

**CITY OF ALLEN PARK
WAYNE COUNTY, MICHIGAN
Report on Financial Statements
(With required supplementary and additional
information and single audit supplement
required by OMB Circular A-133)
For the Fiscal Year Ended
June 30, 2007**

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 Allen Park	County Wayne
Fiscal Year End June 30, 2007	Opinion Date November 30, 2007	Date Audit Report Submitted to State December 6, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

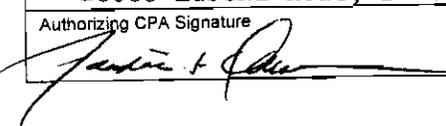
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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 type="checkbox"/>	
Certified Public Accountant (Firm Name) Darnell & Meyering, P.C.		Telephone Number (734) 284-9399
Street Address 20600 Eureka Road, Suite 900		City Taylor
Authorizing CPA Signature 		State MI
Printed Name Randall H. Darnell		Zip 48180
		License Number 13139

CITY OF ALLEN PARK
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CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Mayor and Elected Officials of the Council
City of Allen Park
16850 Southfield Road
Allen Park, MI 48101

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 Allen Park, 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 of Allen Park, 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 Standard*, 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 the 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 Allen Park, Michigan, as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2007, on our consideration of the City of Allen Park's internal control over

financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vii-xi and 39-40, 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 Allen Park, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the basic financial statements of the City of Allen Park. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

DARNELL & MEYERING, P.C.

A handwritten signature in cursive script that reads "Darnell & Meyering P.C.".

November 30, 2007

City of Allen Park
Management's Discussion and Analysis (MD&A)
Year ended June 30, 2007

OVERVIEW OF FINANCIAL STATEMENTS

The City of Allen Park, Michigan (the "City") 2007 annual financial report is presented in conformity with the requirements of GASB Statement No. 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplemental information and other supplemental information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

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 City'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.

The government-wide financial statements outline functions of the City that are principally supported by revenues received from the State of Michigan and the taxpayers of the City of Allen Park.

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into six categories. They are:

- A. General Government – General
- B. Special Revenue – Major and Local Streets, Sidewalk, Building, Drug Law Enforcement, and Library.
- C. Debt Service – 2003 Community Center Construction Debt.

D. Capital Projects – Capital Improvement.

E. Enterprise – Water & Sewer.

F. Trust and Agency – Pension Trust, Public Employee Health, Sick Pay and Tax Collection.

All other funds are component units (see pages 14 and 15 of the notes to the financial statements).

Financial Highlights

The General Fund reported revenue in excess of expenditures of \$498,216, resulting in an increase in the General Fund balance to \$2,859,175. Of this amount, \$1,518,987 is unreserved and undesignated, or 6.7 percent, of General Fund expenditures.

The reorganization of City Hall was completed within the past two years. Also, as in the case of COAM, AFSCME and appointees in the previous year, several firefighters accepted an early retirement incentive that was offered to the Firefighters union that allowed a re-structuring of the department that will result in long term cost savings without reducing and/or laying off any personnel.

The City was able to re-establish its Capital Improvement and Sick Pay Fund, two funds, which had been closed in previous years due to lack of funding. This was in line with the City's goal of capturing some of the reorganization savings and plan for some of the major projects that have been delayed in the past due to eroding fund balances. In addition, the City adopted its first 20 year equipment replacement plan in a effort to address its many deferred capital needs.

Beginning with the fiscal year ending June 30, 2009, the City will be required to recognize the actuarial determined liability on its balance sheet for purposes of GASB 45. Early estimates have determined that the present value of the future benefits for current and retired participants is approximately \$61,300,833. Currently, the City has approximately 1,193,985 set aside to offset this growing liability.

Governmental Activities

Net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$88,369,171 in the current year compared to \$90,202,700 in the prior year.

The largest portion of the City's net assets reflects its investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, furniture and equipment), less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to the public; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The City's financial position is the product of a number of transactions including the net results of its activities, the payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets.

Net Assets for the period ended June 30, 2007 and 2006:

Assets	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current Assets	\$ 6,921,577	\$ 6,171,894	\$ 7,640,395	\$ 7,016,325	\$ 14,561,972	\$ 13,188,219
Noncurrent Assets	90,611,591	93,827,145	43,280,913	42,352,496	133,892,504	136,179,641
Total Assets	<u>97,533,168</u>	<u>99,999,039</u>	<u>50,921,308</u>	<u>49,368,821</u>	<u>148,454,476</u>	<u>149,367,860</u>
Liabilities and Net Assets						
Current Liabilities	1,561,881	1,891,430	4,440,577	4,361,793	6,002,458	6,253,223
Noncurrent Liabilities	7,602,116	7,904,909	25,245,606	27,089,573	32,847,722	34,994,482
Total Liabilities	<u>9,163,997</u>	<u>9,796,339</u>	<u>29,686,183</u>	<u>31,451,366</u>	<u>38,850,180</u>	<u>41,247,705</u>
Net Assets						
Invested in Capital Assets						
Net of Related Debt	83,932,924	87,332,712	14,887,230	13,476,545	98,820,154	100,809,257
Contributed Capital	-	-	939,764	939,764	939,764	939,764
Restricted	-	-	1,796,803	1,017,344	1,796,803	1,017,344
Unrestricted	4,436,247	2,869,988	3,611,328	2,483,802	8,047,575	5,353,790
Total Net Assets	<u>\$ 88,369,171</u>	<u>\$ 90,202,700</u>	<u>\$ 21,235,125</u>	<u>\$ 17,917,455</u>	<u>\$ 109,604,296</u>	<u>\$ 108,120,155</u>

The following table presents a summary of revenue and expense for the fiscal year ended June 30, 2007 and 2006:

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues						
General Revenues	\$ 23,077,565	\$ 21,794,683	\$ 3,619,247	\$ 4,872,941	\$ 26,696,812	\$ 26,667,624
Charges for Services	3,675,497	3,389,324	6,144,105	6,026,039	9,819,602	9,415,363
Operating Grants & Contributions	465,053	555,440	219,338	-	684,391	555,440
Capital Grants & Contributions	-	-	-	-	-	-
Total Revenues	27,218,115	25,739,447	9,982,690	10,898,980	37,200,805	36,638,427
Program Expenses including Indirect Expenses						
General Government	8,602,049	8,215,204	-	-	8,602,049	8,215,204
Public Safety	9,720,267	9,506,768	-	-	9,720,267	9,506,768
Highways and Streets	2,988,632	2,563,407	-	-	2,988,632	2,563,407
Sanitation	1,826,077	1,747,871	-	-	1,826,077	1,747,871
Recreation and Culture	1,521,984	1,482,566	-	-	1,521,984	1,482,566
Interest Expense	298,739	307,839	-	-	298,739	307,839
Unallocated Depreciation Expense	4,093,896	4,076,643	-	-	4,093,896	4,076,643
Water and Sewer	-	-	6,665,020	8,608,583	6,665,020	8,608,583
Total Expenses	29,051,644	27,900,298	6,665,020	8,608,583	35,716,664	36,508,881
Change in Net Assets	\$ (1,833,529)	\$ (2,160,851)	\$ 3,317,670	\$ 2,290,397	\$ 1,484,141	\$ 129,546

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. The major sources of revenue for the City are property taxes and state shared revenue. While the City's taxable value of property has increased slightly, it has not grown at the same rate as other expenditures (e.g. health care.) In addition, the State of Michigan continues to use reductions in state shared revenue as a means to alleviate their budget deficits. The City continues to plan long term, balancing cost reductions with the challenge of continuing to provide the current level of services provided to the community.

Economic Factors and Next Year's Budget

The State of Michigan continues its economic struggles, with unemployment and foreclosure rates climbing. As the City has continued to reduce its workforce and restructure many of its departments, it must continue to look at ways to reduce its operating costs further. With potential reductions in state-shared revenue, increasing health care costs and lack of significant growth in property tax revenue due to the impact of Proposal A and the Headlee Amendment, the pressure to maintain a responsible fund balance continues. The cost savings achieved by the early retirement incentive will need to be weighed against the increasing pension and health care contributions.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the City Administrator (313) 928-2473 or mail to 16850 Southfield Road, Allen Park, MI 48101.

City of Allen Park
Statement of Net Assets
June 30, 2007

	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Current assets:				
Cash and cash equivalents	\$ 5,232,634	\$ 4,416,580	\$ 9,649,214	\$ 6,176,760
Receivables:				
Taxes (net)	457,863	692,405	1,150,268	-
Other	185,659	670,293	855,952	-
Interest	-	-	-	29,632
Due from agency funds	263,887	-	263,887	-
Due from primary government	-	-	-	227,988
Internal balances, governmental & business-type	124,438	(124,438)	-	-
Inventory	-	80,967	80,967	165
Prepaid expenses	654,929	1,901,510	2,556,439	22,245
Current portion of bond discount	2,167	3,078	5,245	-
Total current assets	<u>6,921,577</u>	<u>7,640,395</u>	<u>14,561,972</u>	<u>6,456,790</u>
Noncurrent assets:				
Advances to other funds	250,000	-	250,000	-
Restricted cash and cash equivalents	-	1,309,761	1,309,761	-
Capital assets not being depreciated	39,704,448	20,000	39,724,448	232,765
Capital assets being depreciated	149,438,270	55,739,566	205,177,836	11,320,194
Less accumulated depreciation	(98,838,543)	(13,836,236)	(112,674,779)	(4,335,568)
Bond discount, net of current portion	57,416	47,822	105,238	-
Total noncurrent assets	<u>90,611,591</u>	<u>43,280,913</u>	<u>133,892,504</u>	<u>7,217,391</u>
Total assets	<u>\$ 97,533,168</u>	<u>\$ 50,921,308</u>	<u>\$ 148,454,476</u>	<u>\$ 13,674,181</u>

	Governmental Activities	Business-type Activities	Total	Component Units
Liabilities And Net Assets				
Current liabilities:				
Accounts payable and other current liabilities	\$ 1,130,293	\$ 453,861	\$ 1,584,154	\$ 49,629
Accrued interest payable	97,999	128,361	226,360	77,309
Due to fiduciary fund	7,872	-	7,872	-
Due to component unit	-	227,988	227,988	-
Deferred revenue	19,840	1,773,149	1,792,989	-
Current portion of compensated absences	194,035	6,672	200,707	-
Current portion of note payable	11,842	-	11,842	-
Current portion of bonds payable	100,000	1,850,546	1,950,546	430,000
Total current liabilities	1,561,881	4,440,577	6,002,458	556,938
Noncurrent liabilities:				
Compensated absences, net of current portion	1,342,707	60,052	1,402,759	-
Note payable, net of current portion	9,409	-	9,409	-
Bonds payable, net of current portion	6,250,000	25,185,554	31,435,554	6,350,000
Total noncurrent liabilities	7,602,116	25,245,606	32,847,722	6,350,000
Total liabilities	9,163,997	29,686,183	38,850,180	6,906,938
Net assets:				
Invested in capital assets net of related debt	83,932,924	14,887,230	98,820,154	437,391
Contributed capital	-	939,764	939,764	-
Restricted for:				
Debt service	-	190,015	190,015	809,157
Replacement - basin/sewer	-	1,313,609	1,313,609	-
Water improvement	-	211,886	211,886	-
Meter maintenance	-	81,293	81,293	-
Unrestricted	4,436,247	3,611,328	8,047,575	5,520,695
Total net assets	\$ 88,369,171	\$ 21,235,125	\$ 109,604,296	\$ 6,767,243

