

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 BELLEVILLE | County WAYNE |
| Fiscal Year End 06/30/07 | Opinion Date NOVEMBER 08, 2007 | Date Audit Report Submitted to State December 5, 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.)
- 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.
 - 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.
 - The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - The local unit has adopted a budget for all required funds.
 - A public hearing on the budget was held in accordance with State statute.
 - 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.
 - The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - The local unit only holds deposits/investments that comply with statutory requirements.
 - 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).
 - 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.
 - The local unit is free of repeated comments from previous years.
 - The audit opinion is UNQUALIFIED.
 - The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - The board or council approves all invoices prior to payment as required by charter or statute.
 - 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 type="checkbox"/> | TO BE FORWARDED |
| Other (Describe) | <input type="checkbox"/> | |
| Certified Public Accountant (Firm Name) ALAN C YOUNG & ASSOCIATES, P.C. | | Telephone Number (313) 873 7500 |
| Street Address 2990 W. GRAND BLVD., STE 310 | | City DETROIT |
| | | State MI |
| | | Zip 48202 |
| Authorizing CPA Signature  | Printed Name ANIL SAKHUJA | License Number 110102118 |

City of Belleville, Michigan

**Financial Report
with Supplemental Information
June 30, 2007**

City of Belleville, Michigan

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belleville, 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 Belleville, 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Belleville, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and the budgetary comparison schedule as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Belleville, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Alan C. Young; Assoc.

November 8, 2007

City of Belleville, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Belleville, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. Please read it in conjunction with the City's financial statements.

Financial Highlights

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

- The City eliminated its June 30, 2006 General Fund deficit by transferring funds from the Budget Stabilization Fund. The current year operations resulted in expenditures over revenues of \$10,753. The primary reason for the current year operating deficit is due to deferring revenue that was not received within 60 days of year end.
- Total governmental activity revenue increased approximately \$383,000 from the prior year. The most significant factor is the increase in charges for services and federal grant revenues totaling \$345,000.
- Total net assets related to the City's governmental activities increased by approximately \$248,000, and business-type activities decreased by approximately \$95,000.
- The City entered into a new installment purchase agreement for the purchase of a new fire truck.

Using this Annual Report

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

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

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2007 and compared to the prior year (in thousands of dollars):

TABLE I

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|-------------------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Assets | | | | | | |
| Current assets | \$ 1,176 | \$ 1,350 | \$ 235 | \$ 87 | \$ 1,411 | \$ 1,437 |
| Noncurrent assets | <u>2,243</u> | <u>1,911</u> | <u>3,761</u> | <u>4,096</u> | <u>6,004</u> | <u>6,007</u> |
| Total assets | 3,419 | 3,261 | 3,996 | 4,183 | 7,415 | 7,444 |
| Liabilities | | | | | | |
| Current liabilities | 495 | 780 | 420 | 313 | 915 | 1,093 |
| Long-term liabilities | <u>731</u> | <u>536</u> | <u>1,918</u> | <u>2,117</u> | <u>2,649</u> | <u>2,653</u> |
| Total liabilities | <u>1,226</u> | <u>1,316</u> | <u>2,338</u> | <u>2,430</u> | <u>3,564</u> | <u>3,746</u> |
| Net Assets | | | | | | |
| Invested in capital assets - | | | | | | |
| Net of related debt | 1,474 | 1,423 | 1,491 | 1,374 | 2,965 | 2,797 |
| Restricted | 407 | 235 | 152 | 423 | 559 | 658 |
| Unrestricted | <u>312</u> | <u>287</u> | <u>15</u> | <u>(44)</u> | <u>327</u> | <u>243</u> |
| Total net assets | <u>\$ 2,193</u> | <u>\$ 1,945</u> | <u>\$ 1,658</u> | <u>\$ 1,753</u> | <u>\$ 3,851</u> | <u>\$ 3,698</u> |

The City's combined net assets increased approximately 4 percent from a year ago - increasing from approximately \$3,698,000 to \$3,851,000. As we look at the governmental activities separately from the business-type activities, we can see that net assets increased approximately \$248,000, or 13 percent.

The current level of unrestricted net assets for our governmental activities stands at approximately \$312,000, or about 11 percent of expenditures.

