,094	3,000,796
Community services	1,442,731	1,401,210	-	-	1,442,731	1,401,210
Contributions to other organizations	118,500	1,000	-	-	118,500	1,000
Demolitions	914,024	596,512	-	-	914,024	596,512
Economic development	2,842,918	3,263,095	-	-	2,842,918	3,263,095
Interest on long-term debt	61,416	66,425	-	-	61,416	66,425
Water	-	-	11,859,053	11,637,124	11,859,053	11,637,124
Sewer	-	-	17,391,588	17,203,229	17,391,588	17,203,229
Parking	-	-	358,802	358,957	358,802	358,957
Wave pool	-	-	-	926,810	-	926,810
Total expenses	50,576,967	51,169,636	29,609,443	30,126,120	80,186,410	81,295,756
Transfers	(39,824)	-	39,824	-	-	-
Increase (decrease) in net assets	(1,867,426)	113,050	2,266,654	3,833,685	399,228	3,946,735
Net assets, beginning	57,031,048	56,917,998	101,683,555	97,849,870	158,714,603	154,767,868
Total net assets	$ 55,163,622	$ 57,031,048	$103,950,209	$101,683,555	$ 159,113,831	$ 158,714,603

Governmental Activities

General revenues for governmental activities totaled approximately $33 million for the year ended June 30, 2008. A total of approximately $9.7 million was in the form of property tax collections and related revenues that reflected a decrease in the tax rate for general operations from 5.2598 ($5.2598 per $1,000 of taxable value) to 5.1701 mills, and a 0.24% increase in the overall taxable value of property located within the City. Income tax generated approximately $12.8 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.

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 $31.5 million. Significant items include sewer service - $17.5 million, water supply - $13.6 million, parking - $255 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 38.9% of its General Fund revenue from local income tax. Economic conditions continue to have a negative impact on this revenue source. For the 2008-2009 budget, the revenue from income taxes is expected to remain steady 2007-2008.

State shared revenues: The City of Saginaw receives 29.7% 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 2008-2009 budgeted State shared revenue was expected to remain approximately the same. 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 2007-2008 with a fund balance of $1.7 million, of which the following amounts were unreserved but designated:

- $349,931 for parking funds deficit

Of the remaining $1,361,333 of fund balance, $136,774 is reserved for encumbrances, $981 is reserved for inventory and $701,433 is designated for use in the 2008-2009 fiscal year. The unreserved, undesignated fund balance is $522,145 as of June 30, 2008. The unreserved and undesignated amount ($1,573,509) represented 4.4% of the June 30, 2008 General Fund expenditures and other financing uses. That same number represents 20.45% of the fiscal year 2008-2009 budget (prior to 2008-2009 budget amendments).

Several factors affected General Fund operating results:

- Local income tax collections decreased $407,704
- State shared revenue was down by $55,946 due to the State reductions
- Investment income was down by $82,706 due to lower yields

The General Fund budget is amended throughout the year, and resulted in $1,178,985 in revenues over expenditures. Revenues were $517,984 under budget while expenditures were $1,713,448 under 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, 2007.

The Local Streets fund continues to struggle with zero fund balance at year-end June 30, 2008.

The Rubbish Fund has a June 30, 2008, fund balance of $396,803 with reserved fund of $416,019 and unreserved deficit of $19,216.

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 $400,000, annual contribution to the Public Employee Healthcare fund. They are following the plan of contributing $400,000 annually, while an additional $3,700,000 was transferred to the Self Insurance Fund to help cover future health care costs.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2008, amounted to $171,103,726 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, leasehold improvements, machinery and equipment, office furniture and fixtures, and vehicles.

The total increase in the City's investment in capital assets for the current fiscal year was 2.3 percent (a 4.4 percent decrease for governmental activities and a 2.1 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following

- Wastewater Treatment Plant improvement project, Phase A, B, C – approximately $3,182,053
- Johnson Street construction project – approximately $916,278
- Hemlock Semi-Conductor/Gratiot Road construction project – approximately $1,161,117
- Woodbridge construction project – approximately $838,137
- Davis Road Water Main – approximately $1,732,919

Additional information on the City's capital assets can be found on pages 42-44 of this report.

Long Term Debt

At the end of the current fiscal year, the City of Saginaw had total bonded debt outstanding of $56.2 million in principal and $11.1 million in interest. Of this amount, $2.2 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 (i.e., 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	$1,132,495	$48,205	$ 1,025,000	$ 463,769	$ 2,157,495	$ 511,974
Revenue Bonds	-	-	54,058,341	10,635,117	54,058,341	10,635,117
Total	$1,132,495	$48,205	$55,083,341	$11,098,886	$56,215,836	$ 11,147,091

The City's total debt increased by $7,023,727 (14.3 percent) during the fiscal year.

The City maintains an "A" bond rating with Standard & Poor's for its general obligation debt.

State statutes (Article 7, Section II, Michigan Constitution of 1963) limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is $79,573,438, which is significantly higher than the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found on pages 45-48 of this report

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the 2009 fiscal year:

Union contracts – As of June 30, 2007, the City of Saginaw had seven expired collective bargaining agreements. No wage increase was built into the 2008-09 budget for City employees.

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, 2008

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and cash equivalents	$ 11,445,723	$ 12,010,374	$ 23,456,097	$ 4,547,612
Investments	-	6,768,390	6,768,390	-
Receivables	9,416,745	7,041,560	16,458,305	1,168,500
Internal balances	(866,632)	866,632	-	-
Prepaid items and other assets	40,775	-	40,775	33,182
Inventory	873,387	746,299	1,619,686	-
Other assets	-	9,735,916	9,735,916	-
Restricted cash and cash equivalents	978,154	1,867,840	2,845,994	-
Restricted investments	2,449,935	-	2,449,935	-
Nondepreciable capital assets	14,829,596	19,385,932	34,215,528	-
Depreciable capital assets, net	30,249,248	106,638,950	136,888,198	-
Total assets	69,416,931	165,061,893	234,478,824	5,749,294
Liabilities				
Accounts payable and accrued expenses	3,096,456	4,345,850	7,442,306	43,862
Unearned revenue	1,962,129	538,494	2,500,623	-
Noncurrent liabilities:				
Due within one year	1,792,465	5,749,329	7,541,794	-
Due in more than one year	7,402,259	50,478,011	57,880,270	-
Total liabilities	14,253,309	61,111,684	75,364,993	43,862
Net assets				
Invested in capital assets, net of related debt	44,021,349	70,941,541	114,962,890	-
Restricted for:				
Capital projects	101,466	-	101,466	-
Endowments:				
Expendable	95,011	-	95,011	-
Nonexpendable	2,449,935	-	2,449,935	-
Specific projects	2,856,741	-	2,856,741	-
Bond and interest redemption	-	960,750	960,750	-
Repairs and replacements	-	37,514	37,514	-
Bond construction projects	-	7,085,581	7,085,581	-
Unrestricted	5,639,120	24,924,823	30,563,943	5,705,432
Total net assets	$ 55,163,622	$ 103,950,209	$ 159,113,831	$ 5,705,432

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

CITY OF SAGINAW
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

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	$ 4,257,037	$ 988,156	$ 10,000	$ -	$ (3,258,881)
Administration:					
Fiscal services	2,390,849	2,737,821	-	-	346,972
Public safety:					
Fire protection	9,869,348	3,762	-	-	(9,865,586)
Police protection	14,289,235	206,922	48,144	-	(14,034,169)
Police grants	655,211	2,437	303,760	-	(349,014)
Other public safety	-	2	111,377	-	111,379
General services:					
Highways and streets	7,072,430	50,676	5,249,234	-	(1,772,520)
Garbage, rubbish and recycling	3,368,174	921,395	-	-	(2,446,779)
Other general services	3,295,094	708,902	-	-	(2,586,192)
Community services:					
Demolitions	914,024	(589,182)	-	-	(1,503,206)
Contributions to other organizations	118,500	-	-	-	(118,500)
Other community services	1,442,731	499,807	145,354	-	(797,570)
Economic development	2,842,918	131,263	3,764,989	-	1,053,334
Interest on long-term debt	61,416	-	-	-	(61,416)
Total governmental activities	50,576,967	5,661,961	9,632,858	-	(35,282,148)
Business-type activities:					
Sewer	17,391,588	16,663,624	-	879,317	151,353
Water	11,859,053	12,304,681	-	1,304,004	1,749,632
Parking	358,802	255,210	-	-	(103,592)
Wave Pool	-	-	-	107,926	107,926
Total business-type activities	29,609,443	29,223,515	-	2,291,247	1,905,319
Total primary government	$80,186,410	$34,885,476	$ 9,632,858	$ 2,291,247	$ (33,376,829)
Component units	$ 282,986	$ -	$ 32,665	$ -	$ (250,321)

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	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Changes in net assets				
Net (expense) revenue	$ (35,282,148)	$ 1,905,319	$ (33,376,829)	$ (250,321)
General revenues and transfers:				
Property taxes	9,659,348	-	9,659,348	225,450
Income taxes	12,776,297	-	12,776,297	-
Grants and contributions not restricted to specific programs	10,190,126	-	10,190,126	-
Unrestricted investment earnings	657,012	321,511	978,523	105,994
Miscellaneous	84,034	-	84,034	-
Gain on sale of land and equipment	87,729	-	87,729	-
Transfers	(39,824)	39,824	-	-
Total general revenues and transfers	33,414,722	361,335	33,776,057	331,444
Change in net assets	(1,867,426)	2,266,654	399,228	81,123
Net assets at beginning of year, as restated	57,031,048	101,683,555	158,714,603	5,624,309
Net assets at end of year	$ 55,163,622	$ 103,950,209	$ 159,113,831	$ 5,705,432

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

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
Assets				
Cash and cash equivalents	$ 4,260,201	$ 889,874	$ 2,583,270	$ 7,733,345
Income taxes receivable	1,107,892	-	-	1,107,892
Accounts receivable, net of allowances	825,590	104,474	109,032	1,039,096
Due from other governmental units	3,327,769	897,440	1,248,987	5,474,196
Inventory	981	-	612,495	613,476
Property taxes receivable	68,559	-	36,080	104,639
Assessments receivable	168,844	-	68,491	237,335
Due from other funds	799,255	-	1,873,162	2,672,417
Notes and contracts receivable				
Housing and other	-	1,434,398	-	1,434,398
Restricted assets				
Cash and cash equivalents	-	84,876	893,278	978,154
Accrued interest receivable	-	-	1,824	1,824
Investments	-	-	2,449,935	2,449,935
Total assets	$ 10,559,091	$ 3,411,062	$ 9,876,554	$ 23,846,707

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

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2008

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
Liabilities and fund balances				
Liabilities				
Accounts payable	$ 460,907	$ 314,590	$ 494,206	$ 1,269,703
Accued wages payable	622,232	24,532	292,554	939,318
Due to other governmental units	106,793	100,084	-	206,877
Due to other funds	6,143,168	530,096	2,142,321	8,815,585
Deposits	571,836	-	-	571,836
Deferred revenue	942,891	2,441,760	831,503	4,216,154
Total liabilities	8,847,827	3,411,062	3,760,584	16,019,473
Fund balances				
Reserved for:				
Encumbrances	136,774	-	718,935	855,709
Inventory	981	-	612,495	613,476
Trusts and endowments	-	-	2,452,742	2,452,742
Specific projects	-	-	2,856,741	2,856,741
Unreserved:				
Designated for:				
Parking Fund	349,931	-	-	349,931
Subsequent year's expenditures	701,433		-	701,433
Designated, reported in:				
Capital projects	-	-	101,466	101,466
Undesignated, reported in:				
General Fund	522,145	-	-	522,145
Special Revenue Funds (deficit)	-	-	(718,613)	(718,613)
Permanent Fund	-	-	92,204	92,204
Total fund balances	1,711,264	-	6,115,970	7,827,234
Total liabilities and fund balances	$ 10,559,091	$ 3,411,062	$ 9,876,554	$ 23,846,707

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, 2008

Fund balances - total governmental funds	$	7,827,234
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.		2,254,025
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Add - capital assets		80,909,431
Deduct - accumulated depreciation		(37,392,865)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.		
Deduct - Section 108 loans payable		(920,000)
Deduct - accumulated compensated absences		(5,614,677)
Deduct - accrued interest payable		(14,062)
Elimination of Internal Service Fund activities		8,114,536
Net assets of governmental activities	$	55,163,622

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, 2008

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues				
General operating property taxes	$ 3,489,913	$ -	$ 5,728,250	$ 9,218,163
Special assessments	83,207	-	-	83,207
City income tax	12,776,297	-	-	12,776,297
State shared revenues	9,780,275	-	5,028,465	14,808,740
Licenses, permits and fees	1,334,687	-	1,314,173	2,648,860
Fines, penalties and forfeitures	270,825	-	22,674	293,499
Grants, donations and contributions	3,312,209	3,534,045	866,343	7,712,597
Interest on loans and investments	506,627	27,820	62,340	596,787
Rents and privileges	104,073	-	-	104,073
Sale of materials and services	1,175,412	-	105,997	1,281,409
Loan repayments	-	103,874	-	103,874
Total revenues	32,833,525	3,665,739	13,128,242	49,627,506
Expenditures				
Current expenditures				
General government	3,882,052	-	-	3,882,052
Administration	2,472,000	807,701	-	3,279,701
Public safety	20,138,547	-	4,723,348	24,861,895
Highways and streets	-	-	5,984,040	5,984,040
General services	3,283,487	-	3,468,084	6,751,571
Community services	1,878,454	-	264,928	2,143,382
Economic development	-	1,606,928	228,206	1,835,134
Capital outlay	-	542,012	-	542,012
Debt service				
Principal	-	430,000	-	430,000
Interest	-	40,135	-	40,135
Total expenditures	31,654,540	3,426,776	14,668,606	49,749,922
Revenues over (under) expenditures	1,178,985	238,963	(1,540,364)	(122,416)
Other financing sources (uses)				
Transfers in	34,726	-	1,353,026	1,387,752
Transfers out	(4,229,832)	(238,963)	(664,082)	(5,132,877)
Total other financing sources (uses)	(4,195,106)	(238,963)	688,944	(3,745,125)
Net change in fund balances	(3,016,121)	-	(851,420)	(3,867,541)
Fund balances at beginning of year, as restated	4,727,385	-	6,967,390	11,694,775
Fund balances at end of year	$ 1,711,264	$ -	$ 6,115,970	$ 7,827,234

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, 2008

Net change in fund balances - total governmental funds	$	(3,867,541)
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.		(925,171)
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		285,869
Deduct - depreciation expense		(2,642,637)
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		430,000
Deduct - increase in accrued compensated absences		(189,823)
Add - decrease in accrued interest payable		5,192
Elimination of Internal Service Fund activities		5,036,685
Change in net assets of governmental activities	$	(1,867,426)

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, 2008

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
General operating property taxes	$ 3,585,218	$ 3,585,218	$ 3,489,913	$ (95,305)
Special assessments	100,000	100,000	83,207	(16,793)
City income tax	13,034,978	13,034,978	12,776,297	(258,681)
State shared revenues	9,913,518	9,913,518	9,780,275	(133,243)
Licenses, permits and fees	1,406,800	1,406,800	1,334,687	(72,113)
Fines, penalties and forfeitures	217,000	217,000	270,825	53,825
Grants, donations and contributions	2,465,862	3,138,862	3,312,209	173,347
Interest on loans and investments	440,800	440,800	506,627	65,827
Rents and privileges	50,000	50,000	104,073	54,073
Sale of materials and services	1,659,839	1,464,333	1,175,412	(288,921)
Total revenues	32,874,015	33,351,509	32,833,525	(517,984)
Expenditures				
Current expenditures				
General government	4,138,357	4,128,032	3,882,052	(245,980)
Administration	2,604,139	2,627,781	2,472,000	(155,781)
Public safety	21,017,588	21,095,621	20,138,547	(957,074)
General services	3,393,248	3,396,020	3,283,487	(112,533)
Community services	1,288,116	1,962,116	1,878,454	(83,662)
Debt Service				
Principal	153,710	153,710	-	(153,710)
Interest	4,708	4,708	-	(4,708)
Total expenditures	32,599,866	33,367,988	31,654,540	(1,713,448)
Revenues over (under) expenditures	274,149	(16,479)	1,178,985	1,195,464
Other financing sources (uses)				
Transfers in	170,963	191,726	34,726	(157,000)
Transfers out	(569,728)	(586,319)	(4,229,832)	(3,643,513)
Total other financing sources (uses)	(398,765)	(394,593)	(4,195,106)	(3,800,513)
Net change in fund balances	$ (124,616)	$ (411,072)	(3,016,121)	$ (2,605,049)
Fund balance at beginning of year, as restated			4,727,385	
Fund balance at end of year			$ 1,711,264	