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

City of Allen Park
Statement of Activities
Year Ended June 30, 2007

Functions/programs	Net (Expense) Revenue and Changes in Net Assets											
	Program Revenues				Capital Grants and Contributions			Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants & Contributions	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total		
Governmental activities:												
General government	\$ 8,602,049	\$ 3,675,497	\$ 208,320	\$ -	\$ (4,718,232)	\$ -	\$ (4,718,232)	\$ -	\$ -	\$ (4,718,232)	\$ -	\$ -
Public safety	9,720,267	-	256,733	-	(9,463,534)	-	(9,463,534)	-	-	(9,463,534)	-	-
Highway and streets	2,988,632	-	-	-	(2,988,632)	-	(2,988,632)	-	-	(2,988,632)	-	-
Sanitation	1,826,077	-	-	-	(1,826,077)	-	(1,826,077)	-	-	(1,826,077)	-	-
Recreation and culture	1,521,984	-	-	-	(1,521,984)	-	(1,521,984)	-	-	(1,521,984)	-	-
Interest expense	298,739	-	-	-	(298,739)	-	(298,739)	-	-	(298,739)	-	-
Unallocated depreciation expense	4,093,896	-	-	-	(4,093,896)	-	(4,093,896)	-	-	(4,093,896)	-	-
Total governmental activities	29,051,644	3,675,497	465,053	-	(24,911,094)	-	(24,911,094)	-	-	(24,911,094)	-	-
Business-type activity:												
Water and sewer	6,665,020	6,144,105	219,338	-	-	-	(301,577)	-	(301,577)	(301,577)	-	-
Total primary government	\$35,716,664	\$ 9,819,602	\$ 684,391	\$ -	\$ (24,911,094)	\$ -	\$ (25,212,671)	\$ (301,577)	\$ (301,577)	\$ (25,212,671)	\$ -	\$ -
Component units:												
Downtown Development Authority	1,033,915	-	-	-	-	-	-	-	-	-	(1,033,915)	-
Building Authority	91,170	-	-	-	-	-	-	-	-	-	(91,170)	-
Housing Commission	292,922	-	81,636	-	-	-	-	-	-	-	(211,286)	-
Brownfield Redevelopment	75,629	-	-	-	-	-	-	-	-	-	(75,629)	-
Total component units:	\$ 1,493,636	\$ -	\$ 81,636	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (1,412,000)	\$ -

Net (Expense) Revenue and Changes in Net Assets
Primary Government

	Governmental Activities	Business-Type Activities	Total	Component Units
General revenues:				
Property taxes	\$ 13,363,433	\$ 3,045,604	\$ 16,409,037	\$ 2,175,268
State-shared revenues	5,651,386	-	5,651,386	-
Rentals	-	-	-	364,609
Investment earnings	792,988	257,286	1,050,274	301,201
Miscellaneous	3,251,046	316,357	3,567,403	31,675
Special item - gain on sale of capital assets	18,712	-	18,712	-
Total general revenues	<u>23,077,565</u>	<u>3,619,247</u>	<u>26,696,812</u>	<u>2,872,753</u>
Change in net assets	(1,833,529)	3,317,670	1,484,141	1,460,753
Net assets - beginning	<u>90,202,700</u>	<u>17,917,455</u>	<u>108,120,155</u>	<u>5,306,490</u>
Net assets - ending	<u>\$ 88,369,171</u>	<u>\$ 21,235,125</u>	<u>\$ 109,604,296</u>	<u>\$ 6,767,243</u>

The accompanying notes are in integral part of the financial statements

City of Allen Park
Balance Sheet
Governmental Funds
June 30, 2007

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets:			
Cash & cash equivalents	\$ 1,788,505	\$ 3,444,129	\$ 5,232,634
Receivables:			
Taxes	427,443	30,420	457,863
Other	183,750	1,909	185,659
Due from other funds	752,807	607,424	1,360,231
Advances to other funds	250,000	-	250,000
Prepaid expenditures	641,665	13,264	654,929
Total assets	<u>\$ 4,044,170</u>	<u>\$ 4,097,146</u>	<u>\$ 8,141,316</u>
Liabilities and Fund Balances			
Liabilities:			
Accounts payable	\$ 453,489	\$ 133,900	\$ 587,389
Accrued payroll	211,165	-	211,165
Due to other funds	15,296	964,482	979,778
Due to other governments	395	-	395
Compensated absences payable	194,035	-	194,035
Deferred revenue	-	19,840	19,840
Escrow funds and deposits	310,615	20,729	331,344
Total liabilities	<u>1,184,995</u>	<u>1,138,951</u>	<u>2,323,946</u>

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Fund balances:			
Designated for debt service	-	115,517	115,517
Designated for solid waste	536,723	-	536,723
Designated for subsequent years	161,800	130,150	291,950
Reserved for prepaid expenditures	641,665	13,264	654,929
Unreserved, undesignated	1,518,987	2,699,264	4,218,251
Total fund balances	<u>2,859,175</u>	<u>2,958,195</u>	<u>5,817,370</u>
Total liabilities and fund balances	<u>\$ 4,044,170</u>	<u>\$ 4,097,146</u>	<u>\$ 8,141,316</u>

Total governmental fund balances

\$ 5,817,370

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

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

The cost of capital assets is

Accumulated depreciation is

\$ 189,142,718
(98,838,543)

90,304,175

Long term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Compensated absences and severance benefits

Bonds and notes payable (net of discount)

Accrued interest payable is not included as a liability in governmental funds.

(1,342,707)
(6,311,668)
(97,999)

Net assets of governmental activities

\$ 88,369,171

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

City of Allen Park
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2007

	<u>General Fund</u>	<u>Other Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Taxes	\$ 12,451,834	\$ 911,599	\$ 13,363,433
Intergovernmental:			
State	3,905,191	1,764,316	5,669,507
Federal and State grants	208,320	256,733	465,053
District court	2,325,957	-	2,325,957
Local sources	4,090	33,443	37,533
Fees	1,362,802	737,064	2,099,866
Interest income	664,256	128,732	792,988
Other revenue	2,445,066	-	2,445,066
Total revenues	<u>23,367,516</u>	<u>3,831,887</u>	<u>27,199,403</u>
Expenditures:			
Current:			
Sanitation	1,915,020	-	1,915,020
General government	7,426,439	1,233,121	8,659,560
Public safety	9,954,173	-	9,954,173
Highway and streets	1,823,758	1,394,134	3,217,892
Recreation and culture	1,521,984	-	1,521,984
Debt service:			
Principal retirements	8,369	75,000	83,369
Interest	3,381	293,538	296,919
Capital outlay	-	224,734	224,734
Total expenditures	<u>22,653,124</u>	<u>3,220,527</u>	<u>25,873,651</u>
Excess of revenues over expenditures	<u>714,392</u>	<u>611,360</u>	<u>1,325,752</u>
Other financing sources (uses):			
Interfund transfers in	-	850,000	850,000
Interfund transfers out	(250,000)	(600,000)	(850,000)
Proceeds from sale of fixed assets	15,137	3,575	18,712
Lease proceeds	18,687	-	18,687
Total other financing sources (uses):	<u>(216,176)</u>	<u>253,575</u>	<u>37,399</u>
Net change in fund balances	498,216	864,935	1,363,151
Fund balances:			
Beginning of year	2,360,959	2,093,260	4,454,219
End of year	<u>\$ 2,859,175</u>	<u>\$ 2,958,195</u>	<u>\$ 5,817,370</u>

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

City of Alien Park
 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 \$ 1,363,151

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

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

Depreciation expense	(4,093,896)
Capital outlay	629,426
Gain on asset disposals	18,712
Proceeds from sale of assets	(18,712)

The issuance of debt is an other financing source in the governmental funds, but not in the statement of activities (where it is an increase of liabilities).

Proceeds from capital leases	(18,687)
------------------------------	----------

Repayments of principal on long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it is a reduction of liabilities).

Principal payments on bonds and notes payable	83,369
---	--------

Accrued interest is recorded in the statement of activities when incurred; it is not reported in governmental funds until paid.

Accrued interest payable beginning of the year	98,346
Accrued interest payable end of the year	(97,999)
Amortization of bond discount increases interest expense in the statement of activities	(2,167)

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

Accrued compensated absences beginning of the year	1,547,635
Accrued compensated absences end of the year	<u>(1,342,707)</u>

Change in net assets of governmental activities	<u>\$ (1,833,529)</u>
---	-----------------------

City of Allen Park
Proprietary Funds
Statement of Net Assets
June 30, 2007

	<u>Water and Sewer Fund</u>
Assets	
Current assets:	
Cash and cash equivalents	\$ 4,416,580
Accounts receivable	670,293
Tax roll:	
Current	541,639
Due from Wayne County	150,766
Inventory	80,967
Prepaid bond expense	1,901,510
Current portion bond discount	3,078
Total current assets	<u>7,764,833</u>
Noncurrent assets:	
Restricted cash and cash equivalents	1,309,761
Capital assets	55,759,566
Less accumulated depreciation	(13,836,236)
Bond discount, net of current portion	47,822
Total noncurrent assets	<u>43,280,913</u>
Total assets	<u>\$ 51,045,746</u>

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

City of Allen Park
Proprietary Funds
Statement of Net Assets
June 30, 2007

	Water and Sewer Fund
Liabilities and Net assets	
Current liabilities:	
Accounts payable	\$ 430,404
Accrued interest payable	128,361
Accrued payroll	17,598
Deferred revenue	1,773,149
Due to general fund	124,438
Due to D.D.A. Bond Debt Retirement Fund	227,988
Compensated absences payable	6,672
Deposits payable	5,859
Current portion of bonds payable SRF	1,640,546
Current portion of general obligation bonds payable	210,000
Total current liabilities	4,565,015
 Long term liabilities:	
Compensated absences payable	60,052
Bonds payable SRF	19,695,554
General obligation bonds payable	5,490,000
Total long term liabilities	25,245,606
Total liabilities	29,810,621
 Net assets:	
Invested in capital assets - net of related debt	14,887,230
Contributed capital - sewer grants	939,764
Restricted For:	
Reserve for debt service	190,015
Reserve for replacement - basin/sewer	1,313,609
Reserve for future water improvement	211,886
Reserve for meter maintenance	81,293
Unrestricted	3,611,328
Total net assets	\$ 21,235,125

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

City of Allen Park
Proprietary Funds
Statement of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2007

	Water and Sewer Fund
Operating revenues	
Water sales	\$ 2,534,767
Sewage disposal services	3,324,142
Penalties	133,752
Miscellaneous	467,801
Total operating revenues	6,460,462
 Operating expenses	
Operating costs	2,843,340
Personal services	1,482,017
Utilities	93,673
Repairs and maintenance	316,560
Supplies and other expenses	310,751
Depreciation	1,271,021
Total operating expenses	6,317,362
 Operating income	143,100
 Nonoperating revenues (expenses)	
Interest revenue	257,286
Interest expense	(347,658)
Consent judgment - sewers	2,163,105
ECPAD reimbursement - Wayne County	882,499
Grant proceeds	219,338
Total nonoperating revenue	3,174,570
 Change in net assets	3,317,670
 Total net assets - beginning	17,917,455
 Total net assets - ending	\$ 21,235,125

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

City of Allen Park
Proprietary Funds
Statement of Cash Flows
For Fiscal Year Ended June 30, 2007

	Water and Sewer Fund
Cash flows from operating activities:	
Receipts from customers	\$ 5,875,570
Payments to employees	(1,411,897)
Payments to suppliers	(3,655,088)
Miscellaneous receipts	467,801
Net cash provided by operating activities	1,276,386
Cash flows from non-capital financing activities:	
Grants	219,338
Consent judgment monies received	2,202,639
ECPAD reimbursement	882,499
Payments to other funds	(3,849)
Net cash provided by non-capital activities:	3,300,627
Cash flows from capital and related financing activities:	
Principal and interest paid on bonds	(2,173,065)
Purchase of fixed assets	(892,755)
Decrease in restricted assets	(801,891)
Net cash (used) by capital and related financing activities	(3,867,711)
Cash flows from investing activities:	
Investment interest	270,626
Net cash provided by investing activities	270,626
Net increase in cash and cash equivalents	979,928
Beginning cash and equivalents, July 1, 2006	3,436,652
Ending cash & equivalents, June 30, 2007	\$ 4,416,580
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income	\$ 143,100
Adjustment to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	1,271,021
Decrease in accounts receivable	4,717
Increase in tax roll	(425,460)
Decrease in due from Wayne County	301,354
Decrease in inventory	26,476
Decrease in accounts payable	(170,650)
Decrease in accrued payroll	(8,219)
Increase in due to General Fund	124,438
Increase in compensated absences payable	7,311
Increase in deposits payable	2,298
Total adjustments	1,133,286
Net cash provided by operating activities	\$ 1,276,386

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

City of Allen Park
Fiduciary Funds
Statement of Net Assets
Year Ended June 30, 2007

	Pension		Agency Funds	
	Pension Trust	Public Employee Health Fund	Sick Pay Fund	Tax Collection Fund
Assets				
Assets:				
Cash and cash equivalents	\$ 2,672,960	\$ 1,186,113	\$ 500,135	\$ 14,833
Due from general fund	-	7,872	-	-
Accrued interest and dividends	389,073	-	-	-
Investments - fair value:				
U.S. government obligations	15,995,915	-	-	-
Domestic stocks	31,246,271	-	-	-
Mortgage backed securities	4,686,753	-	-	-
Bonds	6,459,962	-	-	-
Mutual funds	24,062,816	-	-	-
Total investments	82,451,717	-	-	-
Total assets	85,513,750	1,193,985	\$ 500,135	\$ 14,833
Liabilities and Net Assets				
Liabilities:				
Due to other funds	-	-	-	13,887
Payable to other governmental agencies	-	-	-	946
Compensated absences payable	-	-	500,135	-
Total liabilities	-	-	\$ 500,135	\$ 14,833
Net assets:				
Held in trust for pension benefits	85,513,750	1,193,985		
Total net assets	\$ 85,513,750	\$ 1,193,985		

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

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

	Pension Trust	Public Employee Health Fund
	<u> </u>	<u> </u>
Additions:		
Contributions: employer		
Police & fire	\$ 933,195	\$ -
General	569,661	2,700,000
Water & basin	183,210	-
24th District Court	271,681	-
Total employer	<u>1,957,747</u>	<u>2,700,000</u>
Plan members	609,292	-
Total contributions	<u>2,567,039</u>	<u>2,700,000</u>
Investment income:		
Net (appreciation) in fair value of investments	1,785,272	-
Interest and dividends	2,173,387	13,110
Miscellaneous	4,821	196,392
Gain on sale of investments	6,991,856	-
Total investment income	<u>10,955,336</u>	<u>209,502</u>
Less: investment expenses:		
Actuarial services	5,700	-
Legal	2,318	-
Securities lending expenses:		
Agency fee	107,417	-
Miscellaneous	11,636	2,250
Total investment expenses	<u>127,071</u>	<u>2,250</u>
Net investment income	<u>10,828,265</u>	<u>207,252</u>
Total additions	13,395,304	2,907,252
Deductions:		
Benefits	5,401,151	2,171,037
Refunds	22,305	-
Total deductions	<u>5,423,456</u>	<u>2,171,037</u>
Change in net assets	7,971,848	736,215
Net assets - beginning	<u>77,541,902</u>	<u>457,770</u>
Net assets - ending	<u>\$ 85,513,750</u>	<u>\$ 1,193,985</u>

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

City of Allen Park
Component Units
Statement of Net Assets
June 30, 2007

	Downtown Development Authority	Building Authority	Housing Commission	Brownfield Redevelopment Authority	Total Component Units
Assets:					
Cash and cash equivalents	\$ 4,453,821	\$ 443,959	\$ 132,748	\$ 1,146,232	\$ 6,176,760
Interest receivable	20,361	9,271	-	-	29,632
Due from Water & Sewer Fund	227,988	-	-	-	227,988
Inventories	-	-	165	-	165
Prepaid expenses	17,400	-	4,845	-	22,245
Capital assets - net	5,030,344	1,440,156	746,891	-	7,217,391
Total assets	9,749,914	1,893,386	884,649	1,146,232	13,674,181
Liabilities:					
Accounts payable	20,873	-	-	1,377	22,250
Accrued interest payable	74,744	2,565	-	-	77,309
Tenants security deposits	-	-	4,880	-	4,880
Payroll and other tax liabilities	1,481	-	21,018	-	22,499
Noncurrent liabilities:					
Due within one year	315,000	115,000	-	-	430,000
Due in more than one year	5,570,000	780,000	-	-	6,350,000
Total liabilities	5,982,098	897,565	25,898	1,377	6,906,938
Net assets:					
Invested in capital assets - net of related debt	(854,656)	545,156	746,891	-	437,391
Restricted for:					
Debt service	373,504	435,653	-	-	809,157
Unrestricted	4,248,968	15,012	111,860	1,144,855	5,520,695
Total net assets	\$ 3,767,816	\$ 995,821	\$ 858,751	\$ 1,144,855	\$ 6,767,243

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

City of Allen Park
Component Units
Statement of Activities
Year Ended June 30, 2007

Functions/programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Downtown Development Authority	Building Authority	Housing Commission	Brownfield Redevelopment Authority	Total
Downtown Development Authority								
Governmental activities:								
General government	\$ 434,576	\$ -	\$ -	\$ (434,576)	\$ -	\$ -	\$ -	\$ (434,576)
Interest & fiscal charges	226,949	-	-	(226,949)	-	-	-	(226,949)
Depreciation expense	372,390	-	-	(372,390)	-	-	-	(372,390)
Total Downtown Development Authority				(1,033,915)				(1,033,915)
Building Authority								
Housing Commission	91,170	-	-	-	(91,170)	-	-	(91,170)
Brownfield Redevelopment Authority	292,922	81,636	-	-	-	(211,286)	-	(211,286)
Total component units	\$ 1,493,636	\$ 81,636	\$ -	(1,033,915)	(91,170)	(211,286)	(75,629)	(1,412,000)
General revenues:								
Property taxes	\$ 1,212,731			\$ 1,212,731	\$ -	\$ -	\$ 962,537	\$ 2,175,268
Rentals	2,863			2,863	190,000	171,746	-	364,609
Interest	270,043			270,043	16,131	2,696	12,331	301,201
Miscellaneous	22,066			22,066	-	9,609	-	31,675
Total general revenues:	1,507,703			1,507,703	206,131	184,051	974,868	2,872,753
Change in net assets				473,788	114,961	(27,235)	899,239	\$ 1,460,753
Net assets - beginning				3,294,028	880,860	885,986	245,616	5,306,490
Net assets - ending				\$ 3,767,816	\$ 995,821	\$ 858,751	\$ 1,144,855	\$ 6,767,243

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

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Allen Park conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to government units. The following is a summary of the significant accounting policies used by the City of Allen Park:

A. Reporting Entity

The City of Allen Park was incorporated under the laws of the State of Michigan and is governed by an elected seven-member council (Board). The accompanying financial statements present the government and its component units. As defined by GASB *Statement No. 14*, component units are entities for which the government is considered to be financially accountable. The discretely presented component units are reported in aggregate in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government (see discussion below for description).

Blended Component Units

Blended component units are separate legal entities that meet the component unit criteria described above and whose governing body is the same or substantially the same as the City Council or the component unit provides services entirely to the City. Currently, the City has no blended component units.

Discretely Presented Component Units

Discretely presented component units are separate legal entities that meet the component unit criteria described above but do not meet the criteria for blending. The City's discretely presented component units are presented below:

Component Unit: Allen Park Downtown Development Authority

Reporting: Special Revenue Fund

Brief Description:

Act 197 of the Public Acts of 1975 of the State of Michigan, commonly referred to as the Downtown Development Authority Act, was created in part to correct and prevent deterioration of business districts; to promote economic growth and revitalization; to encourage historic preservation; to authorize the acquisition and disposal of interests in real and personal property; to authorize the creation of the authority; to authorize the levy and collection of taxes, the issuance of bonds and the use of tax increment financing in the accomplishment of specific downtown development activities contained in locally-adopted development plans.

The Act seeks to attack problems of urban decline, strengthen existing areas and encourage new private developments in the downtown districts of Michigan communities. It seeks to accomplish this goal by providing communities with the necessary legal, monetary and organizational tools to revitalize downtown districts either through public-initiated projects or in concert with privately motivated development projects. The manner in which downtown development authorities chose to make use of these tools does, of course, depend on the problems and opportunities facing each particular downtown district and the development priorities sought by the community in the revitalization of its business area.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Component Unit: Allen Park Building Authority

Reporting: Special Revenue Fund

Brief Description:

The Allen Park Building Authority has constructed and funded, by use of bonding, the 24th District Court Building.

Complete financial statements of the Allen Park Building Authority can be obtained directly from their administrative office located at the following address:

Allen Park Building Authority
16850 Southfield Road
Allen Park, MI 48101

Component Unit: Allen Park Housing Commission

Reporting: Enterprise Fund

Brief Description:

The Allen Park Housing Commission was formed to develop senior citizens housing. A senior citizen apartment complex was developed on Champaign Street in Allen Park, Michigan. The complex is funded partially by the U.S. Department of Housing and Urban Development (HUD) and rental fees received from the tenants.

Component Unit: Brownfield Redevelopment Authority

Reporting: Special Revenue Fund

Brief Description:

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the City. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a seven-member board that is appointed by the mayor and confirmed by the City Council.

All the information obtained from the above discretely presented component units are included in the audited annual financial statements.

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 non-fiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

separately from certain legally separate component units for which the primary government is financially accountable.

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

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

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 full accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures/expenses. The various funds are reported by generic classification within the financial statements. The following fund types are used by the City.

1. Governmental Funds:

The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the City:

- a. **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.
- b. **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- c. **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

- d. **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by business-type/proprietary funds).

2. Proprietary Funds:

The focus of proprietary fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is a description of the proprietary funds of the City:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by a pledge of the net revenues, (b) has third party requirements that the cost of providing services, including capital costs, be recovered with fees and charges or (c) establishes fees and charges based on a pricing policy designed to recover similar costs.

3. Fiduciary Funds:

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support City programs. The reporting focus is on net assets and changes in net assets and are reported using accounting principles similar to proprietary funds.

The emphasis in fund financial statements is on major funds in either the governmental or business-type activities categories. Nonmajor funds by category are summarized into a single column. *GASB Statement No. 34* sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category and the governmental and enterprise combined) for the determination of major funds. The City did not elect to add funds, as major funds, which either had debt outstanding or specific community focus. The nonmajor funds are combined in a column in the fund financial statements.

The City reports the following major governmental funds:

1. **General fund** – see above for description.

The City reports the following major proprietary funds:

1. **Water and Sewer fund** – Accounts for activities associated with providing water and sewer services to the public.

Additionally, the City reports the following nonmajor funds:

Special Revenue Funds:

1. **Motor Vehicle Highway – Major fund** - Accounts for the revenues and expenditures related to the maintenance of major streets located in the City limits.
2. **Motor Vehicle Highway – Local fund** – Accounts for the revenues and expenditures related to the maintenance of the local streets located in the City limits.
3. **Sidewalk Fund** – Accounts for the revenue and expenditures related to the maintenance the City's sidewalks.

CITY OF ALLEN PARK
Notes to the Financial Statements
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4. **Building Fund** – Accounts for the revenues and expenditures related to building inspections throughout the City.
5. **Drug Law Enforcement Fund** – Accounts for the revenue and expenditures for maintaining and enforcing laws related to drug use and prevention.
6. **Library Fund** – Accounts for the revenue and expenditures related to the operation of the City's library.

Capital Projects Fund

1. **Capital Improvement Fund** – Accounts for the revenues and expenditures relating to the construction of major capital assets.

Debt Service Fund

1. **Community Center Debt Fund** – Accounts for the debt service related to the bonds issued for the construction of an addition to present community center.

The City reports the following Fiduciary funds:

1. **Pension Fund** – Accounts for the activities of the City's employee retirement system, which accumulates resources for pension benefit payments to qualified employees.
2. **Public Employee Health Fund** – Accounts for the payments of retiree health benefits.
3. **Sick Pay Fund** – Accounts for the payments of employee compensated absences.
4. **Tax Collection Fund** – Accounts for the collection and distribution of real and personal property taxes levied during the fiscal year.

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer fund and various other functions of government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from non-operating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund relates to charges to customers for sales and services. The water and sewer fund also recognizes the portion of tap fees intended to recover current costs as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

CITY OF ALLEN PARK
Notes to the Financial Statements
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(Continued)

D. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less of the date acquired by the City.

The City reports its investments according to GASB *Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools"* and GASB *Statement No. 40 "Deposit and Investment Risk Disclosures"*. Under these standards, certain investments are stated at fair value based on quoted market prices; other investments are stated at cost or amortized cost, except for investments in the pension trust fund, which are reported at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/due from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Ad Valorem Taxes -All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Real and personal property taxes are levied on each July 1st and December 1st on the taxable valuation of the city as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed. The City Charter limits the ad valorem tax rate for operating purposes to 12.5 mills of valuation. The ad valorem rate during the year was 10.59 mills.

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

Restricted Assets – Certain proceeds of the enterprise fund revenues are set aside for purposes of funding the replacement of water and sewer mains.

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. The government defines capital assets 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense that was capitalized as part of the cost of assets under construction.

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

Buildings	40 years
Building and Site Improvements	20-30 years
Water and Sewer Lines	40-60 years
Roads and Other Infrastructures	40 years
Vehicles	5-10 years
Machinery & Equipment	5-20 years

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Notes to the Financial Statements
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Compensated Absences – It is the City’s policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets.

Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts as other financing sources (uses). Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt services expenditures.

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

The City prepares its annual budget on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds. All annual appropriations lapse at fiscal year end. Project-length financial plans are adopted for all capital projects funds.

All agencies of the government submit their requests for appropriation to the City Manager so that a budget may be prepared. The budget is prepared by fund, function, and department, and includes information on the past year, current year estimates, and requested appropriations for the next fiscal year.