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the current year ended June 30, 2007 as compared to the prior year (in thousands of dollars):

TABLE 2

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------------|-------------------------|--------------|--------------------------|-----------------|---------------|-----------------|
| | 2007 | 2006 | 2007 | 2006 | 2007 | 2006 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 626 | \$ 487 | \$ 911 | \$ 847 | \$ 1,537 | \$ 1,334 |
| Operating grants and contributions | 555 | 338 | - | - | 555 | 338 |
| Capital grants and contributions | 54 | - | - | - | 54 | - |
| General revenue: | | | | | | |
| Property taxes | 1,377 | 1,342 | - | - | 1,377 | 1,342 |
| State-shared revenue | 386 | 405 | - | - | 386 | 405 |
| Unrestricted investment earnings | 47 | 47 | 17 | 29 | 64 | 76 |
| Franchise fees | 60 | 57 | - | - | 60 | 57 |
| Miscellaneous | 83 | 129 | - | - | 83 | 129 |
| Total revenue | 3,188 | 2,805 | 928 | 876 | 4,116 | 3,681 |
| Program Expenses | | | | | | |
| General government | 516 | 496 | - | - | 516 | 496 |
| Public safety | 1,557 | 1,470 | - | - | 1,557 | 1,470 |
| Public works | 680 | 567 | - | - | 680 | 567 |
| Health and welfare | 60 | 48 | - | - | 60 | 48 |
| Recreation and culture | 127 | 210 | - | - | 127 | 210 |
| Water and sewer | - | - | 1,023 | 1,034 | 1,023 | 1,034 |
| Total program expenses | 2,940 | 2,791 | 1,023 | 1,034 | 3,963 | 3,825 |
| Change in Net Assets | \$ 248 | \$ 14 | \$ (95) | \$ (158) | \$ 153 | \$ (144) |

Governmental Activities

The City's total governmental revenues net of current year expenses resulted in an increase of approximately \$248,000 in net assets. The increase was primarily due to the increase in grant revenues and charges for services. This was offset by increases in general government and public safety expenditures.

The increase in general government expenditures was led by increases in outside services. The increase in public safety expenditures is due to increased capital outlay expenditures.

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide water to residents from the Detroit Water System. We provide sewage treatment through the Downriver Sewage Treatment System.

Effective March 1, 2007, the City increased water and sewer user fees by 50 percent. Even with this increase, the Water and Sewer Fund continues to operate at a loss due to an 8 percent reduction in usage and other outside factors, such as the cost of water and sewer treatment costs. In addition, cash flow continues to be an issue resulting in borrowings from other funds to cover operations. The City was able to mitigate repair and maintenance expenses as well as reducing the need for outside contracted services. For the year ended June 30, 2007, the Water and Sewer Fund produced an operating loss of \$19,526, a decrease from the prior year loss of \$86,328.

The City's Funds

Our analysis of the City's major funds begins with the governmental funds balance sheet, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2007 include the General Fund and the Public Improvements Fund.

The General Fund pays for most of the City's governmental services. The most significant is public safety, which incurred expenses of approximately \$1,289,000, or 52 percent, of the General Fund's total expenditures in 2007. The public safety department is comprised of police and fire services and is funded primarily by the City's operating millage. This same millage funds other significant activities of the General Fund.

The General Fund deficit decreased from approximately \$205,000 to \$11,000 during the current year. This was a result of an operating transfer from the City's Budget Stabilization Fund. The City will be filing a deficit elimination plan with the State of Michigan and intends to remedy the deficit through recognition of deferred revenue.

General Fund Budgetary Highlights

Due to the timing in completing the prior year final year-end adjustments and audit, the City was not aware of the magnitude of the 2006 deficit until more than half-way through the current year. Once notified, City Council reacted quickly and took measures to restrict all non-mandatory spending and amend the budget accordingly.

The City's total expenditures came in under budget by \$106,000. In addition, total revenues were over budget by nearly \$45,000 due primarily to additional tax revenues, district court fines, and administrative fees received from the City's component unit. These factors resulted in a reduction of the June 30, 2006 fund deficit of approximately \$194,000.

City of Belleville, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2007, the City had approximately \$5,852,000 invested in a broad range of capital assets, including buildings, police and fire equipment, and water and sewer lines. In addition, the City has invested significantly in roads within the City. Notable capital asset acquisitions during the year include a fire truck, which was purchased on an installment purchase contract, and new fire equipment, which was purchased with federal grant proceeds. In addition, a new grant-funded project was started during the year to make improvements to Horizon Park.

Economic Factors and Next Year's Budgets and Rates

The City's budget provides for no increase in property tax rates. This can be accomplished because of continued growth in our tax base. Because of the impact of Proposal A, however, the City needs to continue to watch its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the City will grow less than by inflation, before considering new property additions.