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, 2008

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
Grants and entitlements	$ 3,437,850	$ 4,051,403	$ 3,534,045	$ (517,358)
Interest on deposits and investments	15,500	15,500	431	(15,069)
Interest on loans	35,135	35,135	27,389	(7,746)
Loan repayments	105,000	105,000	103,874	(1,126)
Total revenues	3,593,485	4,207,038	3,665,739	(541,299)
Expenditures				
Current expenditures				
Administration	914,270	910,270	807,701	(102,569)
Program support services	844,111	1,311,664	1,461,817	150,153
Loan disbursements	210,000	360,000	28,273	(331,727)
Grant expenditures	493,528	505,038	116,838	(388,200)
Capital outlay				
Public improvements	564,907	564,907	542,012	(22,895)
Debt service				
Principal	430,000	430,000	430,000	-
Interest	40,135	40,135	40,135	-
Total expenditures	3,496,951	4,122,014	3,426,776	(695,238)
Revenues over (under) expenditures	96,534	85,024	238,963	153,939
Other financing sources (uses)				
Transfers out	(445,491)	(188,963)	(238,963)	50,000
Net change in fund balances	$ (348,957)	$ (103,939)	-	$ 103,939
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, 2008

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Assets					
Current assets					
Cash and cash equivalents	$ 7,404,041	$ 4,399,700	$ 206,633	$ 12,010,374	$ 3,712,378
Accounts receivable, net of allowances	1,944,643	2,626,006	538,495	5,109,144	17,365
Due from other governmental units	-	1,884,079	-	1,884,079	-
Inventory	746,299	-	-	746,299	259,911
Prepaid expenses	-	-	-	-	40,775
Investments	5,680,718	1,087,672	-	6,768,390	-
Assessments receivable	14,200	34,137	-	48,337	-
Due from other funds	-	-	-	-	6,474,480
Restricted current assets					
Cash and cash equivalents	1,320,101	-	-	1,320,101	-
Cash - bond proceeds	547,739	-	-	547,739	-
Total current assets	17,657,741	10,031,594	745,128	28,434,463	10,504,909
Noncurrent assets					
Investment in Saginaw-Midland Water Supply Corporation	9,628,104	-	-	9,628,104	-
Unamortized bond discount	107,812	-	-	107,812	-
Capital assets					
Land	438,255	982,374	201,203	1,621,832	-
Buildings and improvements	65,025,100	59,487,451	11,637,716	136,150,267	182,829
Combined sewer overflow facilities	-	103,507,579	-	103,507,579	-
Plant and office equipment	3,648,834	4,388,493	610,552	8,647,879	585,860
Vehicular and radio equipment	-	-	-	-	8,035,658
Construction in progress	7,989,653	9,774,447	-	17,764,100	-
Less allowances for depreciation	(38,756,352)	(90,740,704)	(12,169,719)	(141,666,775)	(7,242,069)
Net capital assets	38,345,490	87,399,640	279,752	126,024,882	1,562,278
Total noncurrent assets	48,081,406	87,399,640	279,752	135,760,798	1,562,278
Total assets	65,739,147	97,431,234	1,024,880	164,195,261	12,067,187

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Liabilities					
Current liabilities payable from current assets					
Accounts payable	$ 1,130,643	$ 828,573	$ 4,641	$ 1,963,857	$ 45,720
Accrued wages payable	101,671	152,301	3,239	257,211	48,940
Unearned revenue	-	-	538,494	538,494	-
Due to other funds	-	-	331,312	331,312	-
Current portion of accrued sick and vacation/PTO payable	191,481	312,111	-	503,592	-
Current portion of long-term debt	-	460,000	-	460,000	146,860
Total current liabilities payable from current assets	1,423,795	1,752,985	877,686	4,054,466	241,520
Payable from restricted assets					
Accounts payable	216,979	805,850	-	1,022,829	-
Customer deposits	874,816	-	-	874,816	-
Accrued interest	-	227,137	-	227,137	-
Current portion of long-term debt	250,000	4,535,737	-	4,785,737	-
Total current liabilities payable from restricted assets	1,341,795	5,568,724	-	6,910,519	-
Total current liabilities	2,765,590	7,321,709	877,686	10,964,985	241,520
Long-term liabilities					
Workers' comp claims payable	-	-	-	-	2,072,868
Insurance claims payable	-	-	-	-	173,516
Accrued sick and vacation/PTO payable	358,557	270,485	11,365	640,407	201,168
Long-term debt, exclusive of current portion					
CSO construction projects	-	32,411,029	-	32,411,029	-
Revenue bonds	10,850,000	-	-	10,850,000	-
General obligation bonds and contracts	-	6,576,575	-	6,576,575	65,635
Total long-term liabilities, exclusive of current portion	11,208,557	39,258,089	11,365	50,478,011	2,513,187
Total liabilities	13,974,147	46,579,798	889,051	61,442,996	2,754,707
Net assets					
Investment in capital assets, net of related debt	27,245,490	43,416,299	279,752	70,941,541	1,424,783
Restricted for:					
Bond and interest redemption	960,750	-	-	960,750	-
Repairs and replacements	37,514	-	-	37,514	-
Bond construction projects	7,085,581	-	-	7,085,581	-
Unrestricted (deficit)	16,435,665	7,435,137	(143,923)	23,726,879	7,887,697
Total net assets	$51,765,000	$ 50,851,436	$ 135,829	$102,752,265	$9,312,480

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, 2008

Net assets - total enterprise funds	$	102,752,265
Amounts reported for *business-type activities* in the statement of net assets are different because:		
Elimination of Internal Service Fund activities		1,197,944
Net assets of business-type activities	$	103,950,209

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, 2008

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
User charges	$ 11,626,779	$ 16,145,750	$ 255,210	$ 28,027,739	$ 8,204,697
Sale of materials and services	553,548	64,874	-	618,422	46,642
Penalties for delinquencies	124,354	453,000	-	577,354	-
Total operating revenues	12,304,681	16,663,624	255,210	29,223,515	8,251,339
Operating expenses					
Costs of goods sold	-	-	-	-	62,804
Salaries	-	-	59,953	59,953	1,075,978
Employee benefits	-	-	142,608	142,608	953,680
Contractual services	-	-	28,911	28,911	887,491
Internal user charges	-	-	28,165	28,165	237,492
Insurance	-	-	9,883	9,883	1,078,712
Utilities	-	-	42,364	42,364	209,216
Supplies and materials	-	-	7,094	7,094	139,517
Administration	2,109,507	2,012,875	-	4,122,382	-
Customer accounting	450,385	563,236	-	1,013,621	-
Meter maintenance and service	220,867	289,746	-	510,613	-
System maintenance and service	1,946,736	2,198,327	-	4,145,063	-
Treatment, disposal and pumping	4,014,622	5,337,561	-	9,352,183	-
Remote facilities	-	1,014,068	-	1,014,068	-
Raw water operations	1,080,486	-	-	1,080,486	-
Claims and judgments	-	-	-	-	906,781
Depreciation	1,263,835	5,332,985	42,775	6,639,595	483,177
Other	-	-	4,238	4,238	403,968
Total operating expenses	11,086,438	16,748,798	365,991	28,201,227	6,438,816
Operating income (loss)	1,218,243	(85,174)	(110,781)	1,022,288	1,812,523
Nonoperating revenues (expenses)					
Interest on investments	248,793	54,880	3,018	306,691	90,801
Interest expense on bonded indebtedness	(147,743)	(950,644)	-	(1,098,387)	(26,473)
Amortization on bond discount	(9,368)	-	-	(9,368)	-
Amortization of gain on bond refunding	27,526	-	-	27,526	-
Gain on sale of investments	5,000	9,820	-	14,820	-
Grants and entitlements	126	879,317	107,926	987,369	-
Contractual obligations to Saginaw-Midland Water Supply Corporation	(1,353,418)	-	-	(1,353,418)	-
Increase in investment in Saginaw-Midland Water Supply Corporation	479,964	-	-	479,964	-
Total nonoperating revenues (expenses)	(749,120)	(6,627)	110,944	(644,803)	64,328
Net income (loss) before capital contributions and transfers	469,123	(91,801)	163	377,485	1,876,851
Capital contributions	1,303,878	-	-	1,303,878	-
Transfers					
Transfers in	-	-	39,824	39,824	3,705,301
Change in net assets	1,773,001	(91,801)	39,987	1,721,187	5,582,152
Net assets at beginning of year	49,991,999	50,943,237	95,842	101,031,078	3,730,328
Net assets at end of year	$ 51,765,000	$ 50,851,436	$ 135,829	$ 102,752,265	$ 9,312,480

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, 2008

Net change in fund net assets - total enterprise funds	$	1,721,187
Elimination of Internal Service Fund activities		545,467
Change in net assets of business-type activities	$	2,266,654

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, 2008

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service
Cash flows from operating activities:					
Receipts from interfund services provided	$ -	$ -	$ -	$ -	$ 8,076,751
Receipts from customers	14,698,464	15,557,394	293,289	30,549,147	-
Payments to suppliers	(7,308,362)	(4,840,911)	(88,963)	(12,238,236)	(4,481,176)
Payments to employees	(3,801,677)	(5,506,521)	(205,803)	(9,514,001)	(2,003,138)
Payments for interfund services used	(2,882)	(2,883)	(37,722)	(43,487)	(4,431,760)
Net cash provided by (used for) operating activities	3,585,543	5,207,079	(39,199)	8,753,423	(2,839,323)
Cash flows from noncapital financing activities:					
Transfers in	-	-	39,824	39,824	3,705,301
Cash flows from capital and related financing activities:					
Purchases of capital assets	(4,964,551)	(4,322,730)	-	(9,287,281)	(745,111)
Capital contributions	1,303,878	-	-	1,303,878	-
Grants and entitlements	126	879,317	107,926	987,369	-
Bond / installment contract proceeds	10,991,737	2,440,023	-	13,431,760	-
Principal paid on long-term debt	(1,165,000)	(4,786,476)	-	(5,951,476)	(148,139)
Interest paid on long-term debt	(147,743)	(975,746)	-	(1,123,489)	(26,473)
Contractual obligations to Saginaw-Midland Supply Corporation	(1,353,418)	-	-	(1,353,418)	-
Net cash provided by (used for) capital and related financing activities	4,665,029	(6,765,612)	107,926	(1,992,657)	(919,723)
Cash flows from investing activities:					
Purchase of investments	(2,720,863)	(55,399)	-	(2,776,262)	-
Sale of investments	-	-	1,105	1,105	971,589
Interest on investments	253,793	64,700	3,018	321,511	90,801
Net cash provided by (used for) investing activities	(2,467,070)	9,301	4,123	(2,453,646)	1,062,390
Increase (decrease) in cash and cash equivalents	5,783,502	(1,549,232)	112,674	4,346,944	1,008,645
Cash and cash equivalents at beginning of year	3,488,379	5,948,932	93,959	9,531,270	2,703,733
Cash and cash equivalents at end of year	$ 9,271,881	$ 4,399,700	$ 206,633	$ 13,878,214	$ 3,712,378
Cash flows from operating activities:					
Operating income (loss)	$ 1,218,243	$ (85,174)	$ (110,781)	$ 1,022,288	$ 1,812,523
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	1,263,835	5,332,985	42,775	6,639,595	483,177
Change in assets and liabilities:					
Accounts receivable	2,335,420	426,959	41,626	2,804,005	1,213,188
Due from other governmental units	-	(1,533,975)	-	(1,533,975)	-
Inventory	(45,242)	-	-	(45,242)	(215,875)
Assessments receivable	5,490	786	-	6,276	(3,789)
Due from other funds	-	-	-	-	(5,202,019)
Accounts payable	(1,181,312)	1,010,606	3,527	(167,179)	(193,045)
Accrued wages payable	10,128	20,466	(176)	30,418	10,899
Due to other governmental units	(18,656)	(11,083)	-	(29,739)	-
Due to other funds	(2,882)	(2,883)	(9,557)	(15,322)	(380,025)
Unearned revenue	-	-	(3,547)	(3,547)	-
Customer deposits	52,873	-	-	52,873	-
Claims payable	-	-	-	-	(379,978)
Accrued sick and vacation/PTO payable	(52,354)	48,392	(3,066)	(7,028)	15,621
Net cash provided by (used for) operating activities	$ 3,585,543	$ 5,207,079	$ (39,199)	$ 8,753,423	$ (2,839,323)

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2008

	Pension and Other Employee Benefits Trust Funds	Agency
ASSETS		
Cash and cash equivalents	$ -	$ 516,028
Accounts receivable	-	1,354,430
Due from other funds		1,351,621
Prepaid Insurance	-	782,349
Taxes receivable for the account of other governmental units	-	593,757
Restricted assets		
Cash and cash equivalents	4,664,852	-
Accrued interest receivable	159,605	-
Investments, at market value		
Governmental securities	16,774,825	-
Municipal obligations	2,622,693	-
Corporate and foreign bonds	15,523,336	-
Common equity securities	53,524,171	-
Equity mutual funds	28,435,755	-
Other	1,866,192	-
Total Assets	123,571,429	$ 4,598,185
LIABILITIES		
Accounts payable	37,085	518,275
Accrued wages payable	630,261	-
Due to other governmental units	-	1,275,305
Due to other funds		1,351,621
Claims payable	-	1,026,840
Other current liabilities	-	426,144
Total Liabilities	667,346	$ 4,598,185
Net Assets		
Held in trust for pension benefits	$ 122,904,083	

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, 2008

Additions	
Contributions:	
Employer	$ 5,140,074
Plan members	1,095,295
Total contributions	6,235,369
Investment income (loss):	
Interest	1,932,913
Dividends	1,450,548
Mutual fund rebates	49,874
Net depreciation in fair value of investments	(11,747,166)
Investment expenses	(377,139)
Total investment loss	(8,690,970)
Total additions	(2,455,601)
Deductions	
Police pension benefits	6,498,613
Fire pension benefits	5,790,217
Administrative expenses	402,146
Total deductions	12,690,976
Net decrease for the year	(15,146,577)
Net Assets Held in Trust for Pension Benefits	
Beginning of year	138,050,660
End of year	$ 122,904,083

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

CITY OF SAGINAW
COMPONENT UNITS
STATEMENT OF NET ASSETS
June 30, 2008

	TIFA Activities	DDA Activities	LDFA Activities	Saginaw Economic Development Corporation	Brownfield Activities	Total
Assets						
Cash and cash equivalents	$ 31,305	$ 177,749	$ 3,417,608	$ 814,581	$ 106,369	$ 4,547,612
Receivables	-	36,543	65,411	1,065,649	897	1,168,500
Land held for resale	-	33,182	-	-	-	33,182
Total assets	31,305	247,474	3,483,019	1,880,230	107,266	5,749,294
Liabilities						
Accounts payable	-	35	43,827	-	-	43,862
Net assets	$ 31,305	$ 247,439	$ 3,439,192	$ 1,880,230	$ 107,266	$ 5,705,432

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, 2008

Functions / Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue
TIFA Activities	$ -	$ -	$ -	$ -
DDA Activities	58,482	-	-	(58,482)
LDFA Activities	48,515	-	-	(48,515)
Saginaw Economic Development Corporation	141,579	-	32,665	(108,914)
Brownfield Activities	34,410	-	-	(34,410)
Total component unit activities	$ 282,986	$ -	$ 32,665	$ (250,321)

	Component Units					
	TIFA Activities	DDA Activities	LDFA Activities	Saginaw Economic Development Corporation	Brownfield Activities	Total
Changes in net assets						
Net (expense) revenue	$ -	$ (58,482)	$ (48,515)	$ (108,914)	$ (34,410)	$ (250,321)
General revenues:						
Property taxes	(13)	44,832	153,723	-	26,908	225,450
Unrestricted investment earnings	-	1,815	57,821	46,358	-	105,994
Total general revenues	(13)	46,647	211,544	46,358	26,908	331,444
Change in net assets	(13)	(11,835)	163,029	(62,556)	(7,502)	81,123
Net assets at beginning of year	31,318	259,274	3,276,163	1,942,786	114,768	5,624,309
Net assets at end of year	$ 31,305	$ 247,439	$ 3,439,192	$ 1,880,230	$ 107,266	$ 5,705,432

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

I. Summary of significant accounting policies

The accounting policies of the City of Saginaw, Michigan (the "City") conform to accounting principles generally accepted in the United States of America ("GAAP") as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City of Saginaw:

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.

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.

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.

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. Complete financial statements of the SEDC 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 cleanup 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.

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 $479,964 as nonoperating revenues. At June 30, 2008, total outstanding bonded debt of the Saginaw-Midland Municipal Water Supply Corporation was $19,919,196. The City was obligated for $10,654,453 of this total. During fiscal year 2008, the City paid the Corporation $1,353,418 to finance its share of the contractual obligations. The City's equity of $9,628,104 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, 2008, for the Saginaw-Midland Municipal Water Supply Corporation follows:

Total Assets	$ 38,549,606	Total Revenues	$ 5,101,243
Total Liabilities	20,549,237	Total Expenses	4,203,919
Net Assets	$ 18,000,369	Net Income	897,324
Net Assets:		Net Assets at	
City of Saginaw	$ 9,628,104	Beginning of Year	17,103,045
City of Midland	8,372,265	Total Net Assets	$ 18,000,369
Total Net Assets	$ 18,000,369		

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

B. 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.

C. 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 used 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.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments are reported at fair value. 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 an established market are reported at estimated fair value.

2. Receivables and payables

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

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and prepaid items

Inventories are valued at cost using either the first-in, first-out (Special Revenue Funds) or average cost (Enterprise and Internal Service Funds) methods. The costs of inventories are recorded as assets when purchased and charged to expenditures when used, which is the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. 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.

5. 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 $5,000 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.

Depreciation 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); plant equipment (15 years); radio equipment (8 years); office and data processing equipment (5 years); and vehicles (5 years).

6. Compensated absences

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.

7. 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.

8. Fund equity

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.

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.

II. Stewardship, compliance and accountability

A. Budgetary information

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 do not lapse but are brought forward to the new fiscal year.

The General Fund, Community Development, Major Streets, Local Streets, Public Safety Millage, 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 Budget Stabilization, Municipal Streets, Urban Development Action Grant, and Carl H. Ibershoff Trust Special Revenue Funds or the Trust and Agency Funds.

B. Excess of expenditures over 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			
City/county/school liaison	$ 7,000	$ 9,985	$ 2,985
City manager	305,042	309,834	4,792
Retiree health insurance and contributions	1,836,385	1,920,794	84,409
Fiscal Services			
Purchasing	180,235	182,137	1,902
Public Safety – Police Department			
Administration	419,446	430,729	11,283
Patrol	7,269,407	7,490,445	221,038
Investigations	1,621,552	1,668,717	47,165
Building and property management	1,372,139	1,373,275	1,136
General Services			
Street lighting	585,687	687,229	101,542
Cemeteries operation and maintenance	659,420	687,157	27,737
Building and grounds maintenance	930,679	1,174,747	244,068

	Appropriations	Actual	Budget Variance
Community Services			
Inspections and zoning	$ 757,299	$ 759,107	$ 1,808
Transfers out to Self Insurance Fund	-	3,700,000	3,700,000
SPECIAL REVENUE FUNDS:			
Community Development			
Program support services	1,311,664	1,461,817	150,153
Transfers out	188,963	238,963	50,000

C. Deficit fund equity

In the Nonmajor Governmental Funds, the Major Streets, Local Streets and Rubbish Collection funds had undesignated fund deficits at June 30, 2008, in the amount of $129,665, $31,342, and $19,216, respectively. In the Nonmajor Enterprise Funds, the Parking Fund had an unrestricted net assets deficit at June 30, 2008, in the amount of $349,931. In the Internal Service Funds, the Information Services and GIS Funds had unrestricted net assets deficits at June 30, 2008, in the amount of $26,093 and $12,603, respectively. A deficit Elimination Plan will be prepared for Council approval and then filed with the Local Audit and Finance Division of the State of Michigan.

D. State construction code act

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection on building construction renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs.

A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 follows:

Shortfall at July 1, 2007	$ (711,144)
Current year building permit revenue	184,038
Related expenditures	(759,107)
Cumulative shortfall at June 30, 2008	$ (1,286,213)

III. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the basic financial statement for the City's deposits and investments is as follows:

	Deposits	Investments	Total
Financial statement caption:			
Primary Government:			
Cash and cash equivalents	$ 23,456,097	$ -	$ 23,456,097
Investments	804,181	5,964,209	6,768,390
Restricted cash and cash equivalents	1,525,893	1,320,101	2,845,994
Restricted investments	-	2,449,935	2,449,935
Component Units:			
Cash and cash equivalents	4,547,612	-	4,547,612
Fiduciary Funds:			
Cash and cash equivalents	516,028	-	516,028
Restricted cash and cash equivalents	15,336	4,649,516	4,664,852
Investments	-	118,746,972	118,746,972
	$ 30,865,147	$ 133,130,733	$ 163,995,880

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. 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, 2008, 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						
Money Market Funds	$ 6,821,559					Not Rated
MI Class Pooled Funds	2,912,686					Not Rated
Total Primary Government	9,734,245					
Pension and Other Employee Benefits Funds						
Equity Mutual Funds	28,435,755					Not Rated
Nonrated Governmental Securities	14,068,665	$ 2,846	$1,917,774	$2,920,150	$9,227,895	Not Rated
Governmental Securities	2,706,160			488,063	2,218,097	AAA
Nonrated Municipal Obligations	1,206,392		347,262	130,687	728,443	Not Rated
Municipal Obligations	1,416,301		203,416		1,212,885	AAA - AA+
Nonrated Corporate Bonds	2,167,585		251,369	212,881	1,703,335	Not Rated
Corporate Bonds	13,355,751	189,684	3,487,311	3,370,472	6,308,284	AAA - BBB-
Common Stocks	53,524,171					N/A
Money Market and Other Funds	6,515,708					N/A
Total Pension and Benefits Funds	123,396,488					
Total Investments	$ 133,130,733					

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 $30,635,244 of the City's bank balance of $31,135,244 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.

At June 30, 2008, there were no individual investments with a fair value that represents 5% or more of the City's investments. However, amounts invested in a separate equity mutual fund (Harbor International Fund) represent 8% of the Policemen and Firemen Pension Fund's total investments at June 30, 2008.

Subsequent to June 30, 2008, there has been a significant decline in fair value of certain investments due to market conditions.

All investments held at year-end are reported above.

B. 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	$ 1,107,892	$ -	$ -
Accounts	1,666,376	5,229,063	-
Accrued interest	1,824	-	38,278
Intergovernmental	5,474,196	1,884,079	-
Property taxes	104,639	-	64,573
Assessments			
Due within one year	237,335	48,337	-
Notes			
Due within one year	180,000	-	120,000
Due after one year	1,254,398	-	1,053,199
Reserve for uncollectible accounts	(609,915)	(119,919)	(107,550)
Total receivables	$ 9,416,745	$ 7,041,560	$ 1,168,500

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)	$ 68,559	$ -
Property taxes receivable (Non-major Governmental fund types)	36,080	-
Accounts receivable (General Fund)	373,179	-
Accounts receivable (Community Development)	104,474	-
Accounts receivable (Non-major Governmental fund types)		
Assessments receivable (General Fund)	168,844	-
Assessments receivable (Non-major Governmental fund types)	68,491	-
Notes receivable	1,434,398	-
Grant drawdowns prior to meeting all eligibility requirements	-	1,962,129
	$ 2,254,025	$ 1,962,129

C. Capital assets

Capital asset activity for the year ended June 30, 2008, was as follows:

	Beginning Balance	Additions	Disposals	Ending Balance
Governmental activities				
Capital assets not being depreciated				
Land	$14,739,274	$ -	$ -	$14,739,274
Construction in progress	200,383	253,466	(363,527)	90,322
Total capital assets not being depreciated	14,939,657	253,466	(363,527)	14,829,596
Capital assets being depreciated:				
Infrastructure	40,235,652	363,527	-	40,599,179
Building	15,706,673	-	-	15,706,673
Equipment	7,291,386	63,232	-	7,354,618
Vehicular and radio equipment	10,509,430	714,282	-	11,223,712
Total capital assets being depreciated	73,743,141	1,141,041	-	74,884,182
Less accumulated depreciation:				
Infrastructure	(18,804,404)	(1,720,825)	-	(20,525,229)
Building	(8,840,600)	(288,984)	-	(9,129,584)
Equipment	(6,133,977)	(539,303)	-	(6,673,280)
Vehicular and radio equipment	(7,730,139)	(576,702)	-	(8,306,841)
Total accumulated depreciation	(41,509,120)	(3,125,814)	-	(44,634,934)
Total capital assets being depreciated, net	32,234,021	(1,984,773)	-	30,249,248
Governmental activities capital assets, net	$47,173,678	$(1,731,307)	$(363,527)	$45,078,844

	Beginning Balance	Additions	Disposals	Ending Balance
Business-type activities				
Capital assets not being depreciated:				
Land	$1,621,832	$ -	$ -	$1,621,832
Construction in progress	10,048,671	8,083,217	(367,788)	17,764,100
Total capital assets not being depreciated	11,670,503	8,083,217	(367,788)	19,385,932
Capital assets being depreciated:				
Building and improvements	135,544,092	606,175	-	136,150,267
CSO facilities	103,185,476	322,103	-	103,507,579
Equipment	8,004,305	643,574	-	8,647,879
Total capital assets being depreciated	246,733,873	1,571,852	-	248,305,725
Less accumulated depreciation				
Building and improvements	(83,429,393)	(2,335,283)	-	(85,764,676)
CSO facilities	(45,809,208)	(3,966,778)	-	(49,775,986)
Equipment	(5,788,579)	(337,534)	-	(6,126,113)
Total accumulated depreciation	(135,027,180)	(6,639,595)	-	(141,666,775)
Total capital assets being depreciated, net	111,706,693	(5,067,743)	-	106,638,950
Business-type activities capital assets, net	$123,377,196	$ 3,015,474	$ (367,788)	$126,024,882

The Wave Pool Enterprise Fund assets were idle for the year ended June 30, 2008. At June 30 they were fully depreciated.

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

Governmental activities:	
General government	$ 395,518
Fiscal Services Administration	12,065
Fire	182,434
Police	100,102
General services	190,800
Community services	40,893
Highways and streets	1,720,825
Internal service funds	483,177
Total depreciation expense – governmental activities	**$3,125,814**
Business-type activities:	
Water	$1,263,835
Sewer	5,332,985
Parking	42,775
Wave Pool	-
Total depreciation expense – business-type activities	**$6,639,595**

Construction Commitments

The City has active construction projects as of June 30, 2008, consisting of the following:

Project Name	Contract Amount	Amount Paid	Commitment Remaining
Woodbridge Street Reconstruction	$ 4,997,252	$ 823,084	$ 4,174,168
Davis Road Watermain	1,689,640	1,075,607	614,033
Emergency Repair River Crossing	551,941	411,950	139,991
Wastewater Treatment Plant Headworks Improvements	4,825,000	1,920,525	2,904,475
Cherry Street Reconstruction	282,459	109,982	172,477
MCVI Merideth Holden Water Replacement	16,129	13,883	2,246
Interim Disinfection System Design	949,301	449,640	499,661
Birch Run Pump Upgrade	34,250	28,568	5,682

D. Payables

Accounts payable and accrued liabilities in the primary government are as follows:

	Governmental Activities	Business-type Activities
Accounts	$ 1,315,422	$ 2,986,686
Accrued liabilities	988,259	257,211
Intergovernmental	206,877	-
Deposits	571,836	874,816
Accrued interest	14,062	227,137
Total payables	$ 3,096,456	$ 4,345,850

E. Interfund receivables, payables and transfers

Interfund receivable and payable balances at June 30, 2008, consisted of the following:

	Due from:					
	General Fund	Community Development	Nonmajor Governmental	Nonmajor Enterprise	Agency	Total
Due to:						
General Fund	$ -	$ 530,096	$ 269,159	$ -	$ -	$ 799,255
Nonmajor governmental	-	-	1,873,162	-	-	1,873,162
Internal Service	6,143,168	-	-	331,312	-	6,474,480
Agency	-	-	-	-	1,351,621	1,351,621
Total	$ 6,143,168	$ 530,096	$ 2,142,321	$ 331,312	$ 1,351,621	$10,498,518

The balances due to and from other funds resulted from short-term advances provided for cash flow requirements and negative cash balances.

Interfund transfers for the year ended June 30, 2008, consisted of the following amounts:

	Transfers from:			
	General Fund	Community Development	Nonmajor Governmental	Total
Transfers to:				
General	$ -	$ 13,963	$ 20,763	$ 34,726
Nonmajor governmental	484,707	225,000	643,319	1,353,026
Nonmajor enterprise	39,824	-	-	39,824
Internal service	3,705,301	-	-	3,705,301
	$4,229,832	$ 238,963	$ 664,082	$ 5,132,877

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 and (2) use unrestricted revenues collected into the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. Long-term obligations

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. City contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt obligation activity can be summarized as follows:

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
Business-type activities:					
4.70% to 6.00% 2000 water revenue bonds	$ 1,165,000	$ -	$(1,165,000)	$ -	$ -
2.00% State of Michigan sewage disposal system bonds	23,869,256	-	(3,295,646)	20,573,610	3,264,907
2.25% State of Michigan sewage disposal system bonds	6,434,338	-	(510,830)	5,923,508	510,830
2.50% State of Michigan sewage disposal system bonds	11,189,648	-	(740,000)	10,449,648	760,000
3.60% to 5.50% Drake/Douglas sewage general obligation bonds	1,050,000	-	(25,000)	1,025,000	25,000
1.625% State of Michigan wastewater treatment improvement bonds	3,786,553	2,440,022	(215,000)	6,011,575	435,000
4.00 to 5.25% 2008 water revenue bonds	-	11,100,000	-	11,100,000	250,000
Accrued sick and vacation/PTO payable	1,151,027	546,409	(553,437)	1,143,999	503,592
Plus: Deferred gain on refunding	27,526	-	(27,526)	-	-
Total business-type activities	$ 48,673,348	$14,086,431	$(6,532,439)	$ 56,227,340	$ 5,749,329

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008	Due Within One Year
Governmental activities:					
Workers' compensation claims payable	$ 2,057,897	$ 14,971	$ -	$ 2,072,868	$ -
Insurance claims payable	568,465	-	(394,949)	173,516	-
5.10% to 5.90% 1994 general obligation judgment bonds	150,000	-	(75,000)	75,000	75,000
Installment contracts payable:					
Komatsu wheel loader	55,674	-	(27,837)	27,837	27,837
Morbark wood chipper	22,948	-	(12,895)	10,053	10,053
Bobcat skid loader	38,828	-	(10,707)	28,121	11,239
Fire vehicles	93,184	-	(21,700)	71,484	22,731
Accrued sick, vacation /PTO, compensatory time payable	5,610,401	1,708,627	(1,503,183)	5,815,845	1,195,605
Section 108 loans payable to Department of Housing and Urban Development (DHUD)	1,350,000	-	(430,000)	920,000	450,000
Total governmental activities	$ 9,947,397	$ 1,723,598	$(2,476,271)	$ 9,194,724	$ 1,792,465

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, 2008, excluding accrued sick and vacation/PTO payable, workers' compensation payable, insurance claims payable, and compensatory time payable are as follows:

Due	Business-type Activities		Governmental Activities		Totals	
In	Principal	Interest	Principal	Interest	Principal	Interest
2009	$5,245,737	$1,392,887	$596,860	$35,106	$ 5,842,597	$ 1,427,993
2010	5,291,755	1,276,088	505,607	11,852	5,797,362	1,287,940
2011	5,442,266	1,157,926	30,028	1,247	5,472,294	1,159,173
2012	5,620,954	1,004,501	-	-	5,620,954	1,004,501
2013	5,701,915	906,085	-	-	5,701,915	906,085
2014-18	16,247,498	3,119,688	-	-	16,247,498	3,119,688
2019-23	7,178,726	1,655,582	-	-	7,178,726	1,655,582
2024-28	4,354,490	586,129	-	-	4,354,490	586,129
	$55,083,341	$11,098,886	$1,132,495	$48,205	$56,215,836	$11,147,091

The total requirements of principal and interest on long-term obligations at June 30, 2008, for business-type activity obligations are summarized as follows:

Business-type activities obligations:	Principal	Interest
2008 Water Revenue Bonds	$ 11,100,000	$ 6,417,250
State of Michigan Sewage Disposal System Bonds (2.00%)	20,573,610	1,310,786
State of Michigan Sewage Disposal System Bonds (2.25%)	5,923,508	770,573
State of Michigan Sewage Disposal System Bonds (2.50%)	10,449,648	1,768,968
Drake/Douglas General Obligation Bonds	1,025,000	463,769
State of Michigan Sewage Treatment Improvement Bonds (1.625%)	6,011,575	367,540
Total Enterprise Obligations	$ 55,083,341	$ 11,098,886

The total requirements of principal and interest on long-term obligations at June 30, 2008, for governmental activities obligations are summarized as follows:

Governmental Activities Obligations:	Principal	Interest
1994 Debt Service Judgment Bonds	$ 75,000	$ 2,213
Komatsu Wheel Loader	27,837	2,331
Mobark Wood Chippers	10,053	199
Bobcat Skid Loader	28,121	1,737
Fire Vehicles	71,484	6,896
Section 108 Loans Payable	920,000	34,829
Total General Obligations	1,132,495	48,205
Total Future Debt Service Requirements	$ 56,215,836	$ 11,147,091

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.

G. Operating leases

The City leases their telephone system, several vehicles, and various IBM computer equipment under noncancelable operating leases. Total costs for such leases were $237,718 for the year ended June 30, 2008. The future minimum lease payments for these leases are as follows:

Fiscal Year	Telephone System	GMAC Vehicles	IBM Equipment	Total
2009	$ 19,161	$ 3,010	$ 180,000	$ 202,171
2010	-	752	180,000	180,752
2011	-	-	180,000	180,000
2012	-	-	180,000	180,000
	$ 19,161	$ 3,762	$ 720,000	$ 742,923

IV. Other information

A. Risk management

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.

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.

B. Self insurance

General Liability

The City's insurance carriers are Genesis Insurance Company for general liability and automobile coverage and Amerisure Insurance for automobile physical damage. The City is insured up to $21 million with a $250,000 deductible per occurrence for general and automobile liability and a $1,000 deductible for automobile physical damage. 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, 2007 and 2008, are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/07	$ 522,090	$ 250,847	$ 204,472	$ 568,465
6/30/08	568,465	(209,822)	185,127	173,516

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 claims 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 additions to 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 fiscal years ended June 30, 2007 and 2008, are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/07	$ 609,223	$ (6,323,762)	$ 6,459,306	$ 744,767
6/30/08	744,767	11,463,805	11,181,732	1,026,840

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 $600,000 and Employers' Liability coverage in the amount of $1,000,000 through Safety National Insurance 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, 2007 and 2008, are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/07	$ 1,873,087	$ 763,458	$ 578,648	$ 2,057,897
6/30/08	2,057,897	1,107,471	1,092,500	2,072,868

C. 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, 2008, there were 128 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, 2008, amounted to $528,109 and employee contributions were $269,168.

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.

Funding Policy

The City is required to contribute an amount equal to a percentage of covered payroll which is determined based on a flat rate as determined by the actuary. Under the plan, eligible employees are required to contribute 0.0%-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, 2008, the City's annual pension cost of $4,654,056 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 8.40% 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, 2007, the date of the latest actuarial valuation, was 18 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
06/30/06	$ 3,335,932	100%	$0
06/30/07	4,273,124	100%	0
06/30/08	4,654,056	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
12/31/05	$76,032,977	$135,876,876	$59,843,899	56%	$9,005,017	665%
12/31/06	75,075,398	136,354,640	61,279,242	55%	8,307,523	738%
12/31/07	76,460,718	137,280,271	60,819,553	56%	7,548,542	806%

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, 2006, the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	374
Active plan members	161
Total	535

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 annual required employer contribution is based upon a flat rate as determined by the actuary and was $4,740,074 for the year ended June 30, 2008.

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. However, amounts invested in a separate equity mutual fund (Harbor International Fund) represent 8% of the System's total investments at June 30, 2008.

The Plan's annual pension cost of $4,740,474 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, 2005, 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 postretirement 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, 2006, was 30 years.

The funded status of the Policemen and Firemen Pension Trust as of June 30, 2006, the most recent actuarial valuation date, is as follows:

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
6/30/06	$124,578,186	$165,327,614	$40,749,428	75%	$9,502,885	429%

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

GASB Statement No. 25 Required Supplementary Information is presented after the notes to the Financial Statements.

Following are the financial statements for the Policemen and Firemen Pension Trust Fund for the year ended June 30, 2008.

Statement of Plan Net Assets

ASSETS	
Cash and cash equivalents	$ 4,212,837
Investments, at market value	
Governmental securities	16,774,825
Municipal obligations	2,622,693
Corporate and foreign bonds	15,523,336
Common equity securities	53,524,171
Equity mutual funds	28,435,755
Other	30,178
Total Investments	116,910,958
Accrued interest receivable	159,605
Total Assets	121,283,400
LIABILITIES	
Accounts payable	37,085
Accrued wages payable	630,261
Total Liabilities	667,346
Net Assets Held In Trust for Pension Benefits	$120,616,054

Statement of Changes in Plan Net Assets

Additions	
Contributions:	
Employer	$ 4,740,074
Plan members	1,095,295
Total contributions	5,835,369
Investment income (loss):	
Interest	1,892,507
Dividends	1,450,548
Mutual fund rebates	49,874
Net depreciation in fair value of investments	(11,552,960)
Investment expenses	(377,139)
Total investment loss	(8,537,170)
Total Additions (net of investment loss)	(2,701,801)
Deductions	
Police pension benefits	6,498,613
Fire pension benefits	5,790,217
Administrative expenses	289,643
Total Deductions	12,578,473
Net decrease for the year	(15,280,274)
Net Assets Held in Trust for Pension Benefits	
Beginning of year	135,896,328
End of year	$120,616,054

D. Employee benefits

In addition to contributing to the Michigan Municipal Employees Retirement System described in Note IV.C., 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 $4,689,033, a decrease of 0.05% from the prior fiscal year, as follows:

	Fiscal Year 2008	Fiscal Year 2007	Increase (Decrease)
Health Insurance	$ 3,849,605	$ 3,884,347	$ (34,742)
Dental Insurance	333,136	352,481	(19,345)
Life Insurance	102,464	102,301	163
Short/Long term disability	320,994	290,209	30,785
Vision Care	82,834	84,066	1,232
Total Payments	$ 4,689,033	$ 4,713,404	$ (21,907)

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

E. Other postemployment benefits

Plan Description and Contribution Information

In addition to the pension benefits described in Note I.V.C, 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 $6,819,095 were recognized for postretirement health care benefits, an increase of 3.31%, from the prior fiscal year, as follows:

	No. of Retirees	Fiscal Year 2008	Fiscal Year 2007
Health Insurance	708	$ 6,760,190	$ 6,548,672
Dental Insurance	93	47,384	36,402
Life Insurance	526	11,522	15,524
Total Payments		$ 6,819,096	$ 6,600,598

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

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.

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. The City will obtain an actuarial valuation to determine the required contribution to the trust fund for the year ended June 30, 2009, in compliance with GASB Statement 45.

Net assets available to fund this Plan amount to $5,988,029 at June 30, 2008.

Following are the financial statements for the Public Employee Healthcare Trust Fund for the year ended June 30, 2008.

Statement of Plan Net Assets

ASSETS	
Cash and cash equivalents	$ 452,015
Investments, at market value	
Other	1,836,014
Total Assets	2,288,029
Net Assets Held In Trust for Pension Benefits	$ 2,288,029

Statement of Changes in Plan Net Assets

Additions	
Contributions:	
Employer	$ 400,000
Investment income (loss):	
Interest	40,406
Net depreciation in fair value of investments	(194,206)
Total investment income	(153,800)
Total Additions	3,946,200
Deductions	
Administrative expenses	112,503
Net increase for the year	133,697
Net Assets Held in Trust for Pension Benefits	
Beginning of year	2,154,332
End of year	$ 2,288,029

F. 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, 2007, levy was assessed at $620,716,685 and personal property taxable value was assessed at $88,501,761.

The City of Saginaw's operating tax rate for the fiscal year ended June 30, 2008, was 5.1701 mills (limited to 7.50 mills) with an additional 2.9532 mills for rubbish collection. Additionally, the City levied 6.0000 mills for public safety. 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 with by a 3/4ths vote of the full Council.

G. Economic development projects

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.

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
6/30/03	$ 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
6/30/07	4,842,384	100%	0
6/30/08	4,740,074	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
6/30/01	$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%
6/30/05	122,782,274	160,541,137	37,758,863	77%	9,561,886	395%
6/30/06	124,578,186	165,327,614	40,749,428	75%	9,502,885	429%

Brownfield Authority Site Remediation Revolving Fund (SRRF)

The City received funding 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 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.

H. Restatements

An adjustment was made to reclassify the Budget Stabilization fund to a separate fund, rather than being reported as an activity of the General Fund. In addition, there were additional expenditures accrued to the year ended June 30, 2007, for a tax refund and IFTs payable to the State in the General Fund. The adjustment had the following effect on the beginning fund balances:

	General Fund	Nonmajor Governmental Funds
Fund balances as previously reported	$7,671,018	$4,767,390
Prior period adjustments		
Reclassification of budget stabilization activity	(2,200,000)	2,200,000
Income tax refund	(342,131)	-
IFT payable to the State	(401,502)	-
Fund balances as restated	$4,727,385	$6,967,390

In addition, the prior period adjustments had the following effect on the beginning net assets:

	Governmental Activities
Net assets as previously reported	$57,774,681
Prior period adjustments	
Income tax refund	(342,131)
IFT payable to the State	(401,502)
Net assets as restated	$57,031,048

I. Subsequent event

In the 2008/2009 budget the City has approved the issuance of an installment purchase contract not to exceed $1,100,000 for the purchase of vehicles for garage operations.

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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, 2008
(With Comparative Actual Amounts for June 30, 2007)

	2008	2007
Assets		
Cash and cash equivalents	$ 4,260,201	$ 244,829
Income taxes receivable	1,107,892	1,320,951
Accounts receivable, net of allowances	825,590	1,161,339
Accrued interest receivable	-	19,257
Due from other governmental units	3,327,769	3,479,240
Inventory	981	-
Property taxes receivable	68,559	155,661
Assessments receivable	168,844	287,003
Investments	-	1,942,570
Due from other funds	799,255	9,617
Restricted assets		
Cash and cash equivalents	-	2,200,000
Long-term advances to other funds	-	43,000
Total assets	$ 10,559,091	$ 10,863,467
Liabilities and fund balances		
Liabilities		
Accounts payable	$ 460,907	$ 517,231
Accued wages payable	622,232	546,568
Due to other governmental units	106,793	81,152
Due to other funds	6,143,168	15,838
Customer deposits	571,836	769,417
Deferred revenue	942,891	1,262,243
Total liabilities	8,847,827	3,192,449
Fund balances		
Reserved for:		
Encumbrances	136,774	1,540
Inventory	981	-
Long-term advances to other funds	-	43,000
Unreserved:		
Designated for:		
Parking Fund	349,931	321,479
Budget stabilization	-	2,219,257
Subsequent year's expenditures	701,433	500,000
Undesignated, reported in:		
General Fund	522,145	4,585,742
Total fund balances	1,711,264	7,671,018
Total liabilities and fund balances	$ 10,559,091	$ 10,863,467

CITY OF SAGINAW, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2008
(With Comparative Actual Amounts for the Year ended June 30, 2007)

	For the Year Ended June 30, 2008				
	Original Budget	Amended Budget	Actual	Variance Over (Under)	Year Ended June 30, 2007 Actual
Revenues					
General operating property taxes	$ 3,585,218	$ 3,585,218	$ 3,489,913	$ (95,305)	$ 3,629,319
Special assessments	100,000	100,000	83,207	(16,793)	45,108
City income tax	13,034,978	13,034,978	12,776,297	(258,681)	13,526,132
State shared revenues					
Sales tax	9,888,518	9,888,518	9,738,640	(149,878)	9,793,064
Liquor licenses	25,000	25,000	41,635	16,635	43,157
Total state shared revenues	9,913,518	9,913,518	9,780,275	(133,243)	9,836,221
Departmental and miscellaneous					
Housing and business licenses	270,600	270,600	267,810	(2,790)	276,534
Construction and other permits	217,650	217,650	189,098	(28,552)	306,168
Fees	918,550	918,550	877,779	(40,771)	1,114,372
Fines, penalties and forfeitures	217,000	217,000	270,825	53,825	314,090
Grants, donations and contributions	2,465,862	3,138,862	3,312,209	173,347	2,697,859
Interest	440,800	440,800	506,627	65,827	589,333
Rents and privileges	50,000	50,000	104,073	54,073	500
Sale of materials and services	1,659,839	1,464,333	1,175,412	(288,921)	1,412,823
Total departmental and miscellaneous revenues	6,240,301	6,717,795	6,703,833	(13,962)	6,711,679
Total revenues	32,874,015	33,351,509	32,833,525	(517,984)	33,748,459
Expenditures					
General government	4,138,357	4,128,032	3,882,052	(245,980)	3,901,176
Fiscal services (administration)	2,604,139	2,627,781	2,472,000	(155,781)	2,345,603
Public safety	21,017,588	21,095,621	20,138,547	(957,074)	20,062,361
General services	3,393,248	3,396,020	3,283,487	(112,533)	3,001,384
Community services	1,288,116	1,962,116	1,878,454	(83,662)	1,329,350
Debt service	158,418	158,418	-	(158,418)	158,418
Total expenditures	32,599,866	33,367,988	31,654,540	(1,713,448)	30,798,292
Revenues over (under) expenditures	274,149	(16,479)	1,178,985	1,195,464	2,950,167
Other financing sources (uses)					
Transfers in	170,963	191,726	34,726	(157,000)	-
Transfers out	(569,728)	(586,319)	(4,229,832)	(3,643,513)	(463,216)
Total other financing sources (uses)	(398,765)	(394,593)	(4,195,106)	(3,800,513)	(463,216)
Net change in fund balances	$ (124,616)	$ (411,072)	(3,016,121)	$ (2,605,049)	2,486,951
Fund balances at beginning of year, as restated			4,727,385		5,184,067
Fund balances at end of year			$ 1,711,264		$ 7,671,018

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF DEPARTMENTAL AND MISCELLANEOUS REVENUES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual Revenues	Variance Over (Under)
Licenses				
Business and occupational	$ 95,600	$ 95,600	$ 100,812	$ 5,212
Rental housing	175,000	175,000	166,998	(8,002)
Total licenses	270,600	270,600	267,810	(2,790)
Construction and other permits	217,650	217,650	189,098	(28,552)
Fees				
Property tax administration	375,005	375,005	371,093	(3,912)
Gun registration	1,400	1,400	1,815	415
Zoning code	10,000	10,000	6,430	(3,570)
Witness	16,145	16,145	19,473	3,328
Japanese tea house	10,000	10,000	6,983	(3,017)
Vehicle storage	-	-	30	30
Hazmat clean up	6,000	6,000	3,971	(2,029)
Fire department	-	-	50	50
Cable television	500,000	500,000	467,934	(32,066)
Total fees	918,550	918,550	877,779	(40,771)
Fines, penalties and forfeitures				
Traffic violations (except parking)	75,000	75,000	123,594	48,594
Traffic violations - parking	-	-	893	893
Penalties on property taxes	72,000	72,000	86,488	14,488
Transfer affidavit fines	70,000	70,000	59,850	(10,150)
Total fines, penalties and forfeitures	217,000	217,000	270,825	53,825
Grants, donations and contributions				
City/county/school liaison	10,000	10,000	10,000	-
Indirect costs	2,351,372	2,351,372	2,737,821	386,449
Reimbursement for police overtime	104,490	104,490	111,377	6,887
Other grants	-	673,000	453,011	(219,989)
Total grants, donations and contributions	2,465,862	3,138,862	3,312,209	173,347

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, 2008

	Original Budget	Amended Budget	Actual Revenues	Variance Over (Under)
Interest				
Investments	$ 240,000	$ 240,000	$ 278,361	$ 38,361
Deferred special assessments	800	800	4,003	3,203
City income taxes	200,000	200,000	224,263	24,263
Total interest	440,800	440,800	506,627	65,827
Rents and privileges				
Land and buildings	50,000	50,000	104,073	54,073
Sale of materials and services				
Cemetery services and markers	351,200	351,200	370,109	18,909
Cemetery grave spaces	100,000	100,000	127,689	27,689
Police Department services	30,000	30,000	36,163	6,163
Fire Department services	2,000	2,000	1,957	(43)
Engineering plans and specifications	1,000	1,000	1,535	535
Sale of land	60,000	60,000	87,729	27,729
Insurance proceeds	77,000	151,147	70,873	(80,274)
Election services	-	-	23,780	23,780
Surplus receipts	73,000	51,347	28,523	(22,824)
Other	965,639	717,639	427,054	(290,585)
Total sale of materials and services	1,659,839	1,464,333	1,175,412	(288,921)
Transfers in				
Police Grant Funds	-	20,763	20,763	-
Community Development Block Grant Fund	13,963	13,963	13,963	-
Sick and Vacation Fund	157,000	157,000	-	(157,000)
Total transfers in	170,963	191,726	34,726	(157,000)
Total departmental and miscellaneous revenues and transfers in	$ 6,411,264	$ 6,909,521	$ 6,738,559	$ (170,962)

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
General government				
City council	$ 98,804	$ 88,804	$ 83,160	$ (5,644)
City/county/school liaison	15,000	7,000	9,985	2,985
City manager	295,042	305,042	309,834	4,792
Cable television operation	49,926	49,926	34,226	(15,700)
Employee services	521,373	521,373	506,944	(14,429)
City clerk	338,558	340,013	323,776	(16,237)
Elections	179,928	180,013	164,691	(15,322)
City attorney	631,573	639,998	463,969	(176,029)
Unemployment compensation	125,000	112,710	28,417	(84,293)
Retiree health insurance and contributions	1,836,385	1,836,385	1,920,794	84,409
Geographical information system charges	46,768	46,768	36,256	(10,512)
Total general government	4,138,357	4,128,032	3,882,052	(245,980)
Fiscal services (administration)				
Administration	265,188	313,694	301,849	(11,845)
Controller	676,455	632,949	602,350	(30,599)
Treasurer/income tax	975,199	970,199	873,826	(96,373)
Assessor	507,062	530,704	511,838	(18,866)
Purchasing	180,235	180,235	182,137	1,902
Total fiscal services (administration)	2,604,139	2,627,781	2,472,000	(155,781)
Public safety				
Police department				
Administration	419,446	419,446	430,729	11,283
Patrol	7,267,707	7,269,407	7,490,445	221,038
Administrative services	449,581	443,081	336,866	(106,215)
Investigation	1,611,552	1,621,552	1,668,717	47,165
Building and property management	1,321,716	1,372,139	1,373,275	1,136
Technical services	496,198	515,261	463,115	(52,146)
Total police department	11,566,200	11,640,886	11,763,147	122,261

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
Public safety (continued)				
Fire department				
Administration	$ 412,189	$ 417,914	$ 291,915	$ (125,999)
Suppression	8,294,704	8,289,704	7,499,243	(790,461)
Training	260,164	259,439	178,137	(81,302)
Prevention	161,773	165,120	125,807	(39,313)
Apparatus operation and maintenance	322,558	322,558	280,298	(42,260)
Total fire department	9,451,388	9,454,735	8,375,400	(1,079,335)
Total public safety	21,017,588	21,095,621	20,138,547	(957,074)
General services				
Public works and engineering	113,470	112,930	102,047	(10,883)
Street lighting	585,687	585,687	687,229	101,542
Public improvements	529,685	482,773	455,370	(27,403)
Traffic engineering	421,533	421,533	(2,310)	(423,843)
Abatement of nuisances	122,880	122,880	100,180	(22,700)
Cemeteries operation and maintenance	619,196	659,420	687,157	27,737
Japanese tea house and cultural center	45,118	45,118	45,080	(38)
Parks administration	25,000	35,000	33,987	(1,013)
Building and grounds maintenance	930,679	930,679	1,174,747	244,068
Total general services	3,393,248	3,396,020	3,283,487	(112,533)
Community services				
Inspections and zoning	757,299	757,299	759,107	1,808
Demolitions	-	673,000	612,824	(60,176)
Planning and economic development	413,317	413,317	388,023	(25,294)
Contributions to other organizations	117,500	118,500	118,500	-
Total community services	1,288,116	1,962,116	1,878,454	(83,662)

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
Debt service				
Principal	$ 153,710	$ 153,710	$ -	$ (153,710)
Interest	4,708	4,708	-	(4,708)
Total debt service	158,418	158,418	-	(158,418)
Transfers out				
Streets Funds	100,384	100,384	100,384	-
Public Safety Fund	249,284	249,284	249,284	-
Drug Forfeiture Fund	-	11,290	11,290	-
Motor Pool Fund	-	5,301	5,301	-
Self Insurance Fund	-	-	3,700,000	3,700,000
Parking Fund	39,824	39,824	39,824	-
Police Grant Funds	180,236	180,236	123,749	(56,487)
Total transfers out	569,728	586,319	4,229,832	3,643,513
Total appropriations, expenditures and transfers out	$33,169,594	$33,954,307	$ 35,884,372	$ 1,930,065

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

BUDGET STABILIZATION FUND

This fund was established to assist in stabilizing revenues during periods of economic downturns and provides a safeguard to protect critical programs for the City's citizens when the City experiences an economic downturn.

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.

PUBLIC SAFETY MILLAGE FUND

The City levies a special property tax earmarked to support the cost of police and firefighters. This fund accounts for the tax levy proceeds and other reimbursements. It also records the expenditures for the payroll and related costs of the police officers and firefighters assigned to this fund.

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.

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)

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, 2008

	Special Revenue Funds			
	Budget Stabilization	Major Streets	Local Streets	Municipal Streets
Assets				
Cash and cash equivalents	$ -	$ 795,556	$ -	$ -
Accounts receivable, net of allowances	-	3,032	-	-
Due from other governmental units	-	1,007,325	166,940	-
Inventory	-	578,835	-	33,660
Property taxes receivable	-	-	-	-
Assessments receivable	-	-	11,029	-
Due from other funds	1,873,162	-	-	-
Restricted assets				
Cash and cash equivalents	326,671	-	-	-
Accrued interest receivable	167	-	-	-
Investments	-	-	-	-
Total assets	$ 2,200,000	$ 2,384,748	$ 177,969	$ 33,660
Liabilities and fund balances				
Liabilities				
Accounts payable	$ -	$ 60,151	$ 110	$ -
Accrued wages payable	-	40,939	21,937	-
Due to other funds	-	1,873,162	144,893	33,660
Deferred revenue	-	271,188	11,029	-
Total liabilities	-	2,245,440	177,969	33,660
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Encumbrances	-	268,973	31,342	-
Inventory	-	578,835	-	33,660
Specific projects	2,200,000	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated (deficit)	-	(708,500)	(31,342)	(33,660)
Total fund balances	2,200,000	139,308	-	-
Total liabilities and fund balances	$ 2,200,000	$ 2,384,748	$ 177,969	$ 33,660

Special Revenue Funds					
		Police Grants Funds			
Public Safety Millage	Rubbish Collection	Community Policing	Auto Theft Prevention Grant	Police Training	Youth Initiative Grant
$ 182,560	$ 767,230	$ 11,790	$ -	$ 23,977	$ 11,480
-	106,000	-	-	-	-
-	-	-	16,377	-	-
-	-	-	-	-	-
-	36,080	-	-	-	-
-	57,462	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
$ 182,560	$ 966,772	$ 11,790	$ 16,377	$ 23,977	$ 11,480
$ -	$ 352,603	$ 473	$ 1,644	$ 3,267	$ 1,159
182,560	17,824	11,317	3,998	-	10,321
-	-	-	10,735	-	-
-	199,542	-	-	20,710	-
182,560	569,969	11,790	16,377	23,977	11,480
-	-	-	-	-	-
-	416,019	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	(19,216)	-	-	-	-
-	396,803	-	-	-	-
$ 182,560	$ 966,772	$ 11,790	$ 16,377	$ 23,977	$ 11,480

Continued

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

	Special Revenue Funds			
	Drug Forfeiture	Andersen Center Operation	Urban Development Action Grant	Boat Launch Operation
Assets				
Cash and cash equivalents	$ -	$ 69,660	$ 438,154	$ 12,189
Accounts receivable, net of allowances	-	-	-	-
Due from other governmental units	-	-	-	-
Inventory	-	-	-	-
Property taxes receivable	-	-	-	-
Assessments receivable	-	-	-	-
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	546,699	19,908	-	-
Accrued interest receivable	-	1,657	-	-
Investments	-	-	-	-
Total assets	$ 546,699	$ 91,225	$ 438,154	$ 12,189
Liabilities and fund balances				
Liabilities				
Accounts payable	$ 575	$ 2,307	$ -	$ 2,452
Accrued wages payable	-	3,658	-	-
Due to other funds	79,871	-	-	-
Deferred revenue	329,034	-	-	-
Total liabilities	409,480	5,965	-	2,452
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Encumbrances	1,617	452	-	532
Inventory	-	-	-	-
Specific projects	135,602	19,908	438,154	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated (deficit)	-	64,900	-	9,205
Total fund balances	137,219	85,260	438,154	9,737
Total liabilities and fund balances	$ 546,699	$ 91,225	$ 438,154	$ 12,189

Special Revenue Funds					
Economic Development	Carl H. Ibershoff Trust	Total	Capital Projects	Permanent Fund	Totals
$ 71,167	$ 2,807	$ 2,386,570	$ 101,466	$ 95,234	$ 2,583,270
-	-	109,032	-	-	109,032
58,345	-	1,248,987	-	-	1,248,987
-	-	612,495	-	-	612,495
-	-	36,080	-	-	36,080
-	-	68,491	-	-	68,491
-	-	1,873,162	-	-	1,873,162
-	-	893,278	-	-	893,278
-	-	1,824	-	-	1,824
-	-	-	-	2,449,935	2,449,935
$ 129,512	$ 2,807	$ 7,229,919	$ 101,466	$ 2,545,169	$ 9,876,554
$ 66,435	$ -	$ 491,176	$ -	$ 3,030	$ 494,206
-	-	292,554	-	-	292,554
-	-	2,142,321	-	-	2,142,321
-	-	831,503	-	-	831,503
66,435	-	3,757,554	-	3,030	3,760,584
-	2,807	2,807	-	2,449,935	2,452,742
-	-	718,935	-	-	718,935
-	-	612,495	-	-	612,495
63,077	-	2,856,741	-	-	2,856,741
-	-	-	101,466	-	101,466
-	-	(718,613)	-	92,204	(626,409)
63,077	2,807	3,472,365	101,466	2,542,139	6,115,970
$ 129,512	$ 2,807	$ 7,229,919	$ 101,466	$ 2,545,169	$ 9,876,554

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	Special Revenue Funds		
	Budget Stabilization	Major Streets	Local Streets
Revenues			
General operating property taxes	$ -	$ -	$ -
State of Michigan gas and weight taxes	-	3,641,906	1,018,786
Trunkline maintenance	-	367,773	-
Fees	-	-	-
Drug forfeitures	-	-	-
Grants and entitlements	-	220,769	-
Interest on deposits and investments	-	22,132	822
Sale of materials and services	-	49,351	3,014
Total revenues	-	4,301,931	1,022,622
Expenditures			
Current expenditures			
Public safety	-	-	-
Highways and streets	-	4,286,765	1,688,970
Garbage and rubbish	-	-	-
Community service	-	-	-
Economic development	-	-	-
Total expenditures	-	4,286,765	1,688,970
Revenues over (under) expenditures	-	15,166	(666,348)
Other financing sources (uses)			
Transfers in	-	100,384	643,319
Transfers out	-	(643,319)	-
Total other financing sources (uses)	-	(542,935)	643,319
Net change in fund balances	-	(527,769)	(23,029)
Fund balances at beginning of year, as restated	2,200,000	667,077	23,029
Fund balances at end of year	$ 2,200,000	$ 139,308	$ -

Special Revenue Funds						
			Police Grants Funds			
Municipal Streets	Public Safety Millage	Rubbish Collection	Community Policing	Auto Theft Prevention Grant	Police Training	Youth Initiative Grant
$ -	3,742,771	$ 1,985,479	$ -	$ -	$ -	$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,249,617	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	65,701	21,309	216,750
-	-	1,959	27	-	37	-
2,515	-	6,557	-	2,437	-	-
2,515	3,742,771	3,243,612	27	68,138	21,346	216,750
-	4,051,181	-	283,356	102,778	21,346	226,767
8,305	-	-	-	-	-	-
-	-	3,468,084	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
8,305	4,051,181	3,468,084	283,356	102,778	21,346	226,767
(5,790)	(308,410)	(224,472)	(283,329)	(34,640)	-	(10,017)
-	249,284	-	283,329	55,403	-	10,017
-	-	-	-	(20,763)	-	-
-	249,284	-	283,329	34,640	-	10,017
(5,790)	(59,126)	(224,472)	-	-	-	-
5,790	59,126	621,275	-	-	-	-
$ -	$ -	$ 396,803	$ -	$ -	$ -	$ -

Continued

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	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	-	53,614	-	10,942
Drug forfeitures	22,674	-	-	-
Grants and entitlements	4,984	145,354	-	-
Interest on deposits and investments	14,521	3,579	19,095	20
Sale of materials and services	-	42,123	-	-
Total revenues	42,179	244,670	19,095	10,962
Expenditures				
Current expenditures				
Public safety	37,920	-	-	-
Highways and streets	-	-	-	-
Garbage and rubbish	-	-	-	-
Community service	-	257,528	-	-
Economic development	-	-	51,250	20,122
Total expenditures	37,920	257,528	51,250	20,122
Revenues over (under) expenditures	4,259	(12,858)	(32,155)	(9,160)
Other financing sources (uses)				
Transfers in	-	11,290	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	11,290	-	-
Net change in fund balances	4,259	(1,568)	(32,155)	(9,160)
Fund balances at beginning of year, as restated	132,960	86,828	470,309	18,897
Fund balances at end of year	$ 137,219	$ 85,260	$ 438,154	$ 9,737

Special Revenue Funds					
Economic Development	Carl H. Ibershoff Trust	Total	Capital Projects	Permanent Fund	Totals
$ -	$ -	$ 5,728,250	$ -	$ -	$ 5,728,250
-	-	4,660,692	-	-	4,660,692
-	-	367,773	-	-	367,773
-	-	1,314,173	-	-	1,314,173
-	-	22,674	-	-	22,674
191,476	-	866,343	-	-	866,343
-	-	62,192	-	148	62,340
-	-	105,997	-	-	105,997
191,476	-	13,128,094	-	148	13,128,242
-	-	4,723,348	-	-	4,723,348
-	-	5,984,040	-	-	5,984,040
-	-	3,468,084	-	-	3,468,084
-	-	257,528	-	7,400	264,928
156,834	-	228,206	-	-	228,206
156,834	-	14,661,206	-	7,400	14,668,606
34,642	-	(1,533,112)	-	(7,252)	(1,540,364)
-	-	1,353,026	-	-	1,353,026
-	-	(664,082)	-	-	(664,082)
-	-	688,944	-	-	688,944
34,642	-	(844,168)	-	(7,252)	(851,420)
28,435	2,807	4,316,533	101,466	2,549,391	6,967,390
$ 63,077	$ 2,807	$ 3,472,365	$ 101,466	$ 2,542,139	$ 6,115,970

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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
State of Michigan gas and weight taxes	$ 3,800,000	$ 3,641,906	$ (158,094)
Trunkline maintenance	279,949	367,773	87,824
Grants and entitlements	215,000	220,769	5,769
Interest	-	22,132	22,132
Sale of materials and services	25,000	49,351	24,351
Total revenues	4,319,949	4,301,931	(18,018)
Expenditures			
Current expenditures			
Routine maintenance of roads and streets	1,841,351	1,688,598	(152,753)
Routine maintenance of bridges	167,312	98,396	(68,916)
Winter maintenance of roads and streets	328,507	301,062	(27,445)
Traffic services maintenance	500,574	859,653	359,079
State trunkline maintenance	199,680	300,743	101,063
Administration	959,668	885,716	(73,952)
Capital outlay			
Construction and resurfacing of streets	359,148	101,882	(257,266)
Bridge reconstruction	113,183	50,715	(62,468)
Total expenditures	4,469,423	4,286,765	(182,658)
Revenues over (under) expenditures	(149,474)	15,166	164,640
Other financing sources (uses)			
Transfers out	(554,246)	(643,319)	89,073
Net change in fund balances	$ (603,336)	(527,769)	$ 75,567
Fund balance at beginning of year		667,077	
Fund balance at end of year		$ 139,308	

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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
State of Michigan gas and weight taxes	$ 1,082,000	$ 1,018,786	$ (63,214)
Interest on deposits and investments	6,000	822	(5,178)
Sale of materials and services	23,000	3,014	(19,986)
Total revenues	1,111,000	1,022,622	(88,378)
Expenditures			
Current expenditures			
Routine maintenance of roads and streets	605,373	718,381	113,008
Winter maintenance of roads and streets	207,566	192,430	(15,136)
Traffic services maintenance	240,927	234,644	(6,283)
Administration	538,560	543,515	4,955
Total expenditures	1,592,426	1,688,970	96,544
Revenues over (under) expeditures	(481,426)	(666,348)	(184,922)
Other financing sources (uses)			
Transfers in	474,246	643,319	169,073
Net change in fund balances	$ (7,180)	(23,029)	$ (15,849)
Fund balance at beginning of year		23,029	
Fund balance at end of year		$ -	

CITY OF SAGINAW, MICHIGAN
PUBLIC SAFETY MILLAGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
General operating property taxes	$ 3,745,636	$ 3,742,771	$ (2,865)
Expenditures			
Current expenditures			
Police patrol	1,903,798	1,943,729	39,931
Police investigation	431,732	445,437	13,705
Fire suppression	1,561,688	1,561,688	-
Fire prevention	97,702	100,327	2,625
Total expenditures	3,994,920	4,051,181	56,261
Revenues over (under) expenditures	(249,284)	(308,410)	(59,126)
Other financing sources (uses)			
Transfers in	249,284	249,284	-
Net change in fund balances	$ -	(59,126)	$ (59,126)
Fund balance at beginning of year		59,126	
Fund balance at end of year		$ -	

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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
General operating property taxes	$ 2,077,271	$ 1,985,479	$ (91,792)
Fees	1,606,890	1,249,617	(357,273)
Interest on deposits and investments	1,000	1,959	959
Sale of materials and services	2,500	6,557	4,057
Total revenues	3,687,661	3,243,612	(444,049)
Expenditures			
Current expenditures			
Administration	552,116	377,399	(174,717)
Rubbish collection and disposal	2,799,584	2,683,636	(115,948)
Brush collection and disposal	125,110	76,614	(48,496)
Recycling and composting	387,630	330,435	(57,195)
Debt service	15,918	-	(15,918)
Total expenditures	3,880,358	3,468,084	(412,274)
Net change in fund balances	$ (192,697)	(224,472)	$ 31,775
Fund balance at beginning of year		621,275	
Fund balance at end of year		$ 396,803	

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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	$ 410,321	$ 303,760	$ (106,561)
Interest on deposits and investments	-	64	64
Sale of materials and services	-	2,437	2,437
Total revenues	410,321	306,261	(104,060)
Expenditures			
Current expenditures			
Public safety	729,286	634,247	(95,039)
Revenues (under) expenditures	(318,965)	(327,986)	(9,021)
Other financing sources (uses)			
Transfers in	484,140	348,749	(135,391)
Transfers out	(20,763)	(20,763)	-
Total other financing sources (uses)	463,377	327,986	(135,391)
Net change in fund balances	$ 144,412	-	$ (144,412)
Fund balance at beginning of year		-	
Fund balance 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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Drug forfeitures	$ 54,471	$ 22,674	$ (31,797)
Grants and entitlements	-	4,984	4,984
Interest on deposits and investments	5,000	14,521	9,521
Total revenues	59,471	42,179	(17,292)
Expenditures			
Current expenditures			
Public safety	140,149	37,920	(102,229)
Net change in fund balances	$ (80,678)	4,259	$ 84,937
Fund balance at beginning of year		132,960	
Fund balance at end of year		$ 137,219	

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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	$ 50,000	$ 53,614	$ 3,614
Grants and entitlements	108,356	145,354	36,998
Interest on deposits and investments	175	3,579	3,404
Sale of materials and services	-	42,123	42,123
Total revenues	158,531	244,670	86,139
Expenditures			
Current expenditures			
Community service	217,140	257,528	40,388
Revenues over (under) expeditures	(58,609)	(12,858)	45,751
Other financing sources			
Transfers in	11,290	11,290	-
Net change in fund balances	$ (47,319)	(1,568)	$ 45,751
Fund balance at beginning of year		86,828	
Fund balance at end of year		$ 85,260	

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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	$ 27,000	$ 10,942	$ (16,058)
Interest on deposits and investments	-	20	20
Total revenues	27,000	10,962	(16,038)
Expenditures			
Current expenditures			
Community services	35,950	20,122	(15,828)
Net change in fund balances	$ (8,950)	(9,160)	$ (210)
Fund balance at beginning of year		18,897	
Fund balance at end of year		$ 9,737	

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, 2008

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	$ 145,000	$ 191,476	$ 46,476
Expenditures			
Current expenditures			
Economic development	345,000	156,834	(188,166)
Revenues over (under) expenditures	(200,000)	34,642	(234,642)
Other financing sources			
Transfers in	484,140	-	(484,140)
Net change in fund balances	$ 284,140	34,642	$ (249,498)
Fund balance at beginning of year		28,435	
Fund balance at end of year		$ 63,077	

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, 2008

	Parking	Wave Pool	Totals
Assets			
Current assets			
Cash and cash equivalents	$ 625	$ 206,008	$ 206,633
Accounts receivable, net of allowances	538,495	-	538,495
Total current assets	539,120	206,008	745,128
Capital assets			
Land	201,203	-	201,203
Buildings and improvements	8,178,846	3,458,870	11,637,716
Plant and office equipment	541,413	69,139	610,552
Less allowances for depreciation	(8,641,710)	(3,528,009)	(12,169,719)
Net capital assets	279,752	-	279,752
Total assets	818,872	206,008	1,024,880
Liabilities			
Current liabilities			
Due to other funds	331,312	-	331,312
Accounts payable	4,641	-	4,641
Accrued wages payable	3,239	-	3,239
Unearned revenue	538,494	-	538,494
Total current liabilities	877,686	-	877,686
Long-term liabilities			
Accrued sick and vacation/PTO payable	11,365	-	11,365
Total liabilities	889,051	-	889,051
Net assets			
Investment in capital assets	279,752	-	279,752
Unrestricted (deficit)	(349,931)	206,008	(143,923)
Total net assets (deficit)	$ (70,179)	$ 206,008	$ 135,829

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2008

	Parking	Wave Pool	Totals
Operating revenues			
Parking ramps	$ 38,695	$ -	$ 38,695
Parking lots	137,648	-	137,648
Parking fines and tickets	78,867	-	78,867
Total operating revenues	255,210	-	255,210
Operating expenses			
Salaries	59,953	-	59,953
Employee benefits	142,608	-	142,608
Contractual services	28,911	-	28,911
Internal user charges	28,165	-	28,165
Insurance	9,883	-	9,883
Utilities	42,364	-	42,364
Supplies and materials	7,094	-	7,094
Depreciation	42,775	-	42,775
Other	4,238	-	4,238
Total operating expenses	365,991	-	365,991
Operating income (loss)	(110,781)	-	(110,781)
Nonoperating revenues (expenses)			
Interest on investments	-	3,018	3,018
Grants and entitlements	-	107,926	107,926
Total nonoperating revenues (expenses)	-	110,944	110,944
Net income (loss) before transfers	(110,781)	110,944	163
Transfers			
Transfers in	39,824	-	39,824
Change in net assets	(70,957)	110,944	39,987
Net assets at beginning of year	778	95,064	95,842
Net assets (deficit) at end of year	$ (70,179)	$ 206,008	$ 135,829

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2008

	Parking	Wave Pool	Totals
Cash flows from operating activities:			
Receipts from customers	$ 293,289	$ -	$ 293,289
Payments to suppliers	(88,963)	-	(88,963)
Payments to employees	(205,803)	-	(205,803)
Payments for interfund services used	(37,722)	-	(37,722)
Net cash provided by (used for) operating activities	(39,199)	-	(39,199)
Cash flows from noncapital financing activities:			
Transfers in	39,824	-	39,824
Cash flows from capital and related financing activities:			
Grants and entitlements	-	107,926	107,926
Cash flows from investing activities:			
Sale of investments	-	1,105	1,105
Interest on investments	-	3,018	3,018
Net cash provided by investing activities	-	4,123	4,123
Increase in cash and cash equivalents	625	112,049	112,674
Cash and cash equivalents at beginning of year	-	93,959	93,959
Cash and cash equivalents at end of year	$ 625	$ 206,008	$ 206,633
Cash flows from operating activities:			
Operating income (loss)	$ (110,781)	$ -	$ (110,781)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	42,775	-	42,775
(Increase) Decrease in assets:			
Accounts receivable	41,626	-	41,626
Increase (Decrease) in liabilities:			
Due to other funds	(9,557)	-	(9,557)
Accounts payable	3,527	-	3,527
Accrued wages payable	(176)	-	(176)
Unearned revenue	(3,547)	-	(3,547)
Accrued sick and vacation/PTO payable	(3,066)	-	(3,066)
Net cash provided by (used for) operating activities	$ (39,199)	$ -	$ (39,199)

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.

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, 2008

	Information Services	GIS	Motor Pool
Assets			
Current assets			
Cash and cash equivalents	$ 87,038	$ 3,408	$ 1,107,415
Due from other funds	-	-	1,221,584
Accounts receivable	-	17,365	-
Inventory	-	-	259,911
Prepaid insurance	-	-	-
Total current assets	87,038	20,773	2,588,910
Capital assets			
Buildings and improvements	-	-	182,829
Plant and office equipment	324,115	99,937	81,419
Vehicular and radio equipment	-	-	6,886,254
Less allowances for depreciation	(291,577)	(84,998)	(5,675,130)
Net capital assets	32,538	14,939	1,475,372
Total assets	119,576	35,712	4,064,282
Liabilities			
Current liabilities			
Accounts payable	5,632	1,054	12,960
Accrued wages payable	18,684	10,809	15,210
Current portion of long-term debt	-	-	71,860
Total current liabilities	24,316	11,863	100,030
Long-term liabilities			
Workers' comp claims payable	-	-	-
Insurance claims payable	-	-	-
Accrued sick and vacation/PTO payable	88,815	21,513	68,741
Bonds and contracts payable	-	-	65,635
Total long-term liabilities	88,815	21,513	134,376
Total liabilities	113,131	33,376	234,406
Net assets			
Investment in capital assets, net of related debt	32,538	14,939	1,337,877
Restricted for:			
Insurance and other claims	-	-	-
Unrestricted (deficit)	(26,093)	(12,603)	2,491,999
Total net assets	$ 6,445	$ 2,336	$ 3,829,876

Central Stores	Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
$ 235	$ 1,328,127	$ 263,040	$ 894,118	$ -	$ 28,997	$ 3,712,378
-	331,312	3,700,000	1,221,584	-	-	6,474,480
-	-	-	-	-	-	17,365
-	-	-	-	-	-	259,911
-	-	40,775	-	-	-	40,775
235	1,659,439	4,003,815	2,115,702	-	28,997	10,504,909
-	-	-	-	-	-	182,829
76,954	3,435	-	-	-	-	585,860
-	1,149,404	-	-	-	-	8,035,658
(76,954)	(1,113,410)	-	-	-	-	(7,242,069)
-	39,429	-	-	-	-	1,562,278
235	1,698,868	4,003,815	2,115,702	-	28,997	12,067,187
235	108	15,819	5,067	-	4,845	45,720
-	347	-	958	-	2,932	48,940
-	-	75,000	-	-	-	146,860
235	455	90,819	6,025	-	7,777	241,520
-	-	-	2,072,868	-	-	2,072,868
-	-	173,516	-	-	-	173,516
-	-	-	4,027	-	18,072	201,168
-	-	-	-	-	-	65,635
-	-	173,516	2,076,895	-	18,072	2,513,187
235	455	264,335	2,082,920	-	25,849	2,754,707
-	39,429	-	-	-	-	1,424,783
-	-	3,739,480	32,782	-	-	3,772,262
-	1,658,984	-	-	-	3,148	4,115,435
$ -	$ 1,698,413	$ 3,739,480	$ 32,782	$ -	$ 3,148	$ 9,312,480

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008

	Information Services	GIS	Motor Pool
Operating revenues			
Charges for services	$ 1,368,346	$ 277,748	$ 4,085,269
Sale of materials and services	1	31,054	15,587
Total operating revenues	1,368,347	308,802	4,100,856
Operating expenses			
Cost of goods sold	-	-	-
Salaries	413,315	195,091	344,897
Employee benefits	306,917	163,160	422,936
Contractual services	456,623	48,605	102,487
Internal user charges	92,460	28,776	110,400
Insurance	9,695	2,902	59,082
Utilities	83,466	-	6,488
Supplies and materials	22,158	6,341	95,655
Claims and judgments	-	-	-
Depreciation	18,809	7,717	418,444
Other	92,333	16,533	10,227
Net operating expenses	1,495,776	469,125	1,570,616
Operating income (loss)	(127,429)	(160,323)	2,530,240
Nonoperating revenues (expenses)			
Interest on investments	7,563	-	-
Interest expense on bonded indebtedness	-	-	(22,085)
Total nonoperating revenues (expenses)	7,563	-	(22,085)
Net income (loss) before transfers	(119,866)	(160,323)	2,508,155
Transfers			
Transfers in	-	-	5,301
Change in net assets	(119,866)	(160,323)	2,513,456
Net assets at beginning of year	126,311	162,659	1,316,420
Net assets at end of year	$ 6,445	$ 2,336	$ 3,829,876

Central Stores	Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
$ 40,808	$ 216,198	$ 800,133	$ 1,136,422	$ -	$ 279,773	$ 8,204,697
-	-	-	-	-	-	46,642
40,808	216,198	800,133	1,136,422	-	279,773	8,251,339
62,804	-	-	-	-	-	62,804
-	9,852	-	29,459	-	83,364	1,075,978
-	2,952	-	7,638	-	50,077	953,680
4,633	11,926	131,355	90,991	-	40,871	887,491
-	5,856	-	-	-	-	237,492
-	3,780	996,080	-	-	7,173	1,078,712
-	-	-	321	-	118,941	209,216
-	4,638	-	86	-	10,639	139,517
-	-	(210,388)	1,117,169	-	-	906,781
-	38,207	-	-	-	-	483,177
-	440	-	297	283,255	883	403,968
67,437	77,651	917,047	1,245,961	283,255	311,948	6,438,816
(26,629)	138,547	(116,914)	(109,539)	(283,255)	(32,175)	1,812,523
-	35,286	13,463	34,489	-	-	90,801
-	-	(4,388)	-	-	-	(26,473)
-	35,286	9,075	34,489	-	-	64,328
(26,629)	173,833	(107,839)	(75,050)	(283,255)	(32,175)	1,876,851
-	-	3,700,000	-	-	-	3,705,301
(26,629)	173,833	3,592,161	(75,050)	(283,255)	(32,175)	5,582,152
26,629	1,524,580	147,319	107,832	283,255	35,323	3,730,328
$ -	$ 1,698,413	$ 3,739,480	$ 32,782	$ -	$ 3,148	$ 9,312,480

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2008

	Information Services	GIS	Motor Pool
Cash flows from operating activities:			
Receipts from interfund services provided	$ 1,368,347	$ 291,437	$ 2,879,272
Payments to suppliers	(672,981)	(79,778)	(503,305)
Payments to employees	(723,132)	(352,739)	(756,107)
Payments for interfund services used	(92,460)	(28,776)	(110,400)
Net cash provided by (used for) operating activities	(120,226)	(169,856)	1,509,460
Cash flows from noncapital financing activities:			
Transfers in	-	-	5,301
Cash flows from capital and related financing activities:			
Purchases of property and equipment	(30,829)	-	(714,282)
Principal paid on long-term debt	-	-	(73,139)
Interest paid on long-term debt	-	-	(22,085)
Net cash provided by (used for) capital and related financing activities	(30,829)	-	(809,506)
Cash flows from investing activities:			
Sale of investments	-	-	-
Interest on investments	7,563	-	-
Net cash provided by (used for) investing activities	7,563	-	-
Increase (decrease) in cash and cash equivalents	(143,492)	(169,856)	705,255
Cash and cash equivalents at beginning of year	230,530	173,264	402,160
Cash and cash equivalents at end of year	$ 87,038	$ 3,408	$ 1,107,415
Cash flows from operating activities:			
Operating income (loss)	$ (127,429)	$ (160,323)	$ 2,530,240
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	18,809	7,717	418,444
Changes in assets and liabilities:			
Due from other funds	-	-	(1,221,584)
Accounts receivable	-	(17,365)	-
Inventory	-	-	(221,435)
Prepaid insurance	-	-	-
Due to other funds	-	-	-
Accounts payable	(8,706)	(5,397)	(7,931)
Accrued wages payable	2,828	3,778	3,879
Due to other governments	-	-	-
Claims payable	-	-	-
Accrued sick and vacation/PTO payable	(5,728)	1,734	7,847
Net cash provided by (used for) operating activities	$ (120,226)	$ (169,856)	$ 1,509,460

Central Stores	Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
$ 40,808	$ 1,446,751	$ 800,133	$ 970,133	$ 97	$ 279,773	$ 8,076,751
(61,990)	(21,106)	(1,477,671)	(1,197,927)	(283,255)	(183,163)	(4,481,176)
-	(12,705)	-	(32,872)	-	(125,583)	(2,003,138)
-	(120,099)	(3,700,000)	-	(380,025)	-	(4,431,760)
(21,182)	1,292,841	(4,377,538)	(260,666)	(663,183)	(28,973)	(2,839,323)
-	-	3,700,000	-	-	-	3,705,301
-	-	-	-	-	-	(745,111)
-	-	(75,000)	-	-	-	(148,139)
-	-	(4,388)	-	-	-	(26,473)
-	-	(79,388)	-	-	-	(919,723)
-	-	308,406	-	663,183	-	971,589
-	35,286	13,463	34,489	-	-	90,801
-	35,286	321,869	34,489	663,183	-	1,062,390
(21,182)	1,328,127	(435,057)	(226,177)	-	(28,973)	1,008,645
21,417	-	698,097	1,120,295	-	57,970	2,703,733
$ 235	$ 1,328,127	$ 263,040	$ 894,118	$ -	$ 28,997	$ 3,712,378
$ (26,629)	$ 138,547	$ (116,914)	$ (109,539)	$ (283,255)	$ (32,175)	$ 1,812,523
-	38,207	-	-	-	-	483,177
-	(114,243)	(3,700,000)	(166,289)	97	-	(5,202,019)
-	1,230,553	-	-	-	-	1,213,188
5,560	-	-	-	-	-	(215,875)
-	-	(3,789)	-	-	-	(3,789)
-	-	-	-	(380,025)	-	(380,025)
(113)	(322)	(161,886)	(4,034)	-	(4,656)	(193,045)
-	99	-	198	-	117	10,899
-	-	-	-	-	-	-
-	-	(394,949)	14,971	-	-	(379,978)
-	-	-	4,027	-	7,741	15,621
$ (21,182)	$ 1,292,841	$ (4,377,538)	$ (260,666)	$ (663,183)	$ (28,973)	$ (2,839,323)

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, 2008

	Public Employee Healthcare	Policemen and Firemen Pension	Total
Assets			
Cash and cash equivalents	$ 452,015	$ 4,212,837	$ 4,664,852
Investments, at market value			
Governmental securities	-	16,774,825	16,774,825
Municipal obligations	-	2,622,693	2,622,693
Corporate and foreign bonds	-	15,523,336	15,523,336
Common equity securities	-	53,524,171	53,524,171
Equity mutual funds	-	28,435,755	28,435,755
Other	1,836,014	30,178	1,866,192
Total investments	1,836,014	116,910,958	118,746,972
Accrued interest receivable	-	159,605	159,605
Total assets	2,288,029	121,283,400	123,571,429
Liabilities			
Accounts payable	-	37,085	37,085
Accrued wages payable	-	630,261	630,261
Total liabilities	-	667,346	667,346
Net assets held In trust for pension benefits	$ 2,288,029	$ 120,616,054	$ 122,904,083

A schedule of funding progress for the Policemen and Firemen Pension plan is presented in on page 61.

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, 2008

	Public Employee Healthcare	Policemen and Firemen Pension	Total
Additions			
Contributions:			
Employer	$ 400,000	$ 4,740,074	$ 5,140,074
Plan members	-	1,095,295	1,095,295
Total contributions	400,000	5,835,369	6,235,369
Investment income (loss):			
Interest	40,406	1,892,507	1,932,913
Dividends	-	1,450,548	1,450,548
Mutual fund rebates	-	49,874	49,874
Net depreciation in fair value of investments	(194,206)	(11,552,960)	(11,747,166)
Investment expenses	-	(377,139)	(377,139)
Total investment loss	(153,800)	(8,537,170)	(8,690,970)
Total additions (deductions)	246,200	(2,701,801)	(2,455,601)
Deductions			
Police pension benefits	-	6,498,613	6,498,613
Fire pension benefits	-	5,790,217	5,790,217
Administrative expenses	112,503	289,643	402,146
Total Deductions	112,503	12,578,473	12,690,976
Net decrease for the year	133,697	(15,280,274)	(15,146,577)
Net Assets Held in Trust for Pension Benefits			
Beginning of year	2,154,332	135,896,328	138,050,660
End of year	$ 2,288,029	$ 120,616,054	$ 122,904,083

CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2008

	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	$ 138,775	$ 152,473	$ -	$ 11,561	$ 3,557
Accounts receivable	-	-	-	-	-
Due from other funds	-	-	606,457	-	-
Prepaid insurance	-	-	-	-	-
Taxes receivable for other governmental units	27,430	104,646	267,360	80,841	28,341
Total assets	$ 166,205	$ 257,119	$ 873,817	$ 92,402	$ 31,898
Liabilities					
Accounts payable	$ 133,948	$ 135,717	$ 141,452	$ 175	$ 111
Due to other governmental units	32,257	121,402	732,365	92,227	31,787
Due to other funds	-	-	-	-	-
Claims payable	-	-	-	-	-
Other current liabilities	-	-	-	-	-
Total liabilities	$ 166,205	$ 257,119	$ 873,817	$ 92,402	$ 31,898

Public Libraries Tax Collection	Saginaw Transit Tax Collection	Undistributed Tax Collection	Contractor's Retainage	Employee Benefits	Housing Commission	Totals
$ 6,899	$ 5,152	$ 170,737	$ -	$ 26,874	$ -	$ 516,028
-	-	-	-	-	1,354,430	1,354,430
-	-	-	-	745,164	-	1,351,621
-	-	-	-	782,349	-	782,349
53,377	31,762	-	-	-	-	593,757
$ 60,276	$ 36,914	$ 170,737	$ -	$ 1,554,387	$ 1,354,430	$ 4,598,185

$ 208	$ 164	$ 5,015	$ -	$ 101,403	$ 82	$ 518,275
60,068	36,750	165,722	-	-	2,727	1,275,305
-	-	-	-	-	1,351,621	1,351,621
-	-	-	-	1,026,840	-	1,026,840
-	-	-	-	426,144	-	426,144
$ 60,276	$ 36,914	$ 170,737	$ -	$ 1,554,387	$ 1,354,430	$ 4,598,185

COMPONENT UNITS

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
TIFA COMPONENT UNITS
June 30, 2008

	Saginaw Division TIFA	Morley TIFA	Total Governmental Funds	Adjustments	Statement of Net Assets
Assets					
Cash and cash equivalents	$ 5,185	$ 26,120	$ 31,305	$ -	$ 31,305
Fund Balances / Net Assets					
Reserved for:					
TIFA/LDFA projects	$ 5,185	$ 26,120	$ 31,305	(31,305)	-
Net assets, unrestricted				$ (31,305)	$ 31,305

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, 2008

	Saginaw Division TIFA	Morley TIFA	Total Governmental Funds	Adjustments	Statement of Activities
Revenues					
General operating property taxes	$ -	$ -	$ -	$ (13)	$ (13)
Fund balances/net assets at beginning of year	5,185	26,120	31,305	13	31,318
Fund balances/net assets at end of year	$ 5,185	$ 26,120	$ 31,305	$ -	$ 31,305

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
DDA COMPONENT UNITS
June 30, 2008

	Commerce Center DDA	Sils Island DDA	Downtown Development Authority
Assets			
Cash and cash equivalents	$ 57,406	$ 20,688	$ 99,655
Property taxes receivable	92	3,591	32,860
Land held for resale	-	-	-
Total assets	$ 57,498	$ 24,279	$ 132,515
Liabilities			
Accounts payable	$ -	$ -	$ 35
Deferred revenue	92	3,591	32,860
Total liabilities	92	3,591	32,895
Fund Balances / Net Assets			
Reserved for:			
Specific Projects	57,406	20,688	99,620
Total liabilities and fund balances	$ 57,498	$ 24,279	$ 132,515

	Total Governmental Funds	Adjustments	Statement of Net Assets
	$ 177,749	$ -	$ 177,749
	36,543	-	36,543
	-	33,182	33,182
	$ 214,292	$ -	247,474
	$ 35	$ -	35
	36,543	(36,543)	-
	36,578	(36,543)	35
	177,714	(177,714)	-
	$ 214,292		
Net assets, unrestricted		$ 214,257	$ 247,439

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, 2008

	Commerce Center DDA	Sils Island DDA	Downtown Development Authority
Revenues			
General operating property taxes	$ 29,181	$ 2,438	$ 7,703
Interest on loans and investments	-	-	1,815
Total revenues	29,181	2,438	9,518
Expenditures/Expenses			
Current expenditures/expenses			
Administration	-	-	30,201
Tax increment payments	28,281	-	-
Total expenditures/expenses	28,281	-	30,201
Net change in fund balances/net assets	900	2,438	(20,683)
Fund balances/net assets at beginning of year	56,506	18,250	120,303
Fund balances/net assets at end of year	$ 57,406	$ 20,688	$ 99,620

Total Governmental Funds	Adjustments	Statement of Activities
$ 39,322	$ 5,510	$ 44,832
1,815	-	1,815
41,137	5,510	46,647
30,201	-	30,201
28,281	-	28,281
58,482	-	58,482
(17,345)	5,510	(11,835)
195,059	64,215	259,274
$ 177,714	$ 69,725	$ 247,439

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
LDFA COMPONENT UNITS
June 30, 2008

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
Assets			
Cash and cash equivalents	$ 2,714,673	$ 417,120	$ 179,982
Property taxes receivable	1,089	-	25,987
Accrued interest receivable	38,278	-	-
Total assets	$ 2,754,040	$ 417,120	$ 205,969
Liabilities			
Accounts payable	$ -	$ -	$ 43,827
Deferred revenue	1,089	-	25,987
Total liabilities	1,089	-	69,814
Fund Balances / Net Assets			
Reserved for:			
TIFA/LDFA projects	2,752,951	417,120	136,155
Total liabilities and fund balances	$ 2,754,040	$ 417,120	$ 205,969

Treasure Island LDFA	Saginaw Machine Systems LDFA	Saginaw Tool and Die LDFA	Total Governmental Funds	Adjustments	Statement of Net Assets
$ 54,668	$ 4,513	$ 46,652	$ 3,417,608	$ -	$ 3,417,608
57	-	-	27,133		27,133
-	-	-	38,278	-	38,278
$ 54,725	$ 4,513	$ 46,652	$ 3,483,019	$ -	3,483,019
$ -	$ -	$ -	$ 43,827	$ -	$ 43,827
57	-	-	27,133	(27,133)	-
57	-	-	70,960	(27,133)	43,827
54,668	4,513	46,652	3,412,059	(3,412,059)	-
$ 54,725	$ 4,513	$ 46,652	$ 3,483,019		
			Net assets, unrestricted	$ 3,439,192	$ 3,439,192

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, 2008

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
Revenues			
General operating property taxes	$ 120,572	$ 22,179	$ 19,597
Interest on loans and investments	57,821	-	-
Total revenues	178,393	22,179	19,597
Expenditures/Expenses			
Current			
Administration	-	-	702
Tax increment payments	-	-	43,669
Total expenditures/expenses	-	-	44,371
Net change in fund balances/net assets	178,393	22,179	(24,774)
Fund balances/net assets at beginning of year	2,574,558	394,941	160,929
Fund balances/net assets at end of year	$ 2,752,951	$ 417,120	$ 136,155

Treasure Island LDFA	Saginaw Machine Systems LDFA	Saginaw Tool and Die LDFA	Total Governmental Funds	Adjustments	Statement of Activities
$ 6,341	$ -	$ 28,569	$ 197,258	$ (43,535)	$ 153,723
-	-	-	57,821	-	57,821
6,341	-	28,569	255,079	(43,535)	211,544
-	-	-	702	-	702
-	-	4,144	47,813	-	47,813
-	-	4,144	48,515	-	48,515
6,341	-	24,425	206,564	(43,535)	163,029
48,327	4,513	22,227	3,205,495	70,668	3,276,163
$ 54,668	$ 4,513	$ 46,652	$ 3,412,059	$ 27,133	$ 3,439,192

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEDC COMPONENT UNIT
June 30, 2008

	Saginaw Economic Development Corporation	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	$ 814,581	$ -	$ 814,581
Notes and contracts receivable			
Economic development projects	1,172,899	(107,250)	1,065,649
Total assets	$ 1,987,480	$ (107,250)	$ 1,880,230
Liabilities			
Deferred revenue	$ 1,172,899	$ (1,172,899)	$ -
Fund Balances / Net Assets			
Reserved for:			
Specific Projects	814,581	(814,581)	-
Total liabilities and fund balances	$ 1,987,480		
Net assets, unrestricted		$ 1,987,480	$ 1,880,230

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SEDC COMPONENT UNIT
For the Year Ended June 30, 2008

	Saginaw Economic Development Corporation	Adjustments	Statement of Activities
Revenues			
Fees and loan repayments	$ 118,217	$ (85,552)	$ 32,665
Interest on loans and investments	46,358	-	46,358
Total revenues	164,575	(85,552)	79,023
Expenditures/Expenses			
Current expenditures/expenses			
Administration	1,077	-	1,077
Loan disbursements	101,563	(72,132)	29,431
Provision for loan losses	-	111,071	111,071
Total expenditures/expenses	102,640	38,939	141,579
Net change in fund balances/net assets	61,935	(124,491)	(62,556)
Fund balances/net assets at beginning of year	752,646	1,190,140	1,942,786
Fund balances/net assets at end of year	$ 814,581	$ 1,065,649	$ 1,880,230

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
BROWNFIELD COMPONENT UNIT
June 30, 2008

	Brownfield Authority SRRF	Adjustments	Statement of Net Assets
Assets			
Cash and cash equivalents	$ 106,369	$ -	$ 106,369
Property taxes receivable	897	-	897
Total assets	$ 107,266	$ -	107,266
Liabilities			
Deferred revenue	$ 897	$ (897)	-
Fund Balances / Net Assets			
Reserved for:			
Specific Projects	106,369	(106,369)	-
Total liabilities and fund balances	$ 107,266		
Net assets, unrestricted		$ 107,266	$ 107,266

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, 2008

	Brownfield Authority SRRF	Adjustments	Statement of Activities
Revenues			
General operating property taxes	$ 30,594	$ (3,686)	$ 26,908
Expenditures/Expenses			
Tax increment payments	34,410	-	34,410
Net change in fund balances/net assets	(3,816)	(3,686)	(7,502)
Fund balances/net assets at beginning of year	110,185	4,583	114,768
Fund balances/net assets at end of year	$ 106,369	$ 897	$ 107,266

CITY OF SAGINAW

Michigan

Report on Expenditures of Federal Awards

For the Fiscal Year Ended
June 30, 2008

REHMANN ROBSON

Certified Public Accountants

CITY OF SAGINAW, MICHIGAN

REPORT ON EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED JUNE 30, 2008

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City of Saginaw
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2008

	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	B-06-MC-260028	$ 2,558,091	$ 1,871,376
Community Development Block Grant Entitlement	14.218	B-07-MC-260028	2,556,090	1,282,424
Program Income	14.218		-	356,063
Total Community Development Block Grant Entitlements			5,114,181	3,509,863
Stewart McKinney Homeless Assistance	14.236	S-06-MC-260028	109,836	4,697
Stewart McKinney Homeless Assistance	14.236	S-07-MC-260028	110,323	82,427
Total Stewart McKinney Homeless Assistance			220,159	87,124
HOME Program				
Neighborhood Renewal Services Inc - Note A	14.239	M-04-MC-260212	-	76,276
Circle of Love Community Development Corporation - Note A	14.239	M-06-MC-260212	-	47,214
City of Saginaw HOME programs	14.239	M-05-MC-260212	706,061	89,479
City of Saginaw HOME programs	14.239	M-06-MC-260212	663,601	80,152
Total HOME Program			1,369,662	293,121
Total U.S. Department of Housing and Urban Development			6,704,002	3,890,108
U.S. Department of Justice				
Passed-Through Detroit Community Justice Partnership				
Project Safe Neighborhoods	16.744		20,400	16,187
Federal Drug Forfeiture Program	16.N/A		N/A	4,989
Passed-Through the Saginaw County Sheriff				
Justice Assistance Grant	16.738		N/A	17,160
Passed-Through the Federal Bureau of Investigation				
Police Drug Investigation Overtime/Gas Reimbursement	16.579		N/A	111,377
Total U.S. Department of Justice			20,400	149,713
U.S. Department of Transportation				
Passed-Through the Saginaw County Sheriff				
Enforcement Grants	20.600		N/A	3,747
Environmental Protection Agency				
Brownfield Assessment and Cleanup Cooperative Agreements	66.818		-	119,913
Surveys, Studies, Investigations and Special Purpose Grants	66.606		718,630	718,630
Passed-Through Michigan Dept of Environmental Quality				
State Revolving Fund Loan Program - Phase I	66.458	5230-01	3,415,000	7,183
State Revolving Fund Loan Program - Phase II	66.458	5230-02	1,575,000	29,860
State Revolving Fund Loan Program - Phase III	66.458	5230-03	5,010,000	356,604
Total Environmental Protection Agency			10,718,630	1,232,190

City of Saginaw
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2008

	Federal CFDA Number	Federal or Pass-Through Grant Number	Amended Grant Amount	Expenditures and Transfers
U.S. Department of Health and Human Services				
Medicare Part D	93.794		$ -	$ 252,276
U.S. Department of Homeland Security				
Passed-Through Saginaw County	97.006			
Homeland Security Training Assistance			-	7,586
Total Expenditures of Federal Awards			$17,443,032	$ 5,535,620

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.

**INDEPENDENT AUDITORS'
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 22, 2008

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*** (the "City"), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 22, 2008. 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's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting: 2003-1, 2004-1 through 2004-7, 2005-1, 2005-4, and 2006-1 through 2006-6.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 2003-1, 2004-1 through 2004-7, and 2005-1 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2004-7.

The City of Saginaw's written responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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 ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

December 22, 2008

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

Compliance

We have audited the compliance of the ***City of Saginaw, Michigan*** (the "City") 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, 2008. The City'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's management. Our responsibility is to express an opinion on the City'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'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's compliance with those requirements.

In our opinion, the City 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, 2008. 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 2007-1 and 2007-3.

Internal Control Over Compliance

The management of the City 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's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2003-1, 2004-1 through 2004-6, 2005-1, 2005-4, 2006-5 and 2006-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider all items listed above 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, 2008, and have issued our report thereon dated December 22, 2008. 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. 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 City of Saginaw's written responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on them.

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, 2008

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	*Unqualified*			
Internal controls over financial reporting:				
Material weakness(es) identified?	X	yes		no
Significant deficiencies 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
Significant deficiency(ies) 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
66.458	State Revolving Fund Loan Program
66.606	Surveys, Studies, Investigations 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, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

2003-1 **Significant Deficiency 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.

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.

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on their findings, the City contracted out the operations of the Controller's office to a CPA firm. The records, including the general ledger, cash, income taxes and receivables for the 2008/2009 fiscal year will be reconciled in a timely manner.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

2004-1 **Significant Deficiency 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.

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. The firm prepared the reconciliations for the year and ensured all were up to date by June 30, 2008. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The bank reconciliations for the 2008/2009 fiscal year will be reconciled in a timely manner.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

2004-4 **Significant Deficiency 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, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The firm will be reviewing the internal controls in this area to ensure all manual adjustments are properly supported for the 2008/2009 fiscal year.

2004-5 **Significant Deficiency 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, 2008

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, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The previous staff lacked the training in the accounts receivable module and did run the proper reports to support the outstanding balances. The CPA firm was able to run system generated reports that that were ultimately reconciled to the general ledger at June 30, 2008. The firm will be reviewing and cleaning up the outstanding balances in the system and ensure procedures are in place for the 2008/2009 fiscal year.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

2004-6 **Significant Deficiency 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.

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, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The firm discussed all receivable procedures and balances with all departments and ensured all balances were recorded at June 30, 2008. The firm will be working with all departments to ensure all receivables are billed and tracked through the accounts receivable module for the 2008/2009 fiscal year.

2004-7 **Significant Deficiency 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.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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, 2008. The payments in lieu of taxes have yet to be distributed to the applicable other units of government. In addition, amounts that are collected by the City after the settlement with local units and the County were not remitted.

Response: During the year ended June 30, 2008, the City remitted current tax collections in a timely manner. The City, however, did not make any progress on remitting PILOT collections (2004-2008) which remain in the Tax Collection Fund. The City did come to an agreement with the State of Michigan regarding the outstanding balance of Act198 collections due the State for the past ten year. The City made disbursements to the State subsequent to year end. The CPA firm that is the contracted controller's office as of July 1, 2008, is preparing the outstanding PILOT reports and will be working with the treasury staff to ensure all remittances are current by June 30, 2009.

2005-1 **Significant Deficiency 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.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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.

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, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The firm is creating procedures to ensure all manual journal entries are approved by them prior to posting to the general ledger. In addition, the firm is working with the information technology department to ensure each staff member has the proper level of authorization within the general ledger to ensure the system will not allow the above stated condition for the 2008/2009 fiscal year.

2005-4 **Significant Deficiency**

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.

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.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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 fully corrected for the year ended June 30, 2008. While a cost allocation plan was obtained, it was not used to charge indirect costs to all funds. This matter is not deemed to have an effect on grant funds because no grant funded activities were charged indirect costs due to the timing of the receipt of the cost allocation plan.

Response: The City will be obtaining a cost allocation plan on an annual basis and will ensure the indirect costs are allocated to all funds in accordance with the plan for the 2008/2009 fiscal year.

2006-1 **Significant Deficiency**

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.

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The firm reviewed the administrative expenditures for the year ended June 30, 2008, to ensure they were less than the 10% limitations. The firm will be reviewing the process for charging administrative costs and will ensure procedures are put in place to monitor this compliance requirement for the 2008/2009 fiscal year.

2006-2 **Significant Deficiency**

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

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.

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The City's current policy is to perform a physical inventory at year end and reconcile the balance to the general ledger. The City did not perform an inventory in one area. The CPA firm will be reviewed the inventory policies and procedures and work with the departments to address any obsolete or missing inventory items for the 2008/2009 fiscal year.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

2006-3 **Significant Deficiency**

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.

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In March 2008, the City purchased the fixed asset module that integrates with the general ledger. The training on this module took place during the last quarter of the fiscal year with the goal of having all the fixed assets entered into the new system for the 2008/2009 fiscal year. Additional policies and procedures will be created by the firm in the controller's office once this module is up and running.

2006-4 **Significant Deficiency**

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.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

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.

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The CPA firm will be reviewing all debt related to transactions to ensure the proper general ledger accounts are being utilized. In addition, the policies and procedures related to capital leases and recording of the related fixed assets will be reviewed for the 2008/2009 fiscal year.

2006-5 **Significant Deficiency**

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.

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The CPA firm is working with the treasury staff to eliminate the use of the contra receivable account. All balances in these accounts were reclassified at June 30, 2008. The resolution of this finding also includes additional training of the cashiers on proper posting of cash receipts to receivable balances. The firm will be creating procedures to ensure procedures are in place to detect any such activity to ensure timely corrections are made for the 2008/2009 fiscal year.

2006-6 **Significant Deficiency**

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.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

Status: This matter has not been fully corrected for the year ended June 30, 2008. Adjustments were required at year-end to reverse the prior year receivable for federal draw downs for the State Revolving Loan Fund program. In addition a significant receivable was required to include all requests after year-end for construction/engineering services funded with by the program during fiscal year 2007/2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The CPA firm has met with all departments and has created procedures to ensure grant agreements are forwarded to the controller's office in a timely manner. The CPA firm now has supporting documentation for all grants at June 30, 2008, and is creating procedures to ensure timely reconciliation of all for the 2008/2009 fiscal year.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

2007-1 Allocation of Payroll Expenditures

Grantor: U.S. Department of Housing and Urban Development **CFDA #:** 14.218 and 14.239

Award Name: Community Development Block Grant Entitlements and HOME Program

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, 2007, wages and benefits are charged to the grant programs based upon budgeted percentages that are entered into the payroll system, rather than timesheets filled out by the program employees.

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: The payroll charged to the grant programs is never reconciled to the actual hours worked by the program employees.

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

Status: This matter has not been corrected for the year ended June 30, 2008.

Response: In February 2008, the City contracted with a CPA firm to assist the Controller's office with getting the records current, reviewing and establishing internal controls in all areas and evaluating the existing staff. In July 2008 based on the findings, the City contracted out the operations of the Controller's office to a CPA firm. The CPA firm will the City's method for allocating payroll expenditures and implement procedures to ensure only actual time worked is charged to grant programs for the 2008/2009 fiscal year.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2008

2007-3 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 based upon actual costs incurred.

Condition: During the fiscal year ended June 30, 2007, the City discovered that a contractor was potentially being paid for demolitions based upon incorrect calculations. One component of the demolitions costs is a calculation by the City's inspections department. However, it was discovered that the department was potentially using incorrect measurements and formulas, which would cause the vendor to be paid at an incorrect amount.

Questioned Costs: $95,176 for transite siding removal and $131,250 for cubic foot cost variances over the life of the program.

Effect: Disbursements were made for incorrect amounts and were supported by incorrect calculations. However, overall demolition costs were reasonable in relation to residential demolitions in similar cities.

Cause: Causes for the errors appear to be due to internal systemic errors in the process for costing out demolitions, and extend back several years. For instance, the calculations using during the cost out process were based upon incorrect mathematical formulas and at times used rounded measurements, rather than the exact square footage.

Recommendation: The City has investigated this matter and has forwarded its findings to HUD. We recommend that the City continue to work with HUD as necessary and continue their internal corrective measures procedures to ensure that the proper measurements and calculations are used in the future. In addition, we recommend that the calculations are reviewed and verified prior to payment to the vendors.

Status: This matter has not been fully corrected for the year ended June 30, 2008, and the City continues to work with HUD to resolve this matter.

Response: The City made the corrective actions internally to ensure controls are in place to ensure the calculations are performed properly. HUD has performed a monitoring visit related to this issue and has issued a letter to the City summarizing their findings. The City continues to work with HUD to address the questioned costs noted above and ensure all HUD concerns are addressed. The City anticipates this issue will be completely resolved during the 2008/2009 fiscal year.

CITY OF SAGINAW, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2008

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 2007. The findings listed as 2004-1 through 2004-7, 2005-1, 2005-4 and 2006-1 through 2006-6 have also been issued as financial statement findings during the fiscal years ended June 30, 2004 through 2007.

Prior Year Corrected Findings

2004-2 **Significant Deficiency 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.

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: This matter has been corrected for the year ended June 30, 2008. While not all supporting documentation is maintained in a single location, any receipts or copies of remittances/checks requested during the audit were provided.

CITY OF SAGINAW, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2008

2004-3 **Significant Deficiency 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 been corrected for the year ended June 30, 2008.

2005-5 **Significant Deficiency 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.

CITY OF SAGINAW, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2008

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: While the City staffing had not changed during the year-ended June 30, 2008, the City obtained the assistance of an outside accounting firm during the year. The accounting firm took over the duties of the Controller and two accountants as of July 1, 2008 (including the procedures necessary to ensure that the City was ready for the June 30, 2008, audit). Therefore, this matter is considered corrected for the year ended June 30, 2008.

2006-7 **Significant Deficiency**

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.

CITY OF SAGINAW, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2008

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.

Status: This matter has been corrected for the year ended June 30, 2008.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2007-2 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 based upon actual costs incurred.

Condition: During the fiscal year ended June 30, 2007, there were two expenditures selected for testing where the amount paid did not agree to the amount per the vendor invoice or home owner payment authorization. Group #2336 in the amount of $10,480 and group #1278 in the amount of $4,230 should have resulted in $180 and $90 more, respectively, paid to the vendor.

Questioned Costs: No amounts are questioned because the errors were corrected by the department on subsequent disbursements to the vendor.

Effect: Disbursements were made for incorrect amounts.

Cause: Transposition errors were made by the department when calculating the amount of the approved payment. When the Controller's office paid the invoices, they paid based upon the incorrect approved amounts from the Department of Development Certificate of Inspections, without recalculating the amounts indicated.

Recommendation: We recommend that the City implement procedures to ensure that documentation from departments is reviewed and amounts are recalculated as necessary to ensure proper payment is made to vendors. In addition, we recommend that the home owner payment authorizations are reviewed by the Controller's office to ensure that the approved amounts are disbursed to the vendors.

Status: This matter has been corrected for the year ended June 30, 2008.