The proposed budget is presented to the City’s council for review. The council holds public hearings and may add to, subtract from, or change appropriations, but may not change the form of the budget. The government’s department heads may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of council. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the department level. During the year, supplementary appropriations were necessary.

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Notes to the Financial Statements
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(Continued)

B. Excess of expenditures over appropriations

For the fiscal year ended June 30, 2007, expenditures exceeded appropriations in the following general fund accounts:

<u>Function</u>	<u>Amount by which expenditures exceeded appropriations</u>
Treasurer	\$ 704
City hall	7,112
Police	37,783
Recreation	31,704
Debt service	11,750
Operating transfers out	250,000

Note 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations 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 matures 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 Pension Trust and Public Employee Health Fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City's cash and investments are deposited and invested in accordance with its investment policy, which is in accordance with Michigan Public Act 20 of the Public Acts of 1943, as amended.

The City's cash and investments are subject to several types of risk, which are examined in more detail below:

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City minimizes custodial credit risk on deposits by assessing the credit worthiness of the individual institutions in which it deposits funds. The amount of deposits with each institution is assessed to determine the level of risk it may pose to the City in relation to deposits in excess of insured amounts. These assessments are performed by the City at least annually. At year end, the City's carrying amount of deposits for the general government, restricted and unrestricted, and its fiduciary funds were \$11,386,887 and \$4,421,483 respectively, of those amounts, \$100,000 was covered by federal depository insurance and \$15,708,370 was uninsured and uncollateralized.

The carrying amount of deposits for the City's discretely presented component units, was \$6,177,937 and of those amounts, \$333,516 was covered by federal depository insurance and \$5,844,421 was uninsured and uncollateralized.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Interest Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities if matched to a specific cash flow, other than commercial paper which can only be purchased with a 270 day maturity. At year end, the City's pension funds had \$15,995,915 invested in U.S. Treasury Obligations with average maturity of 5.83 years, \$4,686,753 invested in mortgage backed securities with an average maturity of 22.82 years, and \$6,459,962 invested in corporate bonds with an average maturity of 9.53 years.

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. As of year end, the credit quality ratings of debt securities are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
U.S. Government Obligations	\$ 15,995,915	AAA	Moody's
Mortgage Backed Securities	4,686,753	Not Rated	N/A
Corporate Bonds	2,273,548	AAA	Moody's
Corporate Bonds	464,690	A2	Moody's
Corporate Bonds	685,078	AA3	Moody's
Corporate Bonds	983,663	A1	Moody's
Corporate Bonds	409,120	A2	Moody's
Corporate Bonds	284,310	A3	Moody's
Corporate Bonds	565,067	BAA1	Moody's
Corporate Bonds	274,635	BAA2	Moody's
Corporate Bonds	266,592	BAA3	Moody's
Corporate Bonds	253,259	Not Rated	N/A
Common Stocks	31,246,271	N/A	N/A
Mutual Funds	<u>24,062,816</u>	N/A	N/A
Total Investments	<u>\$ 82,451,717</u>		

Concentration of Credit Risk

The City's Pension Trust and Public Employee Health Care Fund places no limit on the amount the City may invest in one issuer except that cash shall not exceed 10% of the total assets of the retirement system.

Foreign Currency

The City's pension trust fund listed under credit risk above by rating includes investments in Foreign Bonds in U.S. Dollars of \$207,388. These bonds are rated by Moody's at A1 to BAA1.

NOTE 4 – RECEIVABLES

Receivables at June 30, 2007 consist of the following:

<u>Receivables:</u>	<u>General</u>	<u>Enterprise</u>	<u>Total</u>
Taxes (Net)	\$ 457,863	\$ 692,405	\$ 1,150,268
Accounts	64,246	670,293	734,539
District Court	115,318	-	115,318
Wayne County Block Grant	<u>6,095</u>	<u>-</u>	<u>6,095</u>
Total Receivables	<u>\$ 643,522</u>	<u>\$ 1,362,698</u>	<u>\$ 2,006,220</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the City for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated				
Land	\$ 39,704,448	\$ -	\$ -	\$ 39,704,448
Subtotal	<u>39,704,448</u>	<u>-</u>	<u>-</u>	<u>39,704,448</u>
Capital assets being depreciated:				
Buildings and site	14,103,584	2,700	-	14,106,284
Leasehold improvements	120,379	-	-	120,379
Land improvements	1,910,369	-	-	1,910,369
Furniture and equipment	5,764,955	252,355	1,164	6,016,146
Vehicles	2,973,265	374,371	206,628	3,141,008
Infrastructure	124,144,084	-	-	124,144,084
Subtotal	<u>149,016,636</u>	<u>629,426</u>	<u>207,792</u>	<u>149,438,270</u>
Total Governmental Activities	<u>188,721,084</u>	<u>629,426</u>	<u>207,792</u>	<u>189,142,718</u>
Less: Accumulated depreciation for:				
Buildings and site	6,582,485	344,960	-	6,927,445
Leasehold improvements	90,285	6,019	-	96,304
Land improvements	792,398	72,723	-	865,121
Furniture and equipment	4,362,381	367,822	1,164	4,729,039
Vehicles	2,431,236	198,770	206,628	2,423,378
Infrastructure	80,693,654	3,103,602	-	83,797,256
Subtotal	<u>94,952,439</u>	<u>4,093,896</u>	<u>207,792</u>	<u>98,838,543</u>
Net capital assets being depreciated	<u>54,064,197</u>	<u>(3,464,470)</u>	<u>-</u>	<u>50,599,727</u>
Capital assets-net of depreciation	<u>\$ 93,768,645</u>	<u>\$ (3,464,470)</u>	<u>\$ -</u>	<u>\$ 90,304,175</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Capital Asset activity for Component Units was as follows:

Downtown Development Authority

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 64,715	\$ -	\$ -	\$ 64,715
Subtotal	<u>64,715</u>	<u>-</u>	<u>-</u>	<u>64,715</u>
Capital assets being depreciated:				
Buildings	210,521	-	-	210,521
Furniture and equipment	17,816	-	-	17,816
Site improvements	5,879,511	1,450,012	-	7,329,523
Subtotal	<u>6,107,848</u>	<u>1,450,012</u>	<u>-</u>	<u>7,557,860</u>
Total Governmental Activities	<u>6,172,563</u>	<u>1,450,012</u>	<u>-</u>	<u>7,622,575</u>
Less Accumulated depreciation for:				
Buildings	72,391	5,263	-	77,654
Furniture and equipment	16,757	920	-	17,677
Site improvements	2,130,693	366,207	-	2,496,900
Subtotal	<u>2,219,841</u>	<u>372,390</u>	<u>-</u>	<u>2,592,231</u>
Net capital assets being depreciated	<u>3,888,007</u>	<u>1,077,622</u>	<u>-</u>	<u>4,965,629</u>
Capital assets-net of depreciation	<u>\$ 3,952,722</u>	<u>\$ 1,077,622</u>	<u>\$ -</u>	<u>\$ 5,030,344</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Allen Park Building Authority:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Subtotal	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Capital assets being depreciated:				
Buildings	2,029,861	-	-	2,029,861
Furniture and equipment	170,029	-	-	170,029
Subtotal	<u>2,199,890</u>	<u>-</u>	<u>-</u>	<u>2,199,890</u>
Total Governmental Activities	<u>2,299,890</u>	<u>-</u>	<u>-</u>	<u>2,299,890</u>
Less Accumulated depreciation for:				
Buildings	638,958	50,747	-	689,705
Furniture and equipment	170,029	-	-	170,029
Subtotal	<u>808,987</u>	<u>50,747</u>	<u>-</u>	<u>859,734</u>
Net capital assets being depreciated	<u>1,390,903</u>	<u>(50,747)</u>	<u>-</u>	<u>1,340,156</u>
Capital assets-net of depreciation	<u>\$ 1,490,903</u>	<u>\$ (50,747)</u>	<u>\$ -</u>	<u>\$ 1,440,156</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Allen Park Housing Authority:

	<u>Beginning</u> <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending</u> <u>Balance</u>
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 68,050	\$ -	\$ -	\$ 68,050
Subtotal	<u>68,050</u>	<u>-</u>	<u>-</u>	<u>68,050</u>
Capital assets being depreciated:				
Buildings	798,396	-	-	798,396
Building improvements	629,154	27,830	-	656,984
Furniture and equipment	18,153	-	-	18,153
Computers and machinery	83,916	4,995	-	88,911
Subtotal	<u>1,529,619</u>	<u>32,825</u>	<u>-</u>	<u>1,562,444</u>
Total Governmental Activities	<u>1,597,669</u>	<u>32,825</u>	<u>-</u>	<u>1,630,494</u>
Less: Accumulated depreciation for:				
Buildings	607,613	19,960	-	627,573
Building improvements	156,368	28,464	-	184,832
Furniture and equipment	11,245	1,424	-	12,669
Computers and machinery	48,767	9,762	-	58,529
Subtotal	<u>823,993</u>	<u>59,610</u>	<u>-</u>	<u>883,603</u>
Net capital assets being depreciated	<u>705,626</u>	<u>(26,785)</u>	<u>-</u>	<u>678,841</u>
Capital assets-net of depreciation	<u>\$ 773,676</u>	<u>\$ (26,785)</u>	<u>\$ -</u>	<u>\$ 746,891</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Business-Type Activities

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Reclassifications</u>	<u>Ending Balance</u>
Business-Type Activities				
Capital assets not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Construction in progress	199,439	-	(199,439)	-
Subtotal	<u>219,439</u>	<u>-</u>	<u>(199,439)</u>	<u>20,000</u>
Capital assets being depreciated:				
Buildings	1,284,123	825,629	199,439	2,309,191
Site improvements	51,780,258	59,426	-	51,839,684
Meter installation	217,600	-	-	217,600
Machinery and equipment	1,365,391	7,700	-	1,373,091
Subtotal	<u>54,647,372</u>	<u>892,755</u>	<u>199,439</u>	<u>55,739,566</u>
Total Business-Type Activities	<u>54,866,811</u>	<u>892,755</u>	<u>-</u>	<u>55,759,566</u>
Less Accumulated depreciation for:				
Buildings	694,040	87,118	-	781,158
Site improvements	10,546,709	1,076,935	-	11,623,644
Meter installation	208,754	3,267	-	212,021
Machinery and equipment	1,115,712	103,701	-	1,219,413
Subtotal	<u>12,565,215</u>	<u>1,271,021</u>	<u>-</u>	<u>13,836,236</u>
Net capital assets being depreciated	<u>42,082,157</u>	<u>(378,266)</u>	<u>199,439</u>	<u>41,903,330</u>
	<u>\$ 42,301,596</u>	<u>\$ (378,266)</u>	<u>\$ -</u>	<u>\$ 41,923,330</u>

Business-type activities:

Water	\$ 1,099,025
Sewer	171,996
Total business-type activities depreciation expense	<u>\$ 1,271,021</u>

In Business-Type activities, the following estimated useful lives are used to compute depreciation:

Mains	50 Years
Equipment	5-10 Years
Vehicles	4 Years
Hydrants	50 Years

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

NOTE 6 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of inter-fund balances is as follows:

Due To/From Other Funds

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 752,807	MVH - Major Fund	\$ 19,347
		MVH - Local Fund	55,594
		Building Fund	39,541
		Capital Improvement Fund	250,000
		Sick Pay Fund	250,000
		Water & Sewer Fund	124,438
		School & County Tax Fund	13,887
	<u>752,807</u>		<u>752,807</u>
Drug Law Enforcement Fund	7,424	General Fund	15,296
Public Employee Health Fund	<u>7,872</u>		<u>15,296</u>
	<u>15,296</u>		<u>15,296</u>
MVH - Local Fund	<u>600,000</u>	MVH - Major Fund	<u>600,000</u>
D.D.A. Bond Debt Fund	<u>227,988</u>	Water & Sewer Fund	<u>227,988</u>
Total	<u>\$ 1,596,091</u>		<u>\$ 1,596,091</u>

Transfers From/To Other Funds

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	\$ 250,000	Capital Improvement Fund	\$ 250,000
MVH - Local	600,000	MVH - Major	600,000
D.D.A Bond Debt Fund	<u>550,000</u>	D.D.A. Operating Fund	<u>550,000</u>
Total	<u>\$ 1,400,000</u>		<u>\$ 1,400,000</u>

The General Fund transferred \$250,000 to a capital improvement fund for future expenses.

The MVH Fund major transferred to MVH local to assist in repairing local roads.

The DDA Bond Debt Fund transferred an amount for debt payments.

Advances From/To Other Funds

<u>Receivable Fund</u>	<u>Amount</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	<u>\$ 250,000</u>	Sick Pay Fund	<u>\$ 250,000</u>

The General Fund advanced an amount to establish a sick pay fund.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

NOTE 7 – LONG-TERM DEBT

General Obligation Bonds – The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both general government and proprietary activities. These bonds therefore are reported in the proprietary funds if they are expected to be repaid from proprietary revenues. In addition, general obligation bonds have been issued to refund both general obligations and revenue bonds.

General obligations bonds are direct obligations and pledge the full faith and credit of the City. These bonds generally are issued as 25-year serial bonds, except for refunding issues, with equal amounts of principal maturing each year. Judgment bonds are bonds issued to finance an amount to be paid or collected by the City as the result of a court decision. General obligations bonds and judgment bonds currently outstanding are as follows:

<u>Description</u>	<u>Interest Rate</u>	<u>Amount Outstanding June 30, 2007</u>
Governmental Activities		
General Obligation Bonds		
2003 Community Center Bonds	3.0% - 5.0%	\$ 6,350,000
Compenstated Absences		1,536,742
Note Payable		<u>21,251</u>
Total Governmental Activities		<u>\$ 7,907,993</u>
Business-Type Activities		
General Obligation Bonds		
2002 Limited Tax Construction Bonds	3.8% - 4.7%	1,850,000
2005 Limited Tax Construction Bonds	3.5% - 4.2%	3,850,000
Compensated Absences		66,724
Judgement Bonds		
1999 Series A (Refunded)	4.8% - 5.1%	1,851,798
1999 Series B	2.0% - 2.5%	1,121,593
SRF Bonds		<u>18,362,709</u>
Total Business Type Activities		<u>27,102,824</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

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

Fiscal Year Ending June 30,	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2008	\$ 111,842	\$ 292,238	\$ 1,850,546	\$ 770,204
2009	109,409	287,056	1,911,475	717,879
2010	100,000	282,663	1,962,172	663,028
2011	125,000	278,288	2,022,043	606,216
2012	125,000	273,163	2,089,322	547,318
2013-2017	750,000	1,285,563	10,207,229	1,835,460
2018-2022	1,050,000	1,096,051	5,873,313	631,973
2023-2027	1,375,000	827,019	1,120,000	93,595
2028-2032	1,750,000	446,100	-	-
2033-2034	875,000	44,375	-	-
Totals	\$ 6,371,251	\$ 5,112,516	\$ 27,036,100	\$ 5,865,673

Changes in long-term liabilities

Long-term liability activity for the fiscal year ended June 30, 2007 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	\$ 6,425,000	\$ -	\$ 75,000	\$ 6,350,000	\$ 100,000
Note payable	10,933	18,687	8,369	21,251	11,842
Compensated absences	1,788,954	27,669	279,881	1,536,742	194,035
Total governmental activity long-term liabilities	\$ 8,224,887	\$ 46,356	\$ 363,250	\$ 7,907,993	\$ 305,877
Business-type activities:					
Bonds payable:					
General obligation bonds	\$ 5,900,000	\$ -	\$ 200,000	\$ 5,700,000	\$ 210,000
Judgment bonds	22,925,051	-	1,588,951	21,336,100	1,640,546
Compensated absences	59,413	7,311	-	66,724	6,672
Total business-type activity long-term liabilities	\$ 28,884,464	\$ 7,311	\$ 1,788,951	\$ 27,102,824	\$ 1,857,218

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Component Unit Long Term Debt:

Downtown Development Authority

2003 Refunding Bonds

\$1,585,000

Annual debt service requirements to maturity for general obligation bonds of the Downtown Development Authority are as follows:

Fiscal Year Ending June 30,	Principal	Interest
2008	\$ 215,000	\$ 50,265
2009	215,000	44,621
2010	220,000	38,090
2011	225,000	30,578
2012	230,000	22,500
2013-2014	480,000	18,540
Totals	<u>\$ 1,585,000</u>	<u>\$ 204,594</u>

2005 Downtown Development Bonds

\$4,300,000

Fiscal Year Ending June 30,	Principal	Interest
2008	\$ 100,000	\$ 171,280
2009	110,000	168,280
2010	120,000	164,705
2011	125,000	160,805
2012	135,000	156,430
2013-2017	1,050,000	692,713
2018-2022	1,550,000	440,113
2023-2026	1,110,000	98,453
Totals	<u>\$ 4,300,000</u>	<u>\$ 2,052,779</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

The Allen Park Building Authority

Revenue Bonds: The government also issues bonds where the government pledges income derived from the acquired or constructed assets to pay debt service. Revenue bonds outstanding at June 30, 2007 are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Amount</u>
2003 Building Authority Refunding Bonds	3 – 3.8 %	<u>\$ 895,000</u>

Revenue bond debt service requirements to maturity are as follows:

<u>Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>
June 30,		
2008	\$ 115,000	\$ 30,783
2009	120,000	27,333
2010	125,000	23,733
2011	130,000	19,545
2012	130,000	14,995
2013-2014	275,000	15,635
Totals	<u>\$ 895,000</u>	<u>\$ 132,024</u>

Changes in long-term liabilities -- Component Units

Long-term liability activity, by component unit, for the fiscal year ended June 30, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Downtown Development Auth.					
Bonds payable:					
General obligation bonds	\$ 6,200,000	\$ -	\$ 315,000	\$ 5,885,000	\$ 315,000
Allen Park Building Authority					
Bonds payable:					
Revenue bonds	1,005,000	-	110,000	895,000	115,000
Total long-term liabilities - Component Units	<u>\$ 7,205,000</u>	<u>\$ -</u>	<u>\$ 425,000</u>	<u>\$ 6,780,000</u>	<u>\$ 430,000</u>

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

NOTE 8 – JOINTLY GOVERNED ORGANIZATION

The City of Allen Park in conjunction with the City of Melvindale governs the 24th District Court. The two cities are referred to as District Control Units (DCU's). The Court receives its operating revenue mainly from fines and fees. Based on a joint agreement the City of Allen Park receives 2/3 of the revenue received by the Court through fines and fees and the City of Melvindale receives 1/3. The Allen Park City Council and the Melvindale City Council approve the Court's annual budget each year and contribute to the Court monthly a share of the annual budget based on the same ratio that revenues are distributed by the Court to the DCU's. A copy of the 24th District Court's separate financial statements can be obtained at 16850 Southfield Road, Allen Park, Michigan. Financial segment information as of and for the year ended June 30, 2007 is presented below.

Total Assets	\$ 806,066
Total Liabilities	175,539
Total Net Assets	630,527
Total Revenue	3,041,424
Total Expenses	3,190,305
Change in Net Assets (Decrease)	(148,881)
Total Outstanding Long-Term Debt	\$ 11,462

NOTE 9 – POST-EMPLOYEE HEALTH CARE BENEFITS

In addition to providing pension benefits, the government provides certain insurance benefits for retired employees. Substantially all of the government's employees may become eligible for those benefits if they reach normal retirement age while working for the government. The cost of retiree insurance benefits is recognized as expenditure as claims are paid. This plan is self-funded. The total expenditure for the year ended June 30, 2007 was \$2,171,037.

The Governmental Accounting Standards Board has recently released *Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits other than pensions. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time health care premiums are paid. The new pronouncement is effective for all original Phase 2 Local units (Allen Park) for the fiscal year ending June 30, 2009.

NOTE 10 – EMPLOYEE RETIREMENT SYSTEM

PLAN DESCRIPTION, CONTRIBUTION INFORMATION AND FUNDING POLICIES

The City participates in a multiple-employer public employee retirement system. Assets are held separately and may be used only for the payment of benefits to the members of the plan.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

The following is a summary of funding policies, contribution methods and benefit provisions:

<u>Retirement System</u>									
Year established and Governing authority	1949; City Council Ordinance								
Determination of contribution Requirement	On the basis of the December 31, 2006 actuarial valuation, the employer rates were determined to be as follows:								
	<table border="0" style="width: 100%;"> <thead> <tr> <th style="text-align: left;"><u>Contributions for</u></th> <th style="text-align: right;"><u>Percents of Active Member Payroll</u></th> </tr> </thead> <tbody> <tr> <td>Normal cost (Weighted Average)</td> <td style="text-align: right;">16.11%</td> </tr> <tr> <td>Accrued Liabilities (full funding credit)</td> <td style="text-align: right;"><u>3.96%</u></td> </tr> <tr> <td>Total Employer Rate</td> <td style="text-align: right;"><u>20.07%</u></td> </tr> </tbody> </table>	<u>Contributions for</u>	<u>Percents of Active Member Payroll</u>	Normal cost (Weighted Average)	16.11%	Accrued Liabilities (full funding credit)	<u>3.96%</u>	Total Employer Rate	<u>20.07%</u>
<u>Contributions for</u>	<u>Percents of Active Member Payroll</u>								
Normal cost (Weighted Average)	16.11%								
Accrued Liabilities (full funding credit)	<u>3.96%</u>								
Total Employer Rate	<u>20.07%</u>								
Employer:									
<u>City of Allen Park</u>									
General	13.78% of covered payroll								
Police-Fire	17.80% of covered payroll								
Water	13.78% of covered payroll								
<u>24th District Court</u>									
Court	13.78% of covered payroll								
Plan Members contributions:	6.00% of covered payroll								
Funding of Administrative costs	Investment earnings								
Period required to vest	10 years								
Eligibility for distribution									
General, Water & Court	Age 53 with 10 or more years of service.								
Police-Fire	Age 52 with 10 or more years of service								
Provisions for:									
Disability benefits	Yes								
Death benefits	Yes								
Memberships of the plan are as follows:									
Non-vested active members	78								
Fully vested active members	70								
Retirees and beneficiaries currently receiving benefits	<u>182</u>								
Total	<u>330</u>								

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Annual Required Contributions

Actuarial assumptions and other information used to determine the annual required contribution (ARC) are located in the schedules that are at the conclusion of this note.

Reserves

There are no assets legally reserved for purposes other than the payment of plan member benefits. The plan held no individual investment (other than U.S. Government and U.S. Government guaranteed obligations) whose market value exceeds five percent or more of net assets available for benefits. There are no long-term contracts for contributions.

Funding Status and Progress

The amount shown below as the "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to (i) help users assess the plan's funding status on a going-concern basis, (ii) assess progress being made in accumulating sufficient assets to pay benefits when due, and (iii) allow for comparisons among public employee retirement plans. The measure is independent of the actuarial funding method used to determine contributions to the plan.

The pension benefit obligation was determined as part of an actuarial valuation of the plan as of December 31, 2006. Significant actuarial assumptions used in determining the pension benefit obligation include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, (c) additional projected salary increases ranging from 0.7% to 3.8% per year, depending on age, attributable to seniority/merit, and (d) the assumption that benefits will not increase after retirement.

Contribution Required and Contributions Made:

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over a period of 15 years.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

Schedule of Funding Progress (Dollar amounts in millions)

Actuarial Valuation 12/31	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b)-(a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a Percent of Covered Payroll [(b-a)]/(c)
1993	\$ 31.4	\$ 33.8	\$ 2.4	92.9%	\$ 6.7	35.8%
1994* [@]	35.0	35.7	0.7	98.0	6.9	10.1
1995*	39.7	39.7	0.0	100.0	7.2	-
1996*	44.8	42.2	(2.6)	106.2	7.5	-
1997*	49.5	45.7	(3.8)	108.3	8.5	-
1998*	56.2	48.7	(7.5)	115.4	9.0	-
1999*	62.3	54.6	(7.7)	114.1	9.3	-
2000	67.9	58.8	(9.1)	115.5	10.4	-
2001* [@]	71.9	62.9	(8.9)	114.3	10.8	-
2002*	72.4	68.1	(4.3)	106.3	10.8	-
2003	73.5	73.4	(.1)	100.1	10.5	-
2004*	76.1	76.8	0.7	99.1	11.0	6.4
2005	77.8	82.9	5.1	93.8	9.8	52.0
2006*	81.9	86.3	4.4	94.9	9.3	47.3

* Retirement System benefits amended.

[@] Revised actuarial assumptions or methods.

Schedule of Employer Pension Contributions:

Year ended December 31	Annual Recommended Contributions*	Actual Contributions	Percent Contributed
1995	937,489	937,643	100.0
1996	796,484	759,774	95.4
1997	843,241	824,087	97.7
1998	757,885	750,645	99.0
1999	799,998	783,153	97.9
2000	684,860	666,474	97.3
2001	879,415	848,414	96.5
2002	943,884	907,141	96.1
2003	883,031	872,008	98.8
2004	1,322,068	1,288,684	97.5
2005	1,721,588 #	1,740,077	101.1
2006	1,846,188 #	1,871,800	101.4
2007	1,983,324 #	N/A	N/A
2008	1,870,102 #	N/A	N/A

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

* Based on valuation payroll at the end of the year. Actual contributions may be based on pay paid throughout the year.

Based on total payroll including DROP participants.

Summary of Actuarial Methods of Assumptions:

The information presented in the required supplementary schedules was determined as part of the actuarial valuations at the dates indicated. Additional information as of the latest actuarial valuation follows:

Valuation date	December 31, 2006
Actuarial cost method	Entry Age
Amortization method	Level percent
Remaining amortization period	15 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases*	4.5%-8.3%
Cost-of-living adjustments	N/A
Payroll growth	4.5%
Group Size Growth	0%

* Includes inflation at 4.5%

NOTE 11 – RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits claims, participates in the Michigan Municipal League risk pool for claims relating to workers' compensation and the Michigan Municipal Risk Management Authority state risk pool for property loss, torts, errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage carried by the City while a participant of the Michigan Municipal Liability and Property Pool.

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority, and the Authority pays claims up to the retention limits, the ultimate liability for those claims remains with the City.

CITY OF ALLEN PARK
Notes to the Financial Statements
June 30, 2007
(Continued)

NOTE 12 – SUBSEQUENT EVENT

On September 12, 2007, one of the City's component units, the Brownfield Redevelopment Authority, issued \$15,710,000 of limited tax general obligation redevelopment bonds to pay the cost of certain public improvements within the City. The interest rate on the bonds range from 4.000 – 5.000 percent and the maturity date is May 1, 2032.

REQUIRED SUPPLEMENTAL INFORMATION

City of Allen Park
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 1
July 1, 2006 to June 30, 2007

<u>Account</u>	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Tax collections:				
Current	\$ 12,240,170	\$ 12,310,170	\$ 12,432,962	\$ 122,792
Payment in lieu of taxes	19,000	19,000	18,872	(128)
Total tax	<u>12,259,170</u>	<u>12,329,170</u>	<u>12,451,834</u>	<u>122,664</u>
State of Michigan:				
Highway fund	1,000,000	1,000,000	1,080,743	80,743
Liquor license fee	15,000	15,000	18,121	3,121
Liquor tax	1,000	1,000	-	(1,000)
Sales tax	<u>2,868,900</u>	<u>2,868,900</u>	<u>2,806,327</u>	<u>(62,573)</u>
Total State	<u>3,884,900</u>	<u>3,884,900</u>	<u>3,905,191</u>	<u>20,291</u>
Other revenue:				
Federal grant	100,000	190,000	189,706	(294)
State grant	20,000	20,000	18,614	(1,386)
District court	2,135,000	2,395,000	2,325,957	(69,043)
Local	15,000	15,000	4,090	(10,910)
Licenses & fees	1,109,500	1,352,500	1,362,802	10,302
Charges for services	1,268,500	1,268,500	1,624,782	356,282
Interest	195,000	595,000	664,256	69,256
Miscellaneous	<u>364,000</u>	<u>544,000</u>	<u>820,284</u>	<u>276,284</u>
Total other revenue	<u>5,207,000</u>	<u>6,380,000</u>	<u>7,010,491</u>	<u>630,491</u>
Total revenue	<u>\$ 21,351,070</u>	<u>\$ 22,594,070</u>	<u>\$ 23,367,516</u>	<u>\$ 773,446</u>

City of Allen Park
General Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual - 2
July 1, 2006 to June 30, 2007

Activity	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Mayor & council	\$ 75,450	\$ 77,550	\$ 77,091	\$ 459
District court	1,802,190	1,802,190	1,802,190	-
Assessor	222,420	222,420	213,906	8,514
Finance	301,230	301,230	283,028	18,202
City clerk	309,010	334,010	328,079	5,931
Administrator	3,618,490	4,218,490	4,181,659	36,831
Treasurer	151,890	151,890	152,594	(704)
City hall	325,780	380,780	387,892	(7,112)
Police	5,990,220	6,020,220	6,058,003	(37,783)
Fire	3,487,720	3,907,720	3,896,170	11,550
Public service	2,121,280	2,121,280	1,823,758	297,522
Recreation	1,310,280	1,490,280	1,521,984	(31,704)
Sanitation	1,966,750	1,966,750	1,915,020	51,730
Debt service	-	-	11,750	(11,750)
Total expenditures	<u>21,682,710</u>	<u>22,994,810</u>	<u>22,653,124</u>	<u>341,686</u>
Excess of revenues over (under) expenditures	<u>(331,640)</u>	<u>(400,740)</u>	<u>714,392</u>	<u>1,115,132</u>
Other financing sources (uses):				
Sale of fixed assets	-	-	15,137	15,137
Lease proceeds	-	-	18,687	18,687
Transfer to Capital Improvement Fund	-	-	(250,000)	(250,000)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(216,176)</u>	<u>(216,176)</u>
Net change in fund balances	(331,640)	(400,740)	498,216	898,956
Fund balance - July 1, 2006	<u>1,778,195</u>	<u>2,360,959</u>	<u>2,360,959</u>	<u>-</u>
Fund balance - June 30, 2007	<u>\$ 1,446,555</u>	<u>\$ 1,960,219</u>	<u>\$ 2,859,175</u>	<u>\$ 898,956</u>

SUPPLEMENTAL INFORMATION

City of Allen Park
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue Funds							Total		
	Major Highway Fund	Local Highway Fund	Sidewalk Fund	Building Fund	Drug Law Enforcement Fund	Library Fund	Capital Improvement Fund		Capital Projects Fund	Debt Service Fund
Assets:										
Cash and equivalents	\$ 1,977,441	\$ 118,869	\$ 2,966	\$ 253,295	\$ 359,581	\$ 105,533	500,135	\$ 126,309	\$ 3,444,129	
Receivables:										
Taxes	-	-	1,489	-	-	16,073	-	-	12,858	30,420
Other	-	-	-	1,909	-	-	-	-	-	1,909
Due from other funds	-	600,000	-	-	7,424	-	-	-	-	607,424
Prepaid expenditures	-	-	-	-	-	13,264	-	-	-	13,264
Total assets	\$ 1,977,441	\$ 718,869	\$ 4,455	\$ 255,204	\$ 367,005	\$ 134,870	\$ 500,135	\$ 139,167	\$ 4,097,146	
Liabilities and Fund Balances										
Liabilities:										
Accounts payable	\$ 10,177	\$ 15,989	\$ -	\$ 10,832	\$ 3,635	\$ 93,267	\$ -	\$ -	\$ -	\$ 133,900
Due to other funds	619,347	55,594	-	39,541	-	-	250,000	-	-	964,482
Deferred revenue	-	-	-	-	-	19,840	-	-	-	19,840
Eserow funds and deposit	-	-	-	7,002	13,727	-	-	-	-	20,729
Total liabilities	629,524	71,583	-	57,375	17,362	113,107	250,000	-	-	1,138,951
Fund balances:										
Designated for debt service	-	-	-	-	-	-	-	115,517	-	115,517
Designated for subsequent years	-	47,500	-	7,500	31,500	-	20,000	23,650	-	130,150
Reserved for prepaid expenditures	-	-	-	-	-	13,264	-	-	-	13,264
Unreserved, undesignated	1,347,917	599,786	4,455	190,329	318,143	8,499	230,135	-	-	2,699,264
Total fund balances	1,347,917	647,286	4,455	197,829	349,643	21,763	250,135	139,167	-	2,958,195
Total liabilities and fund balances	\$ 1,977,441	\$ 718,869	\$ 4,455	\$ 255,204	\$ 367,005	\$ 134,870	\$ 500,135	\$ 139,167	\$ 4,097,146	

City of Allen Park
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances
 Nonmajor Governmental Funds
 June 30, 2007

	Special Revenue Funds										Total
	Capital Projects Fund										
	Major Highway Fund	Local Highway Fund	Sidewalk Fund	Building Fund	Drug Law Enforcement Fund	Library Fund	Capital Improvement Fund	Community Center Debt Fund	Debt Service Fund	Nonmajor Governmental Funds	
Revenues:											
Taxes	\$ -	\$ -	\$ 4,027	\$ -	\$ -	\$ 488,940	\$ -	\$ -	\$ 418,632	\$ 911,599	
Intergovernmental:											
State	1,280,117	462,431	-	-	-	21,768	-	-	-	1,764,316	
Federal and State grants	-	-	-	-	256,733	-	-	-	-	256,733	
Fees	-	-	-	652,748	-	84,316	-	-	-	737,064	
Interest income	76,959	23,101	229	7,802	13,740	43	135	6,723	-	128,732	
Local sources	-	-	-	19,869	13,574	-	-	-	-	33,443	
Total revenues	1,357,076	485,532	4,256	680,419	284,047	595,067	135	425,355	-	3,831,887	
Expenditures:											
Current:											
General government	-	-	9,263	564,632	70,287	588,489	-	450	-	1,233,121	
Highway and streets	443,571	950,563	-	-	-	-	-	-	-	1,394,134	
Debt service:											
Principal retirements	-	-	-	-	-	-	-	75,000	-	75,000	
Interest	-	-	-	-	-	-	-	293,538	-	293,538	
Capital outlay	-	-	-	-	224,734	-	-	-	-	224,734	
Total expenditures	443,571	950,563	9,263	564,632	295,021	588,489	-	368,988	-	3,220,527	
Excess (deficiency) of revenues over expenditures	913,505	(465,031)	(5,007)	115,787	(10,974)	6,578	135	56,367	-	611,360	
Other financing sources (uses):											
Interfund transfers in	-	600,000	-	-	-	-	250,000	-	-	850,000	
Interfund transfers out	(600,000)	-	-	-	-	-	-	-	-	(600,000)	
Proceeds from sale of fixed assets	-	-	-	-	3,575	-	-	-	-	3,575	
Total other financing sources (uses)	(600,000)	600,000	-	-	3,575	-	250,000	-	-	253,575	
Excess of revenue and other sources over (under) expenditures and other uses	313,505	134,969	(5,007)	115,787	(7,399)	6,578	250,135	56,367	-	864,935	
Fund balances:											
Beginning of year	1,034,412	512,317	9,462	82,042	357,042	15,185	-	82,800	-	2,093,260	
End of year	\$ 1,347,917	\$ 647,286	\$ 4,455	\$ 197,829	\$ 349,643	\$ 21,763	\$ 250,135	\$ 139,167	\$ 139,167	\$ 2,958,195	

City of Allen Park
 Motor Vehicle Highway Fund-Major
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual - 1
 July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State of Michigan	\$ 1,344,960	\$ 1,314,960	\$ 1,280,117	\$ (34,843)
Interest income	30,000	30,000	76,959	46,959
Total revenues	<u>1,374,960</u>	<u>1,344,960</u>	<u>1,357,076</u>	<u>12,116</u>
Expenditures:				
Maintenance:				
Traffic signals	-	-	480	(480)
Surface	20,000	20,000	80,084	(60,084)
Special street repair	230,000	200,000	870	199,130
Sweeping	80,000	80,000	64,876	15,124
Trees & shrubs	80,000	80,000	50,423	29,577
Roadside clean-up	11,000	11,000	5,939	5,061
Grass & weeds	55,000	55,000	18,047	36,953
Traffic signs & signals	60,000	60,000	55,718	4,282
Winter maintenance	60,000	60,000	48,216	11,784
Employee fringe benefits:				
Routine maintenance	60,000	60,000	45,479	14,521
Traffic signals	11,000	11,000	11,791	(791)
Winter maintenance	10,000	10,000	6,852	3,148
Roadside parks:				
Maintenance	25,000	25,000	14,083	10,917
Fringe benefits	15,000	15,000	6,467	8,533
Administration:				
Salaries	65,000	65,000	7,119	57,881
Fringe benefits	40,000	40,000	3,711	36,289
Legal & audit	1,500	1,500	3,792	(2,292)
Engineering	10,000	10,000	-	10,000
Subtotal	<u>833,500</u>	<u>803,500</u>	<u>423,947</u>	<u>379,553</u>

City of Allen Park
 Motor Vehicle Highway Fund-Major
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual - 2
 July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Expenditures (cont'd)				
Other state highway construction:				
I-94 misc. projects	-	-	19,624	(19,624)
M-39 misc. projects	37,000	37,000	-	37,000
Total expenditures	870,500	840,500	443,571	396,929
Excess of revenues over (under) expenditures	504,460	504,460	913,505	409,045
Other financing sources (uses):				
Transfer to Local Highway Fund	(336,200)	(336,200)	(600,000)	(263,800)
Total other financing sources (uses)	(336,200)	(336,200)	(600,000)	(263,800)
 Net change in fund balances	168,260	168,260	313,505	145,245
 Fund balance - July 1, 2006	916,909	1,034,412	1,034,412	-
Fund balance - June 30, 2007	<u>\$ 1,085,169</u>	<u>\$ 1,202,672</u>	<u>\$ 1,347,917</u>	<u>\$ 145,245</u>

City of Allen Park
 Motor Vehicle Highway Fund-Local
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual - 1
 July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
State of Michigan	\$ 492,862	\$ 492,862	\$ 462,431	\$ (30,431)
Interest income	15,000	15,000	23,101	8,101
Total revenues	<u>507,862</u>	<u>507,862</u>	<u>485,532</u>	<u>(22,330)</u>
Expenditures:				
Maintenance:				
Surface	50,000	70,000	133,514	(63,514)
Special street repairs	5,000	5,000	-	5,000
Sweeping	210,000	210,000	195,754	14,246
Trees & shrubs	210,000	210,000	167,159	42,841
Roadside clean-up	25,000	25,000	11,032	13,968
Grass & weeds	85,000	85,000	48,869	36,131
Traffic signals	35,000	35,000	54,727	(19,727)
Pavement marking	4,000	4,000	-	4,000
Winter maintenance	125,000	125,000	138,603	(13,603)
Employee fringe benefits:				
Routine maintenance	125,000	125,000	126,149	(1,149)
Traffic signs	25,000	25,000	27,984	(2,984)
Winter maintenance	20,000	20,000	15,907	4,093
Administration:				
Salaries	28,000	28,000	18,771	9,229
Fringe benefits	18,000	18,000	9,739	8,261
Legal & audit	-	-	2,355	(2,355)
Total expenditures	<u>965,000</u>	<u>985,000</u>	<u>950,563</u>	<u>34,437</u>

City of Allen Park
 Motor Vehicle Highway Fund-Local
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual - 2
 July 1, 2006 to June 30, 2007

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess of revenues over (under) expenditures	(457,138)	(477,138)	(465,031)	12,107
Other financing sources (uses):				
Transfer from Major Highway Fund	336,200	556,200	600,000	43,800
Total other financing sources (uses)	336,200	556,200	600,000	43,800
 Net change in fund balances	 (120,938)	 79,062	 134,969	 55,907
 Fund balance - July 1, 2006	 377,188	 512,317	 512,317	 -
Fund balance - June 30, 2007	<u>\$ 256,250</u>	<u>\$ 591,379</u>	<u>\$ 647,286</u>	<u>\$ 55,907</u>

City of Allen Park
Sidewalk Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2006 to June 30, 2007

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues			
Billings	\$ -	\$ 4,027	\$ 4,027
Interest income	600	229	(371)
Total revenues	<u>600</u>	<u>4,256</u>	<u>3,656</u>
Expenditures			
Total expenditures	<u>5,000</u>	<u>9,263</u>	<u>(4,263)</u>
Net change in fund balance	(4,400)	(5,007)	(607)
Fund balance - July 1, 2006	<u>9,462</u>	<u>9,462</u>	<u>-</u>
Fund balance - June 30, 2007	<u>\$ 5,062</u>	<u>\$ 4,455</u>	<u>\$ (607)</u>

City of Allen Park
 Building Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Building inspection fees	\$ 450,000	\$ 500,000	\$ 652,748	\$ 152,748
Interest income	6,500	6,500	7,802	1,302
Rental inspection revenue	5,000	5,000	15,135	10,135
Other income	-	-	4,734	4,734
Total revenues	<u>461,500</u>	<u>511,500</u>	<u>680,419</u>	<u>168,919</u>
Expenditures				
Salaries and fringe benefits	330,470	330,470	322,221	8,249
Inspectors	70,000	120,000	51,992	68,008
Operating expense	88,900	88,900	190,419	(101,519)
Total expenditures	<u>489,370</u>	<u>539,370</u>	<u>564,632</u>	<u>(25,262)</u>
Net change in fund balance	(27,870)	(27,870)	115,787	143,657
Fund balance - July 1, 2006	57,274	82,042	82,042	-
Fund balance - June 30, 2007	<u>\$ 29,404</u>	<u>\$ 54,172</u>	<u>\$ 197,829</u>	<u>\$ 143,657</u>

City of Allen Park
Drug Law Enforcement Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Forfeited monies	\$ 115,000	\$ 115,000	\$ 256,733	\$ 141,733
Interest income	10,000	10,000	13,740	3,740
Miscellaneous	17,000	17,000	13,574	(3,426)
Total revenues	<u>142,000</u>	<u>142,000</u>	<u>284,047</u>	<u>142,047</u>
Expenditures				
Court & attorney costs	1,500	1,500	-	1,500
Operating supplies	-	-	42,740	(42,740)
Equipment maintenance	-	-	10,071	(10,071)
Vehicle maintenance	500	500	410	90
Education and training	-	-	9,861	(9,861)
Forfeiture returns	-	-	133	(133)
Miscellaneous	1,000	1,000	332	668
Telephone and communications	-	-	6,740	(6,740)
Capital outlay	295,000	295,000	224,734	70,266
Total expenditures	<u>298,000</u>	<u>298,000</u>	<u>295,021</u>	<u>2,979</u>
Excess (deficiency) of revenues over (under) expenditures	(156,000)	(156,000)	(10,974)	145,026
Other financing sources (uses):				
Proceeds from sale of fixed assets	-	-	3,575	3,575
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>3,575</u>	<u>3,575</u>
Net change in fund balance	(156,000)	(156,000)	(7,399)	148,601
Fund balance - July 1, 2006	537,213	357,042	357,042	-
Fund balance - June 30, 2007	<u>\$ 381,213</u>	<u>\$ 201,042</u>	<u>\$ 349,643</u>	<u>\$ 148,601</u>

City of Allen Park
Library Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Current taxes	\$ 484,278	\$ 484,278	\$ 488,940	\$ 4,662
Penalties and fines	33,000	33,000	74,155	41,155
Local fines	6,000	6,000	10,161	4,161
State aid	22,000	22,000	21,768	(232)
Interest income	2,000	2,000	43	(1,957)
Total revenues	<u>547,278</u>	<u>547,278</u>	<u>595,067</u>	<u>47,789</u>
Expenditures:				
Part time personnel services	45,270	45,270	47,724	(2,454)
Employer FICA	3,500	3,500	3,496	4
Office supplies	10,000	10,000	7,866	2,134
Operating supplies	12,000	12,000	19,464	(7,464)
Administrative fee	37,000	37,000	37,000	-
Library services	275,380	325,380	351,602	(26,222)
Materials	50,000	50,000	52,690	(2,690)
Telephone	2,750	2,750	2,657	93
Utilities	27,000	27,000	24,931	2,069
Building maintenance	27,000	27,000	40,661	(13,661)
Equipment maintenance	4,800	4,800	398	4,402
Capital outlay	25,000	25,000	-	25,000
Total expenditures	<u>519,700</u>	<u>569,700</u>	<u>588,489</u>	<u>(18,789)</u>
Net change in fund balance	27,578	(22,422)	6,578	29,000
Fund balance - July 1, 2006	11,802	15,185	15,185	-
Fund balance - June 30, 2007	<u>\$ 39,380</u>	<u>\$ (7,237)</u>	<u>\$ 21,763</u>	<u>\$ 29,000</u>

City of Allen Park
Public Employee Health Care Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2006 to June 30, 2007

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment interest	\$ 25,000	\$ 13,110	\$ (11,890)
Miscellaneous	-	196,392	196,392
Total revenues	<u>25,000</u>	<u>209,502</u>	<u>184,502</u>
Expenditures:			
Hospitalization/optical/dental	2,200,000	2,171,037	28,963
Miscellaneous	-	2,250	(2,250)
Total expenditures	<u>2,200,000</u>	<u>2,173,287</u>	<u>26,713</u>
Excess of revenues over (under) expenditures	<u>(2,175,000)</u>	<u>(1,963,785)</u>	<u>211,215</u>
Other financing sources (uses):			
Transfer from General Fund	2,200,000	2,700,000	500,000
Total other financing sources (uses)	<u>2,200,000</u>	<u>2,700,000</u>	<u>500,000</u>
Net change in fund balance	25,000	736,215	657,789
Fund balance - July 1, 2006	457,770	457,770	-
Fund balance - June 30, 2007	<u>\$ 482,770</u>	<u>\$ 1,193,985</u>	<u>\$ 711,215</u>

City of Allen Park
Downtown Development Authority Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Current taxes	\$ 760,000	\$ 760,000	\$ 1,212,731	\$ 452,731
Rental income	4,800	4,800	2,863	(1,937)
Investment interest	35,000	35,000	81,068	46,068
Miscellaneous income	5,000	5,000	22,066	17,066
Total revenue	804,800	804,800	1,318,728	513,928
Expenditures:				
Personal services	55,000	55,000	63,531	(8,531)
Employer FICA	4,208	4,208	4,747	(539)
Office supplies	1,000	1,000	1,194	(194)
Operating supplies	-	-	655	(655)
Engineering services	100,000	100,000	9,735	90,265
Administrative fee	12,500	12,500	12,500	-
Management services	84,000	84,000	92,673	(8,673)
Audit & financial service	20,000	20,000	2,306	17,694
Legal services	9,600	9,600	10,910	(1,310)
Site improvements	200,000	200,000	10,000	190,000
Printing & publishing	2,000	2,000	234	1,766
Fire & liability insurance	4,000	4,000	-	4,000
Utilities/telephone	22,000	22,000	18,819	3,181
Building maintenance	75,000	75,000	49,040	25,960
Rent	23,000	23,000	39,725	(16,725)
Memberships & dues	1,500	1,500	1,938	(438)
Marketing & promotions	10,000	10,000	50,775	(40,775)
Tax adjustments	2,000	2,000	-	2,000
Design committee	125,000	125,000	60,283	64,717
Miscellaneous	10,000	10,000	5,037	4,963
Total expenditures	760,808	760,808	434,102	326,706
Total revenue over (under) expenditures	43,992	43,992	884,626	840,634
Other financing sources (uses):				
Transfer to D.D.A. Bond Debt Fund	(550,000)	(550,000)	(550,000)	-
Total other financing sources (uses)	(550,000)	(550,000)	(550,000)	-
Net change in fund balance	(506,008)	(506,008)	334,626	840,634
Fund balance - July 1, 2006	1,914,871	1,977,991	1,977,991	-
Fund balance - June 30, 2007	\$ 1,408,863	\$ 1,471,983	\$ 2,312,617	\$ 840,634

City of Allen Park
Downtown Development Authority
Construction Fund
Statement of Revenues, Expenditures and
Changes in Fund Balance
July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Investment interest	\$ 90,000	\$ 90,000	\$ 169,676	\$ 79,676
Total revenues	<u>90,000</u>	<u>90,000</u>	<u>169,676</u>	<u>79,676</u>
Expenditures:				
Construction costs	2,100,000	2,100,000	1,450,011	649,989
Total expenditures	<u>2,100,000</u>	<u>2,100,000</u>	<u>1,450,011</u>	<u>649,989</u>
Net change in fund balance	(2,010,000)	(2,010,000)	(1,280,335)	729,665
Fund balance - July 1, 2006	(1,890,938)	3,291,430	3,291,430	-
Fund balance - June 30, 2007	<u>\$ (3,900,938)</u>	<u>\$ 1,281,430</u>	<u>\$ 2,011,095</u>	<u>\$ 729,665</u>

City of Allen Park
 1992 D.D.A. Bond Debt Retirement Fund
 Statement of Revenues, Expenditures and
 Changes in Fund Balance - Budget and Actual
 July 1, 2006 to June 30, 2007

	Original and Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues:			
Investment interest	\$ -	\$ 19,299	\$ 19,299
Total revenues	<u>-</u>	<u>19,299</u>	<u>19,299</u>
Expenditures:			
Bond principal	545,400	315,000	230,400
Bond interest	-	229,382	(229,382)
Agency fees	-	474	(474)
Total expenditures	<u>545,400</u>	<u>544,856</u>	<u>544</u>
Total revenue over (under) expenditures	<u>(545,400)</u>	<u>(525,557)</u>	<u>19,843</u>
Other financing sources (uses):			
Transfer from D.D.A. Fund	<u>565,000</u>	<u>550,000</u>	<u>(15,000)</u>
Total other financing sources (uses)	<u>565,000</u>	<u>550,000</u>	<u>(15,000)</u>
Net change in fund balance	19,600	24,443	4,843
Fund balance - July 1, 2006	<u>349,062</u>	<u>349,062</u>	<u>-</u>
Fund balance - June 30, 2007	<u>\$ 368,662</u>	<u>\$ 373,505</u>	<u>\$ 4,843</u>

City of Allen Park
Brownfield Redevelopment
Statement of Revenues, Expenditures and
Changes in Fund Balance - Budget and Actual
July 1, 2006 to June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
Revenues				
Current taxes	\$ 255,934	\$ 330,934	\$ 962,537	\$ 631,603
Investment interest	300	300	12,331	12,031
Total revenues	<u>256,234</u>	<u>331,234</u>	<u>974,868</u>	<u>643,634</u>
Expenditures				
Administration fees	10,000	10,000	70,129	(60,129)
Legal services	5,000	80,000	5,500	74,500
Total expenditures	<u>15,000</u>	<u>90,000</u>	<u>75,629</u>	<u>14,371</u>
Net change in fund balance	241,234	241,234	899,239	658,005
Fund balance - July 1, 2006	58,414	245,616	245,616	-
Fund balance - June 30, 2007	<u>\$ 299,648</u>	<u>\$ 486,850</u>	<u>\$ 1,144,855</u>	<u>\$ 658,005</u>

City of Allen Park, Michigan
Single Audit
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July 1, 2006 to June 30, 2007

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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

To the City Council
City of Allen Park, Michigan
16850 Southfield Road
Allen Park, Michigan 48101-2599

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 Allen Park, Michigan, as of and for the year ended June 30, 2007, which collectively comprise the City of Allen Park, Michigan's basic financial statements and have issued our report thereon dated November 30, 2007. 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Allen Park, Michigan'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 of Allen Park, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Allen Park, Michigan'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 or

control deficiencies that adversely affects the City of Allen Park, Michigan's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Allen Park, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the City of Allen Park, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting. 2007-1, 2007-2.

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 City of Allen Park, Michigan'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 did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

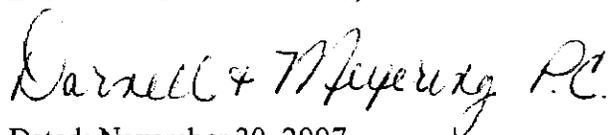
As part of obtaining reasonable assurance about whether the City of Allen Park, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2.

We noted certain other matters that we reported to management of the City of Allen Park, Michigan in a separate letter dated November 30, 2007.

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

This report is intended solely for the information and use of management, city council, Michigan Department of Treasury, 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.

DARNELL & MEYERING, P.C.



Dated: November 30, 2007

DARNELL & MEYERING, P.C.

Certified Public Accountants

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

To the City Council
City of Allen Park, Michigan
16850 Southfield Road
Allen Park, Michigan 48101-2599

Compliance

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

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

In our opinion, the City of Allen Park, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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, 2007-2.

Internal Control Over Compliance

The management of the City of Allen Park, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Allen Park, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 of Allen Park, Michigan's internal control over compliance.

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.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2 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 entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

This report is intended solely for the information and use of management, city council, Michigan Department of Treasury, 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.

DARNELL & MEYERING, P.C.

Darnell & Meyering P.C.

Dated: November 30, 2007

City of Allen Park, Michigan
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2007

Program Title/Project Number Subrecipient Name	Federal CFDA Number	Approved Grant Award Amount	(Memo Only) Prior Year Expenditures	Accrued Revenue 7/1/2006	Federal Funds/ Payments In-kind Received	Federal Expenditures	Accrued Revenue at 6/30/2007
US Department of Housing and Urban Development							
Community Development Block Grant Entitlement Grants	14.218						
2004-2005		\$ 171,000	\$ 164,215	\$ -	\$ 5,274	\$ 5,274	\$ -
2005-2006		151,000	52,397	11,205	108,971	97,766	-
2006-2007		131,000	-	-	80,571	86,666	6,095
Public and Indian Housing: HUD Operating Subsidy	14.850	81,636	-	-	81,636	81,636	-
Total US Department of Housing and Urban Development		<u>534,636</u>	<u>216,612</u>	<u>11,205</u>	<u>276,452</u>	<u>271,342</u>	<u>6,095</u>
US Department of Justice:							
Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement:	16.000						
Project number (Carryover) 2006-2007		360,109	-	-	-	295,020	-
		<u>235,781</u>	-	-	<u>235,781</u>	-	-
Total US Department of Justice		<u>595,890</u>	-	-	<u>235,781</u>	<u>295,020</u>	-
Total Federal Awards		<u>\$ 1,130,526</u>	<u>\$ 216,612</u>	<u>\$ 11,205</u>	<u>\$ 512,233</u>	<u>\$ 566,362</u>	<u>\$ 6,095</u>

See accompanying notes to schedule of expenditures of federal awards.

City of Allen Park, Michigan
Notes to Schedule of Expenditures of
Federal Awards for the Year ended June 30, 2007

Note 1 – Significant Accounting Policies Used

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Allen Park, Michigan and is presented on the 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 basic financial statements. The accounting policies are the same as used in the financial statements located on pages 14 to 20 of this report.

Note 2 – Grant Section Auditor's Report

Management has utilized the Grants Section Auditors Report (Form R-7120) in preparing the Schedule of Expenditures of Federal Awards. Unreconciled differences, if any, have been disclosed to the auditor.

City of Allen Park, Michigan
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2007

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness (es)? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? _____ Yes X No
- Reportable condition(s) identified that are not considered to be material weakness (es)? _____ Yes X None reported

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
16,000 (unlisted)	Equitable Sharing of Federally Forfeited Property for State and Local Law Enforcement

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 Allen Park, Michigan
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

FINANCIAL STATEMENT AUDIT FINDINGS

Reference
Number

Finding

2007-1 **Finding Type** - Significant Deficiency

Criteria - For the period under audit, SAS No. 112 was in effect, certain adjusting journal entries that were control matters are now significant deficiencies.

Condition - In connection with the City's financial statement audit of the year ended June 30, 2007, the City was required to post the reduction of the SRF Bonds payable to reflect the proper liability.

Context - The City's auditors in the past have recommended various journal entries as part of the audit. For the year ended June 30, 2007, Statement on Auditing Standards (SAS) No. 112, *Communicating Internal Control Related Matters Identified in an Audit*, was in effect. SAS No. 112 now defines entries of this nature to be significant deficiencies.

Effect - The City's unadjusted financial statements were misstated by the amount of the unrecorded adjustment to the liability.

Cause - The adjusting entry was due to an expense posting that should have been posted as a reduction in the liability.

Recommendation - The City should implement procedures to ensure that posting of reduction in liability be made instead of expense.

Views of Responsible Officials and Planned Corrective Actions - The City will take steps to advise staff as to the proper procedure of entries that are a reduction in liabilities.

City of Allen Park, Michigan
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2007

FINANCIAL STATEMENT AUDIT FINDINGS (Continued)

Reference
Number

Finding

2007-2 **Finding Type** - Legal noncompliance

Criteria - The State of Michigan's Uniform Accounting and Budgeting Act requires municipalities to make budget amendments as necessary throughout the year.

Condition - During the audit of the City's June 30, 2007 financial statements, it was noted that the City did not make budget amendments as needed to avoid large variances between budget and actual balances.

Context - The City did prepare an original June 30, 2007 year end budget, and amendments were made during the year, but a final amendment was not made.

Effect - Significant variances between actual June 30, 2007 balances and budget balances exist resulting in a violation of the Budget Act.

Cause - A final budget amendment was not made prior to June 30, 2007.

Recommendation - The City should implement procedures to obtain council approval and amend the budget when necessary.

Views of Responsible Officials and Planned Corrective Actions - The City will amend the budget to comply with state statute in the future.

Federal Program Audit Findings

None

City of Allen Park, Michigan
Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2007

Prior Audit Findings: NONE

DARNELL & MEYERING, P.C.

Certified Public Accountants

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RANDALL H. DARNELL, C.P.A.
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MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

November 30, 2007

The Honorable Mayor and
Members of the City Council
The City of Allen Park
21869 West Road
Allen Park, Michigan 48183

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we are required to provide our observations in these areas as part of our audit, we are required to tell you about items of concern and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have provided our comments and recommendations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

November 30, 2007
The Honorable Mayor and
Members of the City Council
Page Two

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified deficiencies in internal control but none that we consider to be significant and/or material 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 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 control. We consider the following comment to be a control deficiency in internal control:

1. Comment:

We noted in our audit that escrow funds established for various activities are not being charged to revenue and expense when payment is made.

Recommendation:

If an escrow is established to reflect future expenditures the escrow fund should first be reduced by the amount of payment and transferred to revenue. Then, the payment should be charged to the appropriate budgetary expense so as to not distort annual budget planning.

November 30, 2007
The Honorable Mayor and
Members of the City Council
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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. No deficiencies that constitute a material weakness came to our attention.

We would, however, like to make you aware of some of the new rules and information regarding local governments which is now being instituted.

Conflicts of Interest and Related Party Transactions

1968 PA 317 prohibits a City council member from voting on any contract in which the City council member has a conflict of interest. The Contracts of Public Servants with Public Entities Act (MCL 15.321) disallows certain contracts between public servants and public entities and requires disclosure of other contracts to the council. The Incompatible Public Offices Act (MCL 15.181) indicates that City council members are public officers and public officers shall not hold two or more incompatible offices at the same time. All cities should have a conflict of interest policy which addresses these legal requirements.

In addition, it is important that cities properly document material related party transactions (RPT) in the footnotes to the financial statements. Footnotes should comply with FAS-57, which addresses reporting requirements. Footnotes should include enough details to adequately describe the situation. Examples are: management agreements; borrowing and lending; and sale or lease of real estate, buildings, and equipment. The interpretation of SAS-45 states that the auditor should apply sufficient audit procedures to provide reasonable assurance that related party transactions are adequately disclosed in the financial statements and are not materially misstated. Conflicts of interest and RPT's should be reported unless they are clearly insignificant.

Time & Effort Reporting

Time/salaries spent working on federal programs must be documented for co-funded and 100% funded staff in compliance with OMB Circular A-87, Attachment B, Item 8h. Acceptable methods for co-funded staff include written schedules if they are documented by personnel activity reports (PARs) confirming that the schedules were followed (e.g., directors, secretaries, counselors). The PARs must be prepared at least monthly, be signed and dated by the employee, and account for the staff person's total activity. Time sheets and other records should be completed after the fact. Employees should never guess the amount of hours they will spend on federal programs before work is actually performed.

November 30, 2007
The Honorable Mayor and
Members of the City Council
Page Four

OMB Circular A-87 requires that when employees are expected to work solely on a single audit federal award or cost objective, charges for their salaries will be supported by periodic certifications that the employees worked solely on that program for the semi-annual period covered by the certification.

Uniform Budgeting and Accounting Act

The Uniform Budgeting and Accounting Act establishes budget and accounting requirements for local government and school districts. MCL 141.437 (Section 17) addresses revenue. It requires that the City administrator or designee go to the council with recommendations if it is probable that revenue will be less than the budgeted revenue. MCL 141.438 & 9 (Sections 18 and 19) address expenditures. They forbid departments from expending funds that are not authorized in the City's approved budget. MCL 141.440 (Section 20) requires the State Department of Treasury to notify the Attorney General of violations of Sections 17 to 19 that are disclosed in audits of local units of government have an "absence of reasonable procedures in use by the local unit to detect such violations." Any local unit of government that has reasonable procedures will not be forwarded to the attorney general.

Statement on Auditing Standards (SAS) 103

The American Institute of Certified Public Accountants (AICPA) Audit Standards Board issued this SAS, which supersedes SAS 96. This standard establishes standards and provides guidance on audit documentation and revises the dating of auditor's report. Under the old standards, the auditor's report was dated the last day of fieldwork. The new standard defines the date as the date adequate audit evidence is obtained (this is interpreted as including the client's approval of the draft of financial statements. This will have an impact on the auditor's subsequent events work (June 30 through the date of the auditor's report).

Lastly, the Governmental Accounting Standards Board has released *Statement No. 45, Accounting and Reporting by Employers for Postemployment Benefits Other than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits other than pensions. The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time health care premiums are paid. The new pronouncement is effective for all original Phase 2 Local units (Allen Park) for the fiscal year ending June 30, 2009.

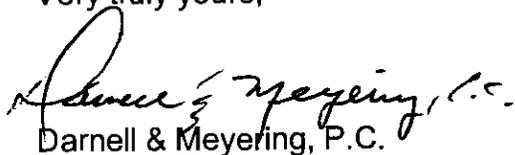
November 30, 2007
The Honorable Mayor and
Members of the City Council
Page Five

If you have any further questions regarding the above comments and new rules or would like assistance in their implementation, please feel free to contact us.

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

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,


Darnell & Meyering, P.C.