The City's capital improvement millage levy provides a dedicated revenue source to allow the City to continue a modified capital replacement plan. A new police car, additional fire equipment, and new equipment for the Department of Public Works are planned.

The City continually monitors the adequacy of the water and sewer rate compared to operating costs. Due to the continued losses being incurred in the Water and Sewer Fund, it is likely that rates will be reviewed again in the upcoming year. Any proposed increase will likely involve a public hearing to discuss the need for such an increase.

Contacting the City's Management

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

City of Belleville, Michigan

Statement of Net Assets June 30, 2007

| | Primary Government | | | Component Unit |
|--|----------------------------|-----------------------------|---------------------|--------------------------------------|
| | Governmental Activities | Business-type Activities | Total | Downtown Development Authority |
| Assets | | | | |
| Cash and investments (Note 3) | \$ 539,041 | \$ - | \$ 539,041 | \$ 886,865 |
| Receivables - Net: | | | | |
| Customers | - | 337,045 | 337,045 | - |
| Other | 147,056 | - | 147,056 | 472,256 |
| Due from other governmental units | 259,107 | - | 259,107 | 3,999 |
| Due from component units (Note 5) | 128,463 | - | 128,463 | - |
| Internal balances | 101,483 | (101,483) | - | - |
| Prepaid costs and other assets | 1,345 | - | 1,345 | - |
| Restricted assets (Note 1) | - | 151,616 | 151,616 | - |
| Nondepreciable capital assets (Note 4) | 236,700 | 7,872 | 244,572 | 170,000 |
| Depreciable capital assets - Net (Note 4) | 2,006,169 | 3,601,014 | 5,607,183 | 2,236,569 |
| Total assets | 3,419,364 | 3,996,064 | 7,415,428 | 3,769,689 |
| Liabilities | | | | |
| Accounts payable | 279,885 | 207,418 | 487,303 | 11,895 |
| Due to primary government (Note 5) | - | - | - | 128,463 |
| Accrued and other liabilities | 52,454 | 12,668 | 65,122 | 17,075 |
| Deferred revenue (Note 6) | 8,202 | - | 8,202 | - |
| Noncurrent liabilities (Note 7): | | | | |
| Due within one year | 122,556 | 199,720 | 322,276 | 205,000 |
| Due in more than one year | 646,310 | 1,917,684 | 2,563,994 | 1,365,000 |
| Current portion of compensated absences | 32,270 | - | 32,270 | - |
| Long-term portion of compensated absences | 84,970 | - | 84,970 | - |
| Total liabilities | 1,226,647 | 2,337,490 | 3,564,137 | 1,727,433 |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 1,474,003 | 1,491,482 | 2,965,485 | 836,569 |
| Restricted: | | | | |
| Cemetery perpetual care | 223,661 | - | 223,661 | - |
| Streets and highways | 164,488 | - | 164,488 | - |
| Public safety | 18,783 | - | 18,783 | - |
| Building department | 51 | - | 51 | - |
| Debt service | - | 151,616 | 151,616 | - |
| Unrestricted | 311,731 | 15,476 | 327,207 | 1,205,687 |
| Total net assets | \$ 2,192,717 | \$ 1,658,574 | \$ 3,851,291 | \$ 2,042,256 |

City of Belleville, Michigan

| | Program Revenues | | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Functions/Programs | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 515,563 | \$ 115,837 | \$ - | \$ - |
| Public safety | 1,557,447 | 146,883 | 139,031 | 53,530 |
| Public works | 680,428 | 360,207 | 334,406 | - |
| Health and welfare | 59,533 | 1,843 | 81,493 | - |
| Recreation and culture | 126,542 | 940 | - | - |
| Total governmental activities | 2,939,513 | 625,710 | 554,930 | 53,530 |
| Business-type activities - Water and sewer | 1,023,119 | 911,263 | - | - |
| Total primary government | \$ 3,962,632 | \$ 1,536,973 | \$ 554,930 | \$ 53,530 |
| Component unit - Downtown Development Authority | \$ 587,045 | \$ - | \$ 20,000 | \$ - |
| General revenues: | | | | |
| Property taxes | | | | |
| State-shared revenues | | | | |
| Unrestricted investment earnings | | | | |
| Franchise fees | | | | |
| Miscellaneous | | | | |
| Total general revenues | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning of year | | | | |
| Net Assets - End of year | | | | |

Statement of Activities Year Ended June 30, 2007

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|-----------------------------|----------------------------|----------------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Unit |
| \$ (399,726) | \$ - | \$ (399,726) | \$ - |
| (1,218,003) | - | (1,218,003) | - |
| 14,185 | - | 14,185 | - |
| 23,803 | - | 23,803 | - |
| <u>(125,602)</u> | <u>-</u> | <u>(125,602)</u> | <u>-</u> |
| (1,705,343) | - | (1,705,343) | - |
| <u>-</u> | <u>(111,856)</u> | <u>(111,856)</u> | <u>-</u> |
| (1,705,343) | (111,856) | (1,817,199) | - |
| - | - | - | (567,045) |
| 1,376,778 | - | 1,376,778 | 1,012,920 |
| 386,191 | - | 386,191 | - |
| 46,971 | 16,921 | 63,892 | 17,689 |
| 60,303 | - | 60,303 | - |
| <u>82,773</u> | <u>-</u> | <u>82,773</u> | <u>-</u> |
| <u>1,953,016</u> | <u>16,921</u> | <u>1,969,937</u> | <u>1,030,609</u> |
| 247,673 | (94,935) | 152,738 | 463,564 |
| <u>1,945,044</u> | <u>1,753,509</u> | <u>3,698,553</u> | <u>1,578,692</u> |
| <u>\$ 2,192,717</u> | <u>\$ 1,658,574</u> | <u>\$ 3,851,291</u> | <u>\$ 2,042,256</u> |

City of Belleville, Michigan

Governmental Funds Balance Sheet June 30, 2007

| | General Fund | Public Improvements Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|-------------------|--------------------------------|---|--------------------------------|
| Assets | | | | |
| Cash and investments | \$ - | \$ 134,964 | \$ 404,077 | \$ 539,041 |
| Accounts receivable | 132,401 | 14,655 | - | 147,056 |
| Due from component unit (Note 5) | 128,463 | - | - | 128,463 |
| Due from other governmental units | 174,361 | - | 16,911 | 191,272 |
| Due from other funds (Note 5) | 13,170 | 88,313 | 77,835 | 179,318 |
| Prepaid expenses and other assets | 1,345 | - | - | 1,345 |
| Total assets | \$ 449,740 | \$ 237,932 | \$ 498,823 | \$ 1,186,495 |
| Liabilities and Fund Balances | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 232,193 | \$ 17,621 | \$ 30,071 | \$ 279,885 |
| Due to other funds (Note 5) | 77,835 | - | - | 77,835 |
| Accrued and other liabilities | 31,773 | - | 20,681 | 52,454 |
| Deferred revenue (Note 6) | 118,692 | 11,125 | - | 129,817 |
| Total liabilities | 460,493 | 28,746 | 50,752 | 539,991 |
| Fund Balances | | | | |
| Reserved for cemetery perpetual care | - | - | 223,661 | 223,661 |
| Reserved for noncurrent Water and Sewer Fund receivables | 13,170 | 88,313 | - | 101,483 |
| Unreserved, reported in: | | | | |
| General Fund | (23,923) | - | - | (23,923) |
| Special Revenue Funds | - | - | 224,410 | 224,410 |
| Capital Projects Fund | - | 120,873 | - | 120,873 |
| Total fund balances | (10,753) | 209,186 | 448,071 | 646,504 |
| Total liabilities and fund balances | \$ 449,740 | \$ 237,932 | \$ 498,823 | \$ 1,186,495 |
| Fund Balance - Total Governmental Funds | | | | \$ 646,504 |
| 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 are not reported in the funds | | | | 2,242,869 |
| State revenue-sharing payment received subsequent to 60 days after year end is not reported in the funds | | | | 67,835 |
| Amounts earned during the year but not received within 60 days after year end are not reported in the funds | | | | 121,615 |
| Compensated absences are included as a liability in governmental activities | | | | (117,240) |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | | | | (768,866) |
| Net Assets of Governmental Activities | | | | \$ 2,192,717 |

City of Belleville, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2007

| | General Fund | Public Improvements Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|--------------------|--------------------------------|--|--------------------------------|
| Revenue | | | | |
| Property taxes | \$ 1,245,908 | \$ 131,116 | \$ - | \$ 1,377,024 |
| Federal sources | 110,648 | 77,500 | - | 188,148 |
| State sources | 583,554 | - | 305,210 | 888,764 |
| Charges for services | 227,945 | - | 64,529 | 292,474 |
| Licenses and permits | 3,648 | - | 42,062 | 45,710 |
| District Court | 82,362 | - | - | 82,362 |
| Interest and rent | 87,029 | 4,456 | 19,836 | 111,321 |
| Forfeitures | - | - | 12,694 | 12,694 |
| Other | 135,483 | 86,080 | 9,855 | 231,418 |
| | <u>2,476,577</u> | <u>299,152</u> | <u>454,186</u> | <u>3,229,915</u> |
| Expenditures | | | | |
| Current: | | | | |
| General government | 546,568 | - | - | 546,568 |
| Public safety | 1,288,609 | - | 72,279 | 1,360,888 |
| Public works | 506,551 | - | 205,626 | 712,177 |
| Recreation and culture | 116,028 | - | - | 116,028 |
| Administration | - | - | 36,383 | 36,383 |
| Capital outlay | - | 533,842 | 16,272 | 550,114 |
| | <u>2,457,756</u> | <u>533,842</u> | <u>330,560</u> | <u>3,322,158</u> |
| Excess of Revenue Over (Under) Expenditures | 18,821 | (234,690) | 123,626 | (92,243) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from the issuance of long-term debt | - | 320,000 | - | 320,000 |
| Transfers in | 212,714 | - | 91,731 | 304,445 |
| Transfers out | (37,592) | - | (266,853) | (304,445) |
| | <u>175,122</u> | <u>320,000</u> | <u>(175,122)</u> | <u>320,000</u> |
| Contributions | <u>-</u> | <u>-</u> | <u>4,309</u> | <u>4,309</u> |
| Net Change in Fund Balances | 193,943 | 85,310 | (47,187) | 232,066 |
| Fund Balances (Deficit) - Beginning of year | <u>(204,696)</u> | <u>123,876</u> | <u>495,258</u> | <u>414,438</u> |
| Fund Balances (Deficit) - End of year | <u>\$ (10,753)</u> | <u>\$ 209,186</u> | <u>\$ 448,071</u> | <u>\$ 646,504</u> |

City of Belleville, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

| | |
|--|--------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 232,066 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation | 475,519 |
| Depreciation on capital assets reported as a part of governmental activities | (144,096) |
| Revenue reported in the statement of activities in a previous year that did not provide current financial resources and is reported as revenue in the governmental funds in the year collected | (47,038) |
| Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 39,230 |
| Decrease in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded | 11,992 |
| Governmental funds report proceeds from long-term debt as revenue in the statement of activities; these amounts are reported as long-term debt on the statement of activities | <u>(320,000)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 247,673</u> |

City of Belleville, Michigan

Proprietary Fund Enterprise Fund - Water and Sewer Fund Statement of Assets June 30, 2007

Assets

| | |
|-------------------------------|------------------|
| Customer receivables | \$ 337,045 |
| Due from other funds (Note 5) | <u>305</u> |
| Total current assets | 337,350 |
| Noncurrent assets: | |
| Restricted assets (Note 1) | 151,616 |
| Capital assets (Note 4) | <u>3,608,886</u> |
| Total noncurrent assets | <u>3,760,502</u> |
| Total assets | 4,097,852 |

Liabilities

| | |
|---|------------------|
| Current liabilities: | |
| Accounts payable | 207,418 |
| Due to other funds (Note 5) | 101,788 |
| Accrued and other liabilities | 12,668 |
| Current portion of long-term debt (Note 7) | <u>199,720</u> |
| Total current liabilities | 521,594 |
| Noncurrent liabilities - Long-term debt - Net of current portion (Note 7) | <u>1,917,684</u> |
| Total liabilities | <u>2,439,278</u> |

Net Assets

| | |
|--|----------------------------|
| Investment in capital assets - Net of related debt | 1,491,482 |
| Restricted for debt service | 151,616 |
| Unrestricted | <u>15,476</u> |
| Total net assets | <u><u>\$ 1,658,574</u></u> |

City of Belleville, Michigan

Proprietary Fund Enterprise Fund - Water and Sewer Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

| | |
|---------------------------------------|----------------------------|
| Operating Revenue | |
| Water sales | \$ 425,166 |
| Sewage disposal | 420,463 |
| Charges for services | <u>65,634</u> |
| Total operating revenue | 911,263 |
| Operating Expenses | |
| Cost of water | 244,160 |
| Cost of sewage disposal | 195,669 |
| Operations and maintenance | 150,515 |
| General and administrative | 238,444 |
| Depreciation | <u>102,001</u> |
| Total operating expenses | <u>930,789</u> |
| Operating Loss | (19,526) |
| Nonoperating Revenue (Expense) | |
| Investment income | 16,921 |
| Interest expense | <u>(92,330)</u> |
| Total nonoperating expense | <u>(75,409)</u> |
| Change in Net Assets | (94,935) |
| Net Assets - Beginning of year | <u>1,753,509</u> |
| Net Assets - End of year | <u><u>\$ 1,658,574</u></u> |

City of Belleville, Michigan

Proprietary Fund Enterprise Fund - Water and Sewer Fund Statement of Cash Flows Year Ended June 30, 2007

| | |
|--|--------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 813,507 |
| Payments to suppliers | (494,890) |
| Payments to employees | <u>(208,390)</u> |
| Net cash provided by operating activities | 110,227 |
| Cash Flows from Capital and Related Financing Activities | |
| Purchase of capital assets | (38,531) |
| Collection of customer assessments (principal and interest) | 9,519 |
| Principal and interest paid on capital debt | <u>(195,597)</u> |
| Net cash used in capital and related financing activities | (224,609) |
| Cash Flows from Noncapital Financing Activities - Interfund borrowing | (110,662) |
| Cash Flows from Investing Activities - Interest received on investments | <u>10,495</u> |
| Net Decrease in Cash and Investments | (214,549) |
| Cash and Investments - Beginning of year | <u>286,254</u> |
| Cash and Investments - End of year | <u><u>\$ 71,705</u></u> |
| Balance Sheet Classification of Cash and Investments - Restricted cash (Note 1) | <u><u>\$ 71,705</u></u> |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | |
| Operating loss | \$ (19,526) |
| Adjustments to reconcile operating loss to net cash from operating activities: | |
| Depreciation and amortization | 102,001 |
| Changes in assets and liabilities: | |
| Receivables | (108,891) |
| Due from other governmental units | 11,135 |
| Accounts payable | 126,928 |
| Accrued and other liabilities | <u>(1,420)</u> |
| Net cash provided by operating activities | <u><u>\$ 110,227</u></u> |

Noncash Investing, Capital, and Financing Activities

- The County paid approximately \$77,200 of bond and State Revolving Loan principal and interest payments related to the Downriver Sewage Improvement Project.
- Interest earned during the year on assets held at Wayne County was approximately \$5,900.

City of Belleville, Michigan

**Fiduciary Fund
Agency Fund
Statement of Assets and Liabilities
June 30, 2007**

Assets

| | |
|----------------------|--------------------------|
| Cash and investments | \$ 431,230 |
| Accounts receivable | <u>272,256</u> |
| Total assets | <u><u>\$ 703,486</u></u> |

Liabilities

| | |
|---------------------------------|--------------------------|
| Accounts payable | \$ 24,385 |
| Accrued and other liabilities | 510,319 |
| Due to other governmental units | <u>168,782</u> |
| Total liabilities | <u><u>\$ 703,486</u></u> |

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Belleville, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Belleville, Michigan:

Reporting Entity

The City of Belleville, Michigan is governed by an elected five-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Discretely Presented Component Unit - The Downtown Development Authority (the "Authority") is governed by a nine-member board that is appointed by the City Council. The Authority is reported as if it were part of the primary government because the City Council retains responsibility for the activities, finances, and commitments of the Authority. In addition, the Authority's budget is subject to approval by the City Council. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. 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 separately from the legally separate component unit for which the primary government is financially accountable.

Note I - Summary of Significant Accounting Policies (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is 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 the fiduciary fund, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. 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. The following major revenue sources meet the availability criterion: state-shared revenue, district court fines, and interest associated with the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Note 1 - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Public Improvements Fund - The Public Improvements Fund is a Special Revenue Fund that is used to accumulate and appropriate funds for public improvements and other capital outlay.

The City reports the following major proprietary fund:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Agency Fund - The Agency Fund is used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. The Agency Fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations.

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

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

Amounts reported as program revenue include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Note I - Summary of Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds 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 (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2006 taxable valuation of the City totaled approximately \$101,484,000 (a portion of which is captured by the DDA), on which ad valorem taxes levied consisted of 16.6 mills and 1.3 mills for operating and capital improvement purposes, respectively. This resulted in approximately \$1,155,000 and \$131,000 for operations and capital improvements, respectively. These amounts are recognized in the General Fund and Capital Projects Fund financial statements as tax revenue.

Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value based on quoted market prices.

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Restricted Assets - The revenue bonds of the Enterprise Fund require amounts to be set aside for construction, debt service, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the City of Belleville, Michigan's water and sewer lines.

Restricted assets at June 30, 2007 consist of the following:

| | |
|--|-----------------------|
| County sewage disposal system bonds - Assets held at the | |
| County for future debt payments | \$ 79,911 |
| Cash and cash equivalents | <u>71,705</u> |
| Total restricted assets | <u>\$ 151,616</u> |

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. 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.

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

| | |
|-------------------------------------|----------------|
| Infrastructure | 20 to 25 years |
| Water system and equipment | 5 to 50 years |
| Sewage collection system | 30 to 40 years |
| Equipment machinery and vehicles | 5 to 20 years |
| Buildings and building improvements | 25 years |
| Land improvements | 20 to 25 years |

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. 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 for employee terminations as of year end.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity - In the fund financial statements, governmental 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.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from these estimates.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability

Noncompliance with Legal Provisions - The original and amended budgets as adopted by the City were not in compliance with the Uniform Accounting and Budgeting Act (Public Act 2 of 1968, as amended). The General Fund had budgeted a deficit at the end of the year. In addition, the Public Improvement Fund's original budget resulted in a deficit at the end of the year.

Budgetary Information - The annual budget is prepared by the City management and adopted by the City Council by the first Monday in June; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the activity level. A comparison of actual results of operations to the General Fund budget and Major Special Revenue Fund budget as adopted by the City Council is included in the required supplemental information. The adopted budget for the nonmajor Special Revenue Funds can be obtained at City Hall.

A reconciliation of the budgetary comparison schedules to the fund-based statement of changes in fund balance is as follows:

| | General Fund | | Public Improvements Fund | |
|---|---------------------|---------------------|--------------------------|--------------------|
| | Total Revenue | Total Expenditures | Total Revenue | Total Expenditures |
| Amounts per operating statement | \$ 2,476,577 | \$ 2,457,756 | \$ 299,152 | \$ 533,842 |
| Proceeds from issuance of long-term debt | - | - | 320,000 | - |
| Operating transfers | 212,714 | 37,592 | - | - |
| Amounts per budgetary comparison schedule | <u>\$ 2,689,291</u> | <u>\$ 2,495,348</u> | <u>\$ 619,152</u> | <u>\$ 533,842</u> |

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Belleville, Michigan incurred expenditures that were in excess of the amounts budgeted, as follows:

| | Budget | Actual |
|--|-----------|-----------|
| General Fund | | |
| General government: | | |
| City manager | \$ 56,680 | \$ 68,549 |
| Clerk | 73,600 | 77,544 |
| Outside services | 160,120 | 175,567 |
| Public safety - Police | 1,160,595 | 1,165,575 |
| Public works | 123,200 | 126,128 |
| Public Improvements Fund - Capital outlay | 234,220 | 533,842 |

The expenditure overrun in the Public Improvements Fund was the result of purchasing a new fire truck. The budget was not amended for the purchase of the new truck; however, the City issued long-term debt to finance the purchase and there is a favorable budget variance in the revenues as well.

Fund Deficits - For the year ended June 30, 2007, the General Fund had a fund deficit. The City intends to remedy the deficit through recognition of deferred revenue.

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. To the extent that cash from various funds has been pooled in an investment vehicle, related investment income is allocated to each fund based on relative participation in the pool, except that Agency Funds investment earnings are allocated to the General Fund.

Note 3 - Deposits and Investments (Continued)

The City has designated three banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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 does not have a deposit policy for custodial credit risk. At year end, City bank deposits (certificates of deposit, checking and savings accounts) totaling \$194,991 were insured and collateralized; the Downtown Development Authority had \$685,253 that was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate 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, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

| <u>Investment</u> | <u>Fair Value</u> | <u>Weighted Average Maturity</u> |
|---------------------------------|-------------------|--------------------------------------|
| U.S. government or agency bonds | \$200,000 | 10 years |

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk

State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City has no investment policy that would further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

| Investment | Fair Value | Rating | Rating Organization |
|----------------------|------------|-----------|---------------------|
| Bank investment pool | \$ 505,446 | Not rated | N/A |

Note 4 - Capital Assets

Capital asset activity of the City's governmental and business-type activities was as follows:

| | Balance July 1, 2006 | Additions | Disposals and Adjustments | Balance June 30, 2007 |
|---------------------------------------|-------------------------|------------|---------------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated: | | | | |
| Land | \$ 159,200 | \$ - | \$ - | \$ 159,200 |
| Construction in progress | - | 77,500 | - | 77,500 |
| Subtotal | 159,200 | 77,500 | - | 236,700 |
| Capital assets being depreciated: | | | | |
| Land improvements | 104,374 | 8,439 | - | 112,813 |
| Buildings | 635,800 | - | - | 635,800 |
| Building improvements | 386,725 | - | - | 386,725 |
| Infrastructure | 758,215 | - | - | 758,215 |
| Equipment, machinery, and vehicles | 1,089,669 | 389,580 | - | 1,479,249 |
| Subtotal | 2,974,783 | 398,019 | - | 3,372,802 |
| Accumulated depreciation: | | | | |
| Land improvements | 16,700 | 4,738 | - | 21,438 |
| Buildings | 152,592 | 25,432 | - | 178,024 |
| Building improvements | 80,209 | 15,467 | - | 95,676 |
| Infrastructure | 207,388 | 37,911 | - | 245,299 |
| Equipment, machinery, and vehicles | 765,648 | 60,548 | - | 826,196 |
| Subtotal | 1,222,537 | 144,096 | - | 1,366,633 |
| Net capital assets being depreciated | 1,752,246 | 253,923 | - | 2,006,169 |
| Net capital assets | \$ 1,911,446 | \$ 331,423 | \$ - | \$ 2,242,869 |

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets (Continued)

| Business-type Activities | Balance | Additions | Disposals and | Balance |
|---|--------------|-------------|---------------|---------------|
| | July 1, 2006 | | Adjustments | June 30, 2007 |
| Capital assets not being depreciated - Land | \$ 7,872 | \$ - | \$ - | \$ 7,872 |
| Capital assets being depreciated: | | | | |
| Water system and equipment | 963,421 | - | - | 963,421 |
| Sewage collection system | 5,150,858 | 38,531 | - | 5,189,389 |
| Equipment and vehicles | 126,191 | - | - | 126,191 |
| Subtotal | 6,240,470 | 38,531 | - | 6,279,001 |
| Accumulated depreciation: | | | | |
| Water system and equipment | 572,508 | 19,725 | - | 592,233 |
| Sewage collection system | 1,887,719 | 81,169 | - | 1,968,888 |
| Equipment and vehicles | 115,759 | 1,107 | - | 116,866 |
| Subtotal | 2,575,986 | 102,001 | - | 2,677,987 |
| Net capital assets being depreciated | 3,664,484 | (63,470) | - | 3,601,014 |
| Net capital assets | \$ 3,672,356 | \$ (63,470) | \$ - | \$ 3,608,886 |

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

| | |
|--|------------|
| Governmental activities: | |
| General government | \$ 9,986 |
| Public safety | 37,211 |
| Public works | 86,385 |
| Recreation and culture | 10,514 |
| Total governmental activities | \$ 144,096 |
| Business-type activities - Water/Sewer | \$ 102,001 |

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets (Continued)

Capital asset activity of the Downtown Development Authority was as follows:

| Component Unit Activities | Balance July 1, 2006 | Additions | Disposals and Adjustments | Balance June 30, 2007 |
|--|-------------------------|---------------------|------------------------------|--------------------------|
| Capital assets not being depreciated - | | | | |
| Land | \$ 170,000 | \$ - | \$ - | \$ 170,000 |
| Capital assets being depreciated: | | | | |
| Land improvements | 2,622,955 | - | - | 2,622,955 |
| Buildings | 65,790 | - | - | 65,790 |
| Building improvements | 210,000 | - | - | 210,000 |
| Infrastructure | 714,364 | 35,412 | - | 749,776 |
| Subtotal | 3,613,109 | 35,412 | - | 3,648,521 |
| Accumulated depreciation: | | | | |
| Land improvements | 1,045,675 | 113,064 | - | 1,158,739 |
| Buildings | 7,785 | 2,595 | - | 10,380 |
| Building improvements | 33,600 | 8,400 | - | 42,000 |
| Infrastructure | 163,343 | 37,490 | - | 200,833 |
| Subtotal | 1,250,403 | 161,549 | - | 1,411,952 |
| Net capital assets being depreciated | 2,362,706 | (126,137) | - | 2,236,569 |
| Net capital assets | <u>\$ 2,532,706</u> | <u>\$ (126,137)</u> | <u>\$ -</u> | <u>\$ 2,406,569</u> |

Depreciation expense was charged to the Downtown Development Authority in the amount of \$161,549.

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

| Receivable Fund | Payable Fund | Amount |
|---|---|-------------------|
| Due to/from Other Funds | | |
| General Fund | Water and Sewer Fund | \$ 13,170 |
| Public Improvements Fund | Water and Sewer Fund | 88,313 |
| Other nonmajor governmental funