

# Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Laingsburg	County Shiawassee
Fiscal Year End June 30, 2007	Opinion Date November 7, 2007	Date Audit Report Submitted to State December 4, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

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

YES NO

Check each applicable box below. (See instructions for further detail.)

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	N/A	
Certified Public Accountant (Firm Name) Abraham & Gaffney, P.C.		Telephone Number (517) 351-6836	
Street Address 3511 Coolidge Road, Suite 100		City East Lansing	State MI
			Zip 48823
Authorizing CPA Signature <i>Aaron M. Stevens</i>		Printed Name Aaron M. Stevens, CPA	
		License Number 1101024055	

**City of Laingsburg  
Shiawassee County, Michigan**

**FINANCIAL STATEMENTS**

**June 30, 2007**

City of Laingsburg

Shiawassee County, Michigan

June 30, 2007

CITY COUNCIL AND ADMINISTRATION

Micheal Culpepper

Mayor

Robert Frank

Mayor Pro-tem

Brian Fredline

Council Member

Timothy Leonard

Council Member

David Rhodabeck

Council Member

Thad Rose

Council Member

Jessica Bayer

Council Member

Paula Willoughby

City Treasurer

Lana Kaiser

City Clerk

City of Laingsburg

TABLE OF CONTENTS

June 30, 2007

	<u>PAGE</u>
INDEPENDENT AUDITOR'S REPORT	i
MANAGEMENT'S DISCUSSION AND ANALYSIS	ii - v
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds Balance Sheet	3-4
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	5
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	6-7
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	8
Statement of Net Assets - Proprietary Fund	9
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Fund	10
Statement of Cash Flows - Proprietary Fund	11
Statement of Net Assets - Fiduciary Funds	12
Notes to Financial Statements	13-27
REQUIRED SUPPLEMENTARY INFORMATION	
GENERAL FUND	
Budgetary Comparison Schedule	28-30
OTHER SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	31-32
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances - Nonmajor Governmental Funds	33-34
Balance Sheet - Component Unit Fund	35
Statement of Revenues, Expenditures, and Changes in Fund Balance - Component Unit Fund	36

Principals

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**ABRAHAM & GAFFNEY, P.C.**  
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. 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, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laingsburg, Michigan as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Laingsburg, Michigan's basic financial statements. The accompanying other supplementary information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplementary 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.

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 7, 2007

City of Laingsburg

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

As management of the City of Laingsburg, we offer readers of the City of Laingsburg's financial statements this narrative overview and analysis of the financial activities of the City for the year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

**Financial Highlights**

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2007:

- State shared revenue, our second largest revenue source in the General Fund, was reduced by the State of Michigan by approximately \$1,409 this year. This reduction was the result of reduced sales tax revenues collected by the State and changes in the distribution formula used by the State. Over the past few years, the State has overestimated its projected revenues to be shared with local governments.
- Property tax revenues increased approximately \$26,275 from the prior year. The increase is the net result of increased residential building that has increased the City's taxable value from approximately \$23 million to \$26 million.
- The City completed Phase I of McClintock Park, financed by a \$307,000 DNR Grant with a fifty percent local match. Phase II of the DNR Grant, totaling \$322,750, is in progress and also required a fifty percent match.
- Total fund balances related to the City's governmental funds increased by \$193,056.

**Using this Annual Report**

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City of Laingsburg as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the City of Laingsburg in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City of Laingsburg acts solely as a trustee or agent for the benefit of those outside the government.

**The City as a Whole**

The following table shows, in a condensed format, the net assets as of June 30, 2007 and 2006, respectively.

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current & other assets \$	842,549	\$ 505,446	\$ 882,995	\$ 815,076	\$ 1,725,544	\$ 1,320,522
Capital assets	<u>1,575,611</u>	<u>1,038,301</u>	<u>1,244,032</u>	<u>1,237,890</u>	<u>2,819,643</u>	<u>2,276,191</u>
Total assets	2,418,160	1,543,747	2,127,027	2,052,966	4,545,187	3,596,713
<b>Liabilities</b>						
Current liabilities	216,429	51,790	69,740	16,537	286,169	68,327
Long-term liabilities	<u>452,624</u>	<u>74,407</u>	<u>-</u>	<u>-</u>	<u>452,624</u>	<u>74,407</u>
Total liabilities	669,053	126,197	69,740	16,537	738,793	142,734

City of Laingsburg

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

**The City as a Whole - continued**

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	2007	2006	2007	2006	2007	2006
<b>Net Assets</b>						
Invested in capital assets net of related debt	\$ 911,642	\$ 959,943	\$ 1,244,032	\$ 1,237,890	\$ 2,155,674	\$ 2,197,833
Restricted	350,431	113,499	-	-	350,431	113,499
Unrestricted	<u>487,034</u>	<u>344,108</u>	<u>813,255</u>	<u>798,539</u>	<u>1,300,289</u>	<u>1,142,647</u>
	<u>\$ 1,749,107</u>	<u>\$ 1,417,550</u>	<u>\$ 2,057,287</u>	<u>\$ 2,036,429</u>	<u>\$ 3,806,394</u>	<u>\$ 3,453,979</u>

The City's total net assets were \$3,806,394 at June 30, 2007, representing an increase of \$352,415 from the prior year. Unrestricted net assets (the part of net assets that can be used to finance day-to-day operations) were \$1,300,289 at the end of the fiscal year, representing an increase of \$157,642 from the prior year. The amount invested in capital assets, net of related debt was \$2,155,674.

The following table shows the changes in net assets during the current year and prior year, respectively.

	Governmental Activities		Business-type Activities		Totals	
	June 30		June 30		June 30	
	2007	2006	2007	2006	2007	2006
<b>Revenue</b>						
Program Revenue						
Charges for services	\$ 73,407	\$ 64,554	\$ 190,154	\$ 190,601	\$ 263,561	\$ 255,155
Operating grants & contributions	162,804	153,260	-	-	162,804	153,260
Capital grants & contributions	290,810	138,947	-	-	290,810	138,947
General Revenue						
Property taxes	412,439	360,248	-	-	412,439	360,248
State shared revenue	141,962	143,371	-	-	141,962	143,371
Investment earnings	21,424	559	31,141	( 8,041 )	52,565	( 7,482 )
Other revenues	<u>10,245</u>	<u>6,736</u>	<u>-</u>	<u>-</u>	<u>10,245</u>	<u>6,736</u>
Total revenue	1,113,091	867,675	221,295	182,560	1,334,386	1,050,235
<b>Program Expenses</b>						
General government	218,656	159,817	-	-	218,656	159,817
Public safety	212,397	218,153	-	-	212,397	218,283
Public works	182,200	154,797	-	-	182,200	154,797
Health and welfare	39,439	24,889	-	-	39,439	24,889
Recreation and cultural	113,394	125,514	-	-	113,394	125,514
Interest on long-term debt	15,448	38	-	-	15,448	38
Other	-	20,096	-	-	-	20,096
Sewer system	<u>-</u>	<u>-</u>	<u>200,437</u>	<u>195,100</u>	<u>200,437</u>	<u>195,100</u>
Total program expenses	<u>781,534</u>	<u>703,304</u>	<u>200,437</u>	<u>195,100</u>	<u>981,971</u>	<u>898,404</u>
Change in net assets	<u>\$ 331,557</u>	<u>\$ 164,371</u>	<u>\$ 20,858</u>	<u>\$ ( 12,540 )</u>	<u>\$ 352,415</u>	<u>\$ 151,831</u>

**Governmental Activities**

The City's governmental revenues totaled \$1,113,091, which represents an increase of \$245,416 from the prior year, with the greatest revenue source being property taxes. Property taxes make up approximately 37 percent of total governmental revenue. Over the past few years, state shared revenue has declined while investment earnings reversed the downward trend and increased.

City of Laingsburg

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

The City incurred governmental expenses of \$781,534, which represents an increase of \$78,230 from the prior year. The largest area of governmental expense is associated with the general government function.

The net assets of the governmental activities increased by \$331,557.

**Business-type Activities**

Net assets of the business-type activities increased by \$20,858 during the year ended June 30, 2007. The majority of the revenue of the business-type activities is generated through user charges. Depreciation of the sewer system's capital assets represents approximately 39% of the business-type activities' expenses. Of the total \$2 million of net assets of the business-type activities as of June 30, 2007, \$1.2 million is invested in capital assets net of related debt.

**The City's Funds - Fund Level Financial Statements**

The analysis of the City's major funds begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Laingsburg as a whole. The City of Laingsburg creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as property tax millages. The City's major funds for the fiscal year ended June 30, 2007 include the General Fund, the Park and Recreation Fund, the 2006 Projects Fund, and the Sewer System Fund.

The General Fund pays for most of the City's governmental services. The most significant services provided during the fiscal year were general government and public safety. General government includes City hall and grounds and other City services and public safety includes the police department as well as planning and zoning. The general government and public safety incurred expenditures of \$172,651 and \$201,935 respectively, for the fiscal year.

The Park and Recreation Fund is used to pay for the enhancements to the City's parks and incurred expenditures of \$320,134 for the fiscal year. These expenditures are being reimbursed at 50% by a grant from the Michigan Department of Natural Resources.

The 2006 Projects Fund is used to pay for capital projects of the City and the Downtown Development Authority and incurred expenditures of 196,854. The projects are being funded by bonds issued during the year in the amount of \$400,000.

The Sewer Fund pays for the City's Sewer service to the public and incurred expenses of \$200,437 for the fiscal year. Expenses are funded through sewer user charges.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the City Council made necessary budget adjustments to fund unanticipated expenditures during the year. The most significant budget amendments were made to cover the costs of city services, contractual services, and park maintenance. However, while most departments came in under budget at year-end, there was an overall unfavorable variance of \$79,236 from budget including transfers to other funds. The majority of this budget variance was the direct result of adjustments proposed during the audit process and accumulated fund balance was sufficient to cover the variance.

**Capital Asset and Debt Administration**

At the end of the fiscal year, the City had approximately \$2,819,643 invested in a broad range of capital assets, including buildings, land, equipment, and infrastructure. In addition, the City has made certain investments in road and drain infrastructure within the City limits of Laingsburg.

During the current year the City paid \$8,850 in debt principal. The City has \$484,892 in debt outstanding as of June 30, 2007, including \$15,384 for accumulated compensated absences.

City of Laingsburg

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2007

**Current Economic Factors**

Revenue sharing, and the rising cost of health insurance are the most significant budgetary concerns at this time. The State of Michigan is experiencing significant budget problems, and as they look for solutions, revenue sharing continues to be under attack. Interest rates are expected to continue their favorable trend upward. The City continues to investigate health insurance alternatives to keep the cost to the City at a manageable level.

**Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Clerk or Treasurer at the City Hall.

## **BASIC FINANCIAL STATEMENTS**

City of Laingsburg

STATEMENT OF NET ASSETS

June 30, 2007

	Primary Government			Component Unit (DDA)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 620,343	\$ 103,292	\$ 723,635	\$ 50,286
Receivables	6,808	84,541	91,349	-
Due from other governmental units	97,487	-	97,487	-
Prepays	21,425	-	21,425	-
Internal balances	823	(823)	-0-	-
Total current assets	746,886	187,010	933,896	50,286
Noncurrent assets				
Cash - restricted	29,664	-	29,664	-
Investments	65,999	695,985	761,984	-
Capital assets not being depreciated	236,464	-	236,464	-
Capital assets net of accumulated depreciation	1,339,147	1,244,032	2,583,179	-
Total noncurrent assets	1,671,274	1,940,017	3,611,291	-0-
TOTAL ASSETS	2,418,160	2,127,027	4,545,187	50,286
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	169,298	67,990	237,288	3,472
Due to other governmental units	-	-	-0-	5,000
Other accrued liabilities	9,522	1,750	11,272	-
Accrued interest payable	5,341	-	5,341	-
Current portion of compensated absences	9,184	-	9,184	-
Current portion of long-term debt	23,084	-	23,084	-
Total current liabilities	216,429	69,740	286,169	8,472
Noncurrent liabilities				
Noncurrent portion of compensated absences	6,200	-	6,200	-
Noncurrent portion of long-term debt	446,424	-	446,424	-
Total noncurrent liabilities	452,624	-0-	452,624	-0-
TOTAL LIABILITIES	669,053	69,740	738,793	8,472
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	911,642	1,244,032	2,155,674	-
Restricted for streets	155,970	-	155,970	-
Restricted for capital projects	194,461	-	194,461	-
Unrestricted	487,034	813,255	1,300,289	41,814
TOTAL NET ASSETS	\$ 1,749,107	\$ 2,057,287	\$ 3,806,394	\$ 41,814

See accompanying notes to financial statements.

City of Laingsburg

STATEMENT OF ACTIVITIES

Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 218,656	\$ 59,858	\$ 1,342	\$ -	\$ (157,456)	\$ -	\$ (157,456)	\$ -
Public safety	212,397	5,466	3,084	-	(203,847)	-	(203,847)	-
Public works	182,200	-	111,721	-	(70,479)	-	(70,479)	-
Health and welfare	39,439	150	-	-	(39,289)	-	(39,289)	-
Recreation and cultural	113,394	7,933	46,657	290,810	232,006	-	232,006	-
Interest on long-term debt	15,448	-	-	-	(15,448)	-	(15,448)	-
Total governmental activities	781,534	73,407	162,804	290,810	(254,513)	-0-	(254,513)	-0-
Business-type activities								
Sewer system	200,437	190,154	-	-	-	(10,283)	(10,283)	-
Total primary government	\$ 981,971	\$ 263,561	\$ 162,804	\$ 290,810	(254,513)	(10,283)	(264,796)	-0-
Component unit								
Downtown Development Authority	\$ 32,365	\$ -0-	\$ -0-	\$ -0-	-	-	-0-	(32,365)
		General revenues						
		Property taxes			412,439	-	412,439	51,291
		State shared revenues			141,962	-	141,962	-
		Investment earnings			21,424	31,141	52,565	-
		Miscellaneous			10,245	-	10,245	-
		Total general revenues			586,070	31,141	617,211	51,291
		Change in net assets			331,557	20,858	352,415	18,926
		Net assets, beginning of the year			1,417,550	2,036,429	3,453,979	22,888
		Net assets, end of the year			\$ 1,749,107	\$ 2,057,287	\$ 3,806,394	\$ 41,814

See accompanying notes to financial statements.

City of Laingsburg

GOVERNMENTAL FUNDS BALANCE SHEET

June 30, 2007

	General	Capital Projects	
		Park and Recreation Fund	2006 Projects
<b>ASSETS</b>			
Cash and cash equivalents	\$ 129,329	\$ -	\$ 319,267
Cash and cash equivalents - restricted	5,247	24,417	-
Investments	65,999	-	-
Accounts receivable	6,808	-	-
Due from other governmental units			
Local	5,000	-	-
Federal/State	19,297	33,925	-
Prepays	-	-	21,425
Due from other funds	54,609	-	-
<b>TOTAL ASSETS</b>	<b>\$ 286,289</b>	<b>\$ 58,342</b>	<b>\$ 340,692</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Payables			
Accounts	\$ 20,015	\$ 1,949	\$ 146,231
Wages	7,024	-	-
Due to other funds	-	53,331	-
<b>TOTAL LIABILITIES</b>	<b>27,039</b>	<b>55,280</b>	<b>146,231</b>
<b>FUND BALANCES</b>			
Reserved for prepaids	-	-	21,425
Reserved for debt service	-	-	-
Unreserved			
Designated for community projects	62,448	3,062	173,036
Undesignated, reported in			
General Fund	196,802	-	-
Special Revenue Funds	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>259,250</b>	<b>3,062</b>	<b>194,461</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 286,289</b>	<b>\$ 58,342</b>	<b>\$ 340,692</b>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ 171,747	\$ 620,343
-	29,664
-	65,999
-	6,808
20,229	25,229
19,036	72,258
-	21,425
-	54,609
<u>\$ 211,012</u>	<u>\$ 896,335</u>

\$ 1,103	\$ 169,298
2,498	9,522
455	53,786
4,056	232,606
-	21,425
1,259	1,259
-	238,546
-	196,802
205,697	205,697
<u>206,956</u>	<u>663,729</u>
<u>\$ 211,012</u>	<u>\$ 896,335</u>

City of Laingsburg

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

June 30, 2007

**Total fund balance - governmental funds** \$ 663,729

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

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

The cost of capital assets is	\$ 2,567,802	
Accumulated depreciation is	<u>(992,191)</u>	
Capital assets, net		1,575,611

Long-term liabilities are not due and payable in the current period and therefore are not reported in the Governmental Funds Balance Sheet.

Long-term liabilities at year-end consist of:

Long-term debt payable	\$ 469,508	
Accrued interest payable	5,341	
Compensated absences	<u>15,384</u>	
		<u>(490,233)</u>

**Net assets of governmental activities** \$ 1,749,107

See accompanying notes to financial statements.

City of Laingsburg

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	General	Capital Projects	
		Park and Recreation Fund	2006 Projects
<b>REVENUES</b>			
Taxes	\$ 418,105	\$ -	\$ -
Licenses and permits	10,018	-	-
Intergovernmental	148,167	163,029	-
Charges for services	2,968	-	-
Fines and forfeits	8,634	-	-
Interest and rents	47,395	-	11,517
Other	6,335	18,914	-
<b>TOTAL REVENUES</b>	<b>641,622</b>	<b>181,943</b>	<b>11,517</b>
<b>EXPENDITURES</b>			
Current			
General government	172,651	-	-
Public safety	201,935	-	-
Public works	57,149	-	-
Health and welfare	26,120	-	-
Recreation and cultural	41,546	-	-
Other	15,205	-	-
Capital outlay	-	320,134	196,854
Debt service	9,279	-	-
<b>TOTAL EXPENDITURES</b>	<b>523,885</b>	<b>320,134</b>	<b>196,854</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>117,737</b>	<b>(138,191)</b>	<b>(185,337)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Bond proceeds	-	-	400,000
Transfers in	-	121,000	-
Bond issuance costs	-	-	(20,202)
Transfers out	(148,500)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(148,500)</b>	<b>121,000</b>	<b>379,798</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(30,763)</b>	<b>(17,191)</b>	<b>194,461</b>
Fund balances, beginning of year	290,013	20,253	-
Fund balances, end of year	<u>\$ 259,250</u>	<u>\$ 3,062</u>	<u>\$ 194,461</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 418,105
-	10,018
123,765	434,961
6,811	9,779
34,411	43,045
1,626	60,538
6,973	32,222
<hr/>	<hr/>
173,586	1,008,668
-	172,651
-	201,935
72,647	129,796
-	26,120
71,848	113,394
-	15,205
-	516,988
10,042	19,321
<hr/>	<hr/>
154,537	1,195,410
19,049	(186,742)
-	400,000
34,358	155,358
-	(20,202)
(6,858)	(155,358)
<hr/>	<hr/>
27,500	379,798
46,549	193,056
160,407	470,673
<hr/>	<hr/>
\$ 206,956	\$ 663,729
<hr/> <hr/>	<hr/> <hr/>

City of Laingsburg

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

Year Ended June 30, 2007

**Net change in fund balances - total governmental funds** **\$ 193,056**

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

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$ 516,988	
Depreciation expense	<u>(84,101)</u>	
 Excess of capital outlay over depreciation expense		 432,887

Some items reported in the statement of activities are not available to finance expenditures of the fiscal period and therefore are not reported as revenues in the governmental funds. These activities consist of:

Capital contributions		104,423
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Repayment of long-term debt and borrowing of long-term debt is reported as expenditures and other financing sources in governmental funds, but the repayment reduces long-term liabilities and the borrowings increase long-term liabilities in the statement of net assets. In the current year, these amounts consist of:

Bond proceeds	(400,000)	
Repayment of long-term debt	<u>8,850</u>	
		(391,150)

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in accrued interest payable	(4,977)	
(Increase) in accrued compensated absences	<u>(2,682)</u>	
		<u>(7,659)</u>

**Change in net assets of governmental activities** **\$ 331,557**

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Sewer System</u>
<b>ASSETS</b>	
Current assets	
Cash and cash equivalents	\$ 103,292
Accounts receivable	<u>84,541</u>
Total current assets	187,833
Noncurrent assets	
Capital assets net of accumulated depreciation	1,244,032
Investments	<u>695,985</u>
Total noncurrent assets	<u>1,940,017</u>
<b>TOTAL ASSETS</b>	<b>2,127,850</b>
<b>LIABILITIES</b>	
Current liabilities	
Accounts payable	67,990
Accrued wages	1,750
Due to other funds	<u>823</u>
<b>TOTAL LIABILITIES</b>	<u><b>70,563</b></u>
<b>NET ASSETS</b>	
Invested in capital assets	1,244,032
Unrestricted	<u>813,255</u>
<b>TOTAL NET ASSETS</b>	<u><b>\$ 2,057,287</b></u>

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN  
FUND NET ASSETS

Year Ended June 30, 2007

	<u>Sewer System</u>
OPERATING REVENUES	
Charges for services	\$ 190,154
OPERATING EXPENSES	
Salaries and wages	46,899
Fringe benefits	12,871
Contractual services	21,062
Utilities	3,339
Repairs and maintenance	22,393
Depreciation	77,710
Other	<u>16,163</u>
TOTAL OPERATING EXPENSES	<u>200,437</u>
OPERATING LOSS	(10,283)
NONOPERATING REVENUES	
Interest revenue	<u>31,141</u>
CHANGE IN NET ASSETS	20,858
Net assets, beginning of year	<u>2,036,429</u>
Net assets, end of year	<u><u>\$ 2,057,287</u></u>

See accompanying notes to financial statements.

City of Laingsburg

Proprietary Fund

STATEMENT OF CASH FLOWS

Year Ended June 30, 2007

	<u>Sewer System</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash receipts from customers	\$ 193,817
Cash paid to employees and vendors	(56,020)
Cash paid for employee benefits	<u>(12,871)</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>124,926</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital purchases	(83,852)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchase of investments	(305,578)
Maturities of investments	250,000
Interest revenue	<u>31,141</u>
<b>NET CASH USED BY INVESTING ACTIVITIES</b>	<b><u>(24,437)</u></b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>16,637</b>
Cash and cash equivalents, beginning of year	<u>86,655</u>
Cash and cash equivalents, end of year	<u><u>\$ 103,292</u></u>
<b>Reconciliation of operating loss to net cash provided by operating activities</b>	
Operating loss	\$ (10,283)
Adjustments to reconcile operating loss to net cash provided by operating activities	
Depreciation	77,710
Decrease in receivables	3,663
Increase in accounts payable	53,090
Increase in due to other funds	633
Increase in accrued liabilities	<u>113</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b><u><u>\$ 124,926</u></u></b>

See accompanying notes to financial statements.

City of Laingsburg

Fiduciary Funds

STATEMENT OF NET ASSETS

June 30, 2007

	<u>Agency Funds</u>		<u>Total</u>
	<u>Trust and Agency</u>	<u>Current Tax Collection</u>	
<b>ASSETS</b>			
Cash and cash equivalents	\$ 8,388	\$ 18,076	\$ 26,464
Investments	16,090	-	16,090
Due from individuals and agencies	165	-	165
<b>TOTAL ASSETS</b>	<b><u>\$ 24,643</u></b>	<b><u>\$ 18,076</u></b>	<b><u>\$ 42,719</u></b>
<b>LIABILITIES</b>			
Due to individuals and agencies	\$ 24,643	\$ 4,920	\$ 29,563
Due to other governmental units			
County	-	3,297	3,297
State Education Tax	-	1,773	1,773
Schools	-	8,086	8,086
<b>TOTAL LIABILITIES</b>	<b><u>\$ 24,643</u></b>	<b><u>\$ 18,076</u></b>	<b><u>\$ 42,719</u></b>

See accompanying notes to financial statements.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Laingsburg is located in Shiawassee County, Michigan and has a population of approximately 1,223. The City of Laingsburg operates with a Council form of government and provides services to its residents in many areas including general government, law enforcement, highways and streets, human services, and utilities services.

The City has six (6) City Council members who are elected at large for overlapping four (4) year terms and a Mayor elected at large for a two (2) year term. The Council appoints the Treasurer, Clerk, Assessor, Chief of Police, and DPW Supervisor.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to City governments. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America; GASB Statement 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39); and *Statement on Michigan Governmental Accounting and Auditing No. 5*, these financial statements present the financial activities of the City of Laingsburg (primary government) and its component unit (Downtown Development Authority).

2. Discretely Presented Component Unit

The component unit is reported in a separate column to emphasize that, while legally separate, the City of Laingsburg remains financially accountable for this entity.

The governing body of the Downtown Development Authority is appointed by the City Council, the Authority's budget is subject to the approval of the City Council and the City temporarily relinquishes part of its tax base to the Authority (tax increment revenues).

3. Jointly Governed Organizations

The City participates in the following activity which is considered to be a jointly governed organization in relation to the City due to there being no ongoing financial interest or responsibility:

Laingsburg, Sciota, and Woodhull Emergency Services Authority - The City of Laingsburg, in conjunction with the Townships of Sciota and Woodhull, have entered into an agreement that created the Laingsburg, Sciota, and Woodhull Emergency Services Authority. The Emergency Services Authority is composed of two (2) members from each of the member municipalities. The City is responsible to pay a pro-rata portion of operating and construction costs based on the current taxable values of the member municipalities. The City levied .9595 mills per \$1,000 of assessed valuation for fire protection services and 1.0746 mills per \$1,000 of assessed valuation for ambulance services and forwarded the collections to the Emergency Services Authority. Other than the levy, the City did not contribute funds to the Emergency Services Authority for the year ended June 30, 2007.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net assets and the statement of activities (the government-wide statements) present information for the primary government and its component units as a whole. All non-fiduciary activities of the primary government are included (i.e., fiduciary fund activities are not included in the government-wide statements). For the most part, interfund activity has been eliminated in the preparation of 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

4. Basis of Presentation - continued

The statement of activities presents the direct functional expenses of the primary government and its component units and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, and unrestricted State revenue sharing payments and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated non-major funds. 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 the major individual enterprise fund are reported as separate columns in the fund financial statements.

The major funds of the City are:

- a. The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government except for those that are required to be accounted for in another fund.
- b. The Parks and Recreation Fund is used to account for the financial resources related to park enhancements.
- c. The 2006 Projects Fund is used to account for the financial resources and costs related to various capital projects, the costs are financed by long-term general obligation debt.
- d. The Sewer System Fund is used to account for the operations required to provide sewer services to the general public, the costs (expenses, including depreciation) are financed or recovered primarily through user charges.

5. Measurement Focus

The government-wide and proprietary financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for Agency Funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

6. Basis of Accounting - continued

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). Revenues that are considered measurable but not available are recorded as a receivable and deferred revenue. Significant revenues susceptible to accrual are special assessments and certain intergovernmental revenues. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting and financial reporting issued 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 City has elected not to follow subsequent private-sector guidance.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 Enterprise Funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/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.

7. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with the modified accrual basis used to reflect actual results in the fund financial statements. The City employs the following procedures in establishing the budgetary data reflected in the financial statements.

- a. At the regular council meeting in May, the City Treasurer submits to City Council the proposed operating budgets for the fiscal year commencing the following July 1. The operating budgets include proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments at the regular council meeting in May.
- c. The budget is legally adopted with passage by Council vote no later than the third Monday in May.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Funds; however, they are maintained at the account level for control purposes.
- e. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- f. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were appropriately approved by the City Council as required.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

8. Cash, Cash Equivalents, and Investments

The City pools cash resources of various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balances in the pooled cash accounts are available to meet current operating requirements. Cash in excess of current requirements is invested in various interest bearing securities and disclosed as part of the City's investments. Cash equivalents consist of temporary investments in mutual funds and certificates of deposit with original maturities of 90 days or less.

Investments include U.S. government securities and certificates of deposit with original maturities of greater than 90 days from the date of purchase. All certificates of deposit are stated at market value.

9. Property Tax

The City of Laingsburg bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are highlighted in the following paragraph.

Property taxes are levied by the City of Laingsburg on July 1 and December 1 and are payable without penalty through August 31 and February 14, respectively. The July 1 levy is composed of the City's millage, 2/3 of the County's millage, special assessments and the State Education Tax. The December 1 levy is composed of 1/3 of the County's millage, fire authority, and schools taxes and special assessments. All real property taxes not paid to the City by March 1 are turned over to the Shiawassee County Treasurer for collection. The Shiawassee County Treasurer purchases the receivables of all taxing districts on any delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection. Collections and remittances of all taxes are accounted for in the Current Tax Collections Agency Fund. City property tax revenues are recognized as revenues in the fiscal year levied.

The City is permitted to levy taxes up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services. For the year ended June 30, 2007, the City levied 15.2836 mills per \$1,000 of assessed valuation for general governmental services. The total Taxable Value for the 2006 levy for property within the City was \$25,665,900.

10. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as operating transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

11. Compensated Absences

City employees are granted thirty-two hours of personal leave and sixty-four hours of sick leave annually, with a maximum to accumulate 160 hours of sick leave. In the event of termination, an employee is paid for accumulated sick/personal time. Employees are not paid for accumulated vacation. All employees with accumulated unused sick/personal time pay at June 30, 2007 were vested and the total due to them, along with the related payroll taxes, is recorded entirely in the government-wide financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

12. Capital Assets

Capital assets include buildings and equipment and are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental activities column. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Buildings and improvements	10 - 50 years
Equipment and furniture	5 - 30 years
Vehicles	2 - 8 years
Sewer system and improvements	15 - 40 years
Infrastructure	20 years

13. Accrued Interest Payable

Accrued interest is presented for long-term obligations in the government-wide financial statements.

14. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as long-term.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

15. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The City utilizes a pooled cash account for three funds. The City's pooled cash account consists of a checking account, utilized by the Special Revenue Funds. Each fund's portion of these pooled accounts is included in the cash and cash equivalents caption on the basic financial statements.

The other funds of the City utilize separate savings, investment, and interest bearing checking accounts.

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

1. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

2. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of the State or the United States, but only if the bank, savings and loan association, savings bank, or credit union is eligible to be a depository of surplus funds belong to the State under Section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of Michigan Compiled Laws.
3. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
4. The United States government or federal agency obligations repurchase agreements.
5. Bankers acceptances of United States banks.
6. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured bank for savings deposits and \$100,000 for demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000. Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Deposits

As of June 30, 2007, the carrying amounts and bank balances for each type of bank account are as follows:

<u>Account Type</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
<b>PRIMARY GOVERNMENT</b>		
Checking	\$ 591,523	\$ 685,417
Money market	67,788	67,788
Certificates of deposit	<u>500,000</u>	<u>500,000</u>
	1,159,311	1,253,205
<b>COMPONENT UNIT</b>		
Checking	50,286	50,286
<b>FIDUCIARY FUNDS</b>		
Checking	3,622	32,130
Savings	10,779	17,024
Money market	4,765	4,765
Certificates of deposit	<u>7,298</u>	<u>7,298</u>
	<u>26,464</u>	<u>61,217</u>
<b>TOTAL REPORTING ENTITY</b>	<b><u>\$ 1,236,061</u></b>	<b><u>\$ 1,364,708</u></b>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

There is a custodial risk as it relates to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2007, the carrying amount of the City's deposits was \$1,236,061 and the bank balance was \$1,364,708, of which \$217,024 was covered by federal depository insurance. The balance of \$1,147,684 was uninsured and uncollateralized.

Investments

As of June 30, 2007, the carrying amounts and market values for the investment are as follows:

<u>INVESTMENT TYPE</u>	<u>Carrying Amount</u>	<u>Market Value</u>	<u>Weighted Average Maturity</u>
<b>PRIMARY GOVERNMENT</b>			
Insured or registered for which the securities are held by the City's agent in the City's name -			
Federal Home Loan Mortgage Bonds	\$ 104,456	\$ 104,456	26 years
Prime Mortgage Trust Pass Thru	21,150	21,150	27 years
Van Kampen Insured Income Trust	97,772	97,772	1 day
GNMA II Guaranteed Pass Thru	31,150	31,150	26 years
Federal National Mortgage Association Remic.	<u>101,319</u>	<u>101,319</u>	27 years
Total primary government	355,847	355,847	
<b>FIDUCIARY FUNDS</b>			
Insured or registered for which the securities are held by the City's agent in the City's name -			
Federal Home Loan Mortgage Bonds	<u>16,090</u>	<u>16,090</u>	26 years
TOTAL REPORTING ENTITY	<u>\$ 371,937</u>	<u>\$ 371,937</u>	

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). As of June 30, 2007, all of the City's investments were rated Aaa by Standard and Poor's.

Interest rate risk

The City has not adopted a policy that indicates how the City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates.

Concentration of credit risk

The City has not adopted a policy that indicates how the City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

Custodial credit risk

The City has not adopted a policy that indicates how the City will minimize custodial credit risk, which 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 of collateral securities that are in possession of an outside party.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED**

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions in the basic financial statements, based upon criteria disclosed in Note A. The following summarizes the categorization of these amounts as of June 30, 2007:

	<u>Primary Government</u>	<u>Component Unit</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Cash and cash equivalents	\$ 723,635	\$ 50,286	\$ 26,464	\$ 800,385
Cash and cash equivalents - restricted	29,664	-	-	29,664
Investments	<u>761,984</u>	<u>-</u>	<u>16,090</u>	<u>778,074</u>
	<u>\$ 1,515,283</u>	<u>\$ 50,286</u>	<u>\$ 42,554</u>	<u>\$ 1,608,123</u>

The cash and cash equivalents captions on the basic financial statements include \$125 in imprest cash.

**NOTE C: CASH AND CASH EQUIVALENTS - RESTRICTED**

The following summarizes the restricted cash and cash equivalents as of June 30, 2007:

	<u>Employee Benefits</u>	<u>Community Projects</u>	<u>Total</u>
General Fund	\$ 5,247	\$ -	\$ 5,247
Park and Recreation Fund	<u>-</u>	<u>24,417</u>	<u>24,417</u>
	<u>\$ 5,247</u>	<u>\$ 24,417</u>	<u>\$ 29,664</u>

**NOTE D: INTERFUND RECEIVABLES AND PAYABLES**

The amount of interfund receivables and payables at June 30, 2007, are as follows:

Due to General Fund from:	
Sewer System Fund	\$ 823
Park and Recreation Fund	53,331
Nonmajor governmental funds	<u>455</u>
	<u>\$ 54,609</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not cleared as of the balance sheet date.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE E: INTERFUND TRANSFERS**

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds have been eliminated.

Transfers to nonmajor governmental funds from:	
General Fund	\$ 27,500
Nonmajor governmental funds	<u>6,858</u>
	<u>\$ 34,358</u>
Transfers to Park and Recreation Fund from:	
General Fund	<u>\$ 121,000</u>

**NOTE F: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2007 was as follows:

**Primary Government**

	<u>Balance</u> <u>July 1, 2006</u>	<u>Additions/</u> <u>Reclassifications</u>	<u>Deletions/</u> <u>Reclassifications</u>	<u>Balance</u> <u>June 30, 2007</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 55,451	\$ -	\$ -	\$ 55,451
Construction in progress	<u>32,990</u>	<u>621,411</u>	<u>( 473,388 )</u>	<u>181,013</u>
Subtotal of capital assets not being depreciated	88,441	621,411	( 473,388 )	236,464
Capital assets being depreciated				
Buildings and improvements	352,246	473,388	-	825,634
Vehicles	184,533	-	-	184,533
Equipment and furniture	207,807	-	-	207,807
Infrastructure	<u>1,113,364</u>	<u>-</u>	<u>-</u>	<u>1,113,364</u>
Subtotal of capital assets being depreciated	1,857,950	473,388	-0-	2,331,338
Less accumulated depreciation for				
Buildings and improvements	( 74,106 )	( 16,630 )	-	( 90,736 )
Vehicles	( 158,746 )	( 6,185 )	-	( 164,931 )
Equipment and furniture	( 105,673 )	( 15,111 )	-	( 120,784 )
Infrastructure	<u>( 569,565 )</u>	<u>( 46,175 )</u>	<u>-</u>	<u>( 615,740 )</u>
Total accumulated depreciation	<u>( 908,090 )</u>	<u>( 84,101 )</u>	<u>-0-</u>	<u>( 992,191 )</u>
Net capital assets being depreciated	<u>949,860</u>	<u>389,287</u>	<u>-0-</u>	<u>1,339,147</u>
Capital assets, net	<u>\$ 1,038,301</u>	<u>\$ 1,010,698</u>	<u>\$( 473,388 )</u>	<u>\$ 1,575,611</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE F: CAPITAL ASSETS - CONTINUED**

Depreciation expense was charged to the following governmental activities:

General government	\$ 7,916
Public safety	10,462
Public works	52,404
Recreation and cultural	<u>13,319</u>
Total depreciation expense	<u>\$ 84,101</u>

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Business-type activities				
Capital assets being depreciated				
Buildings and improvements	\$ 3,152,823	\$ 83,852	\$ -	\$ 3,236,675
Machinery and equipment	55,031	-	-	55,031
Office and equipment	<u>3,302</u>	<u>-</u>	<u>-</u>	<u>3,302</u>
Subtotal of capital assets being depreciated	3,211,156	83,852	-0-	3,295,008
Less accumulated depreciation for				
Buildings and improvements	( 1,918,527 )	( 76,610 )	-	( 1,995,137 )
Machinery and equipment	( 51,437 )	( 1,100 )	-	( 52,537 )
Office and equipment	<u>( 3,302 )</u>	<u>-</u>	<u>-</u>	<u>( 3,302 )</u>
Total accumulated depreciation	<u>( 1,973,266 )</u>	<u>( 77,710 )</u>	<u>-0-</u>	<u>( 2,050,976 )</u>
Capital assets, net	<u>\$ 1,237,890</u>	<u>\$ 6,142</u>	<u>\$ -0-</u>	<u>\$ 1,244,032</u>

**NOTE G: LONG-TERM DEBT**

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2007:

	<u>Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>	<u>Amount Due Within One Year</u>
PRIMARY GOVERNMENT					
Governmental Activities					
Capital Leases - Police Cars	\$ 21,636	\$ -	\$ 5,699	\$ 15,937	\$ 4,933
Project reimbursement	56,722	-	3,151	53,571	3,151
2006 General Obligation Bonds	-	400,000	-	400,000	15,000
Accumulated compensated absences	<u>12,702</u>	<u>11,497</u>	<u>8,815</u>	<u>15,384</u>	<u>9,184</u>
	<u>\$ 91,060</u>	<u>\$ 411,497</u>	<u>\$ 17,665</u>	<u>\$ 484,892</u>	<u>\$ 32,268</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE G: LONG-TERM DEBT - CONTINUED**

Significant details regarding outstanding long-term debt (including current portion) are presented below:

PRIMARY GOVERNMENT

General Obligation Bonds

\$400,000 General Obligation Bonds dated August 1, 2006, due in annual installments ranging from \$15,000 to \$40,000 through October 1, 2020, with interest ranging from 4.00 to 4.45 percent, payable semi-annually. \$ 400,000

The annual requirements to pay the debt principal and interest outstanding for the General Obligation Bonds are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 15,000	\$ 16,483
2009	15,000	15,883
2010	20,000	15,183
2011	20,000	14,382
2012	25,000	13,482
2013-2017	150,000	50,889
2018-2020	<u>155,000</u>	<u>14,007</u>
	<u>\$ 400,000</u>	<u>\$ 140,309</u>

Capital Leases

The City has entered into lease purchase agreements to finance the acquisition of police cars. The current lease agreement qualifies as a capital lease for accounting purposes (title transfers at end of lease term at bargain price) and, therefore, has been recorded at the present value of future minimum lease payments as of the date of inception. The cost of equipment acquired under the lease purchase agreement amounted to \$26,136.

Commitments under this lease agreement provide for minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>
2008	\$ 4,933	\$ 1,195
2009	5,303	825
2010	<u>5,701</u>	<u>427</u>
	<u>\$ 15,937</u>	<u>\$ 2,447</u>

Project Reimbursement

The City has entered into an agreement to reimburse Verizon North for certain improvements made to the Downtown area. The agreement is dated July 23, 2005 and is due in annual installments of \$3,151 with no interest through July 23, 2023. The cost of improvements acquired under this agreement amounted to \$63,024.

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE G: LONG-TERM DEBT - CONTINUED**

Project Reimbursement - Continued

Commitments under this agreement provide for minimum annual payments as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>
2008	\$ 3,151
2009	3,151
2010	3,151
2011	3,151
2012	3,151
2013-2017	15,755
2018-2022	15,755
2023-2024	<u>6,306</u>
	<u>\$ 53,571</u>

Accumulated compensated absences

Individual employees have vested rights upon termination of employment to receive payments for unused sick/personal time. The dollar amount of these vested rights including related payroll taxes, which have been accrued on the financial statements in the government-wide financial statements, amounted to approximately \$15,384 at June 30, 2007.

**NOTE H: RETIREMENT PLAN**

Plan Description

The City participates in the Michigan Municipal Employees Retirement System, an agent multiple-employer defined benefit pension plan that covers all eligible (i.e., full-time) employees of the City of Laingsburg. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the System at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for eligible employees was established by the City Council. The plan requires a three (3) percent contribution from the employees.

Annual Pension Cost

For year ended June 30, 2007, the City of Laingsburg's annual pension cost of \$13,856 for the plan was equal to the City of Laingsburg's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry actual age cost method. Actual contributions to the retirement system are based on actual reported monthly payroll. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return (b) projected salary increases of 4.5 percent per year compounded annually, attributable to inflation (c) additional salary increases depending on age, seniority and merit, and (d) assumption benefits will not increase after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short term volatility over a four (4) year period. The unfunded actuarial liability is being amortized as a level percentage of payroll over a period of thirty (30) years.

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE H: RETIREMENT PLAN - CONTINUED**

Three (3) year trend information

	Year Ended December 31,		
	<u>2004</u>	<u>2005</u>	<u>2006</u>
Actuarial value of assets	\$ 103,117	\$ 131,514	\$ 162,472
Actuarial accrued liability (AAL) (entry age)	101,551	132,771	158,327
Unfunded (overfunded) AAL	( 1,566 )	1,230	( 4,145 )
Funded ratio	102 %	99 %	103 %
Covered payroll	207,210	226,735	201,594
UAAL as a percentage of covered payroll	- %	1 %	- %

	Year Ended June 30,		
	<u>2005</u>	<u>2006</u>	<u>2007</u>
Annual pension cost	\$ 11,834	\$ 13,239	\$ 13,856
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	-	-	-

This trend information was obtained from the most recently issued actuarial reports.

**NOTE I: RISK MANAGEMENT**

The City participates in a pool, the Michigan Municipal League Liability and Property Pool with other municipalities for property, casualty, law enforcement, automobiles, crime, employee benefit, and public official losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

The City also participates in a pool, the Michigan Municipal Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

**NOTE J: FUND BALANCE RESERVES AND DESIGNATIONS**

Reserved fund balance is used to earmark a portion of fund balance to indicate that it is not appropriate for expenditures or has been legally segregated for a specific future use. Designated fund balance indicates that portion of the fund balance which the City has set aside for specific purposes.

The following are the various fund balance reserves as of June 30, 2007:

2006 Projects Fund	
Reserved for prepaids	<u>\$ 21,425</u>
Nonmajor governmental funds	
Reserved for debt service	<u>\$ 1,259</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE J: FUND BALANCE RESERVES AND DESIGNATIONS - CONTINUED**

The following are the fund balance designations as of June 30, 2007:

General Fund	
Designated for community projects	<u>\$ 62,448</u>
Park and Recreation Fund	
Designated for community projects	<u>\$ 3,062</u>
2006 Projects Fund	
Designated for community projects	<u>\$ 173,036</u>

**NOTE K: BUILDING AND ZONING FINANCIAL INFORMATION**

The City elected to report the financial activities of the building and zoning department in the General Fund. The following is the required information as it relates to this department for the year ended June 30, 2007:

REVENUES	
Building permits	\$ 4,848
EXPENDITURES	
Contractual services	14,833
Supplies and other	<u>75</u>
TOTAL EXPENDITURES	<u>14,908</u>
EXCESS OF REVENUES (UNDER) EXPENDITURES	<u>\$( 10,060 )</u>

**NOTE L: RESTRICTED NET ASSETS**

Restrictions of net assets shown in the Government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various net asset restrictions as of June 30, 2007:

PRIMARY GOVERNMENT	
Governmental activities	
Restricted for streets	\$ 155,970
Restricted for capital projects	<u>194,461</u>
	<u>\$ 350,431</u>

City of Laingsburg

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

**NOTE M: EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

In the budgetary comparison schedules, the City's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2007, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public safety			
Fire department	\$ 600	\$ 24,685	\$ 24,085
Health and welfare			
Emergency services	-0-	26,120	26,120
Recreation and cultural			
Parks maintenance	28,038	32,389	4,351
Transfers out	52,500	148,500	96,000

The variances for the transfers out, fire department, and emergency services were the result of adjusting journal entries proposed during the audit process subsequent to year-end.

**NOTE N: SUBSEQUENT EVENTS**

In July 2007, the City approved a bid for improvements to the municipal parking lot commonly known as the post office parking lot in the amount of \$144,014. Remaining proceeds from the bonds issued during the year should be sufficient to cover the project costs.

**NOTE O: CONTRACTUAL COMMITMENTS**

The City has entered into various contracts related to capital improvement projects that were not completed at June 30, 2007. The total contractual commitments outstanding at June 30, 2007 totaled \$410,829.

**REQUIRED SUPPLEMENTARY INFORMATION**

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Amended</u>		
REVENUES				
Taxes				
Property taxes	\$ 371,706	\$ 372,134	\$ 418,105	\$ 45,971
Licenses and permits				
Cable television license	4,788	4,788	4,936	148
City licenses and permits	5,250	5,250	5,082	(168)
Total licenses and permits	10,038	10,038	10,018	(20)
Intergovernmental				
State				
State shared revenue	144,254	144,254	141,962	(2,292)
State liquor license	1,350	1,350	1,342	(8)
Michigan justice training	950	950	325	(625)
Metro act	4,000	4,000	4,538	538
Total intergovernmental	150,554	150,554	148,167	(2,387)
Charges for services				
Other fees	2,200	3,200	2,968	(232)
Fines and forfeits				
Parking	10,250	10,250	8,634	(1,616)
Interest and rents				
Interest	1,515	2,315	8,282	5,967
Rents	36,600	37,071	39,113	2,042
Total interest and rents	38,115	39,386	47,395	8,009
Other				
Refunds	1,450	3,593	2,501	(1,092)
Other	1,735	3,994	3,834	(160)
Total other	3,185	7,587	6,335	(1,252)
TOTAL REVENUES	586,048	593,149	641,622	48,473

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Amended		
<b>EXPENDITURES</b>				
General government				
Council, boards, and commissions	\$ 7,755	\$ 6,755	\$ 4,119	\$ 2,636
Chief executive	3,020	2,520	2,162	358
Treasurer	35,751	36,851	34,214	2,637
Clerk	28,418	30,218	26,789	3,429
Contractual services	21,200	33,200	32,773	427
Assessor	10,300	10,800	10,756	44
Elections	5,700	3,900	2,803	1,097
City hall and grounds	50,280	54,490	51,074	3,416
Board of review	400	400	308	92
City services	18,036	24,836	7,653	17,183
Total general government	180,860	203,970	172,651	31,319
Public safety				
Police department	172,865	172,765	162,342	10,423
Fire department	600	600	24,685	(24,085)
Zoning & Planning commission	10,890	15,050	14,908	142
Total public safety	184,355	188,415	201,935	(13,520)
Public works				
General services	63,468	69,268	56,742	12,526
Drains	6,950	6,950	407	6,543
Total public works	70,418	76,218	57,149	19,069
Health and welfare				
Emergency services	-	-	26,120	(26,120)
Recreation and cultural				
Parks maintenance	18,838	28,038	32,389	(4,351)
Library	8,500	10,000	9,157	843
Total recreation and cultural	27,338	38,038	41,546	(3,508)
Capital outlay	10,880	5,000	-	5,000
Debt service	15,828	9,700	9,279	421

City of Laingsburg

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2007

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Amended</u>		
EXPENDITURES - CONTINUED				
Other				
Insurance	\$ 24,875	\$ 17,815	\$ 15,205	\$ 2,610
Contingencies	11,494	1,493	-	1,493
Total other	<u>36,369</u>	<u>19,308</u>	<u>15,205</u>	<u>4,103</u>
TOTAL EXPENDITURES	<u>526,048</u>	<u>540,649</u>	<u>523,885</u>	<u>16,764</u>
EXCESS OF REVENUES OVER EXPENDITURES	60,000	52,500	117,737	65,237
OTHER FINANCING USES				
Transfers out	<u>(60,000)</u>	<u>(52,500)</u>	<u>(148,500)</u>	<u>(96,000)</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	(30,763)	(30,763)
Fund balance, beginning of year	<u>290,013</u>	<u>290,013</u>	<u>290,013</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 290,013</u>	<u>\$ 290,013</u>	<u>\$ 259,250</u>	<u>\$ (30,763)</u>

## **OTHER SUPPLEMENTARY INFORMATION**

City of Laingsburg

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2007

	Special Revenue		
	Major Street	Local Street	Library
<b>ASSETS</b>			
Cash and cash equivalents	\$ 113,725	\$ 28,449	\$ 28,314
Due from other governmental units			
State	11,819	4,409	2,808
Local	-	-	20,229
<b>TOTAL ASSETS</b>	<b>\$ 125,544</b>	<b>\$ 32,858</b>	<b>\$ 51,351</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts payable	\$ 896	\$ 197	\$ 10
Accrued wages	557	354	1,587
Due to other funds	247	181	27
<b>TOTAL LIABILITIES</b>	<b>1,700</b>	<b>732</b>	<b>1,624</b>
<b>FUND BALANCES</b>			
Reserved for debt service	-	-	-
Unreserved			
Undesignated, reported in			
Special revenue funds	123,844	32,126	49,727
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 125,544</b>	<b>\$ 32,858</b>	<b>\$ 51,351</b>

<u>Debt Service</u> <u>2006</u> <u>Debt</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 1,259	\$ 171,747
-	19,036
-	<u>20,229</u>
<u>\$ 1,259</u>	<u>\$ 211,012</u>
\$ -	\$ 1,103
-	2,498
-	<u>455</u>
-0-	4,056
1,259	1,259
-	<u>205,697</u>
<u>\$ 1,259</u>	<u>\$ 211,012</u>

City of Laingsburg

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES

Year Ended June 30, 2007

	Special Revenue		
	Major Street	Local Street	Library
<b>REVENUES</b>			
Intergovernmental			
State	\$ 78,082	\$ 29,102	\$ 5,638
Local	-	-	6,500
Charges for services	-	-	6,811
Fines and forfeits	-	-	34,411
Interest and rents	1,103	322	201
Other	3,168	2,699	1,106
<b>TOTAL REVENUES</b>	<b>82,353</b>	<b>32,123</b>	<b>54,667</b>
<b>EXPENDITURES</b>			
Current			
Public works	37,132	35,515	-
Recreation and cultural	-	-	71,848
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>37,132</b>	<b>35,515</b>	<b>71,848</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>45,221</b>	<b>(3,392)</b>	<b>(17,181)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	7,500	20,000
Transfers out	(4,801)	(2,057)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,801)</b>	<b>5,443</b>	<b>20,000</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>40,420</b>	<b>2,051</b>	<b>2,819</b>
Fund balances, beginning of year	83,424	30,075	46,908
Fund balances, end of year	<u>\$ 123,844</u>	<u>\$ 32,126</u>	<u>\$ 49,727</u>

<u>Debt Service</u> 2006 <u>Debt</u>	<u>Total</u> Nonmajor Governmental <u>Funds</u>
\$ -	\$ 112,822
4,443	10,943
-	6,811
-	34,411
-	1,626
-	6,973
<u>4,443</u>	<u>173,586</u>
-	72,647
-	71,848
<u>10,042</u>	<u>10,042</u>
<u>10,042</u>	<u>154,537</u>
(5,599)	19,049
6,858	34,358
<u>-</u>	<u>(6,858)</u>
<u>6,858</u>	<u>27,500</u>
1,259	46,549
-	160,407
<u>\$ 1,259</u>	<u>\$ 206,956</u>

City of Laingsburg  
 Component Unit Fund  
 BALANCE SHEET  
 June 30, 2007

	<u>Downtown Development Authority</u>
<b>ASSETS</b>	
Cash and cash equivalents	<u>\$ 50,286</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Due to other governmental units	\$ 5,000
Accounts payable	<u>3,472</u>
TOTAL LIABILITIES	8,472
<b>FUND BALANCE</b>	
Unreserved - undesignated	<u>41,814</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 50,286</u>

Note: Reconciliation of the component unit governmental fund balance sheet to the statement of net assets for the component unit is not required as the component unit fund balance was equal to the component unit net assets as of June 30, 2007.

City of Laingsburg

Component Unit Fund

STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCE

Year Ended June 30, 2007

	<u>Downtown Development Authority</u>
REVENUES	
Taxes	\$ 51,291
EXPENDITURES	
Community and economic development	<u>32,365</u>
NET CHANGE IN FUND BALANCE	18,926
Fund balance, beginning of year	<u>22,888</u>
Fund balance, end of year	<u><u>\$ 41,814</u></u>

Note: Reconciliation of the statement of revenues, expenditures, and change in fund balance of the component unit governmental fund to the statement of activities for the component unit is not required as the net change in fund balance of the component unit governmental fund was equal to the change in net assets of the component unit for the year ended June 30, 2007.

Principals

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN  
AUDIT OF THE FINANCIAL STATEMENTS**

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Laingsburg as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 7, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control 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 a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America 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 controls. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting:

PREPARATION OF FINANCIAL STATEMENTS

Michigan governments are required to prepare financial statements in accordance with generally accepted accounting principles (GAAP). Responsibility for the financial statements of the City rests with the City's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal accounting records), and (2) reporting government-wide and fund financial statements, including the related note disclosures (i.e., external financial reporting).

## PREPARATION OF FINANCIAL STATEMENTS - CONTINUED

It has historically been common for many small to medium-sized governments to rely on the independent auditors to assist in the preparation of the government-wide and fund financial statements, as well as the related notes to the financial statements, as part of its external financial reporting process. As a result, a government's ability to prepare financial statements in accordance with GAAP has typically been based, in part, on its reliance on the independent auditors. By definition, independent auditors cannot be part of the government's internal controls.

The condition noted in the preceding paragraph exists at City of Laingsburg. The cause for this condition is simply because it is more cost effective to outsource the preparation of its annual financial statements to the independent auditors than to incur the time and expense of having the employees and/or management obtain the necessary training and expertise required to perform this task internally.

As a result of this condition, the employees and/or management do not possess the qualifications necessary to prepare the City's annual financial statements and notes to the financial statements in accordance with GAAP. The City relies, in part, on the independent auditors for assistance with the preparation of annual financial statements and related notes to the financial statements in accordance with GAAP.

We recommend the City consider obtaining the proper training for the appropriate staff members to assure that they are able to fully understand what goes into the preparation of the annual audited financial statements and so that they can take responsibility for the preparation of the annual audited financial statements, assure there are no material misstatements, and assure there are appropriate disclosures in accordance with accounting principles generally accepted in the United States of America.

## MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Material journal entries were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. Statement on Auditing Standards No. 112 (SAS 112), *Communicating Internal Control Related Matters Identified in an Audit*, emphasizes that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (when applicable), including the notes to financial statements, in conformity with U.S. generally accepted accounting principles. The auditor cannot be a part of internal controls.

Material journal entries for the adjustment of accounts payable, accounts receivable, capital assets, and grant revenue were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting.

Through the identification of material journal entries that were not otherwise identified by management, the auditors are effectively part of the City's internal controls.

We recommend that the City take steps to ensure that material journal entries are not necessary at the time future audit analysis is performed.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the significant deficiencies described above are 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 instances of noncompliance or other matters as described below.

## UNFAVORABLE BUDGET VARIANCES

The Uniform Budgeting and Accounting Act requires the City to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

During our review of the City's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund. The majority of these budget variances were the direct result of adjustments that we proposed during the audit process.

The City adopted the budget for the General Fund at the activity level. Having unfavorable budget variances as described above, the City is not in compliance with Public Act 621 of 1978, as amended.

We recommend the City monitor expenditures against adopted budgets in all applicable funds and make appropriate budget amendments as needed.

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
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November 7, 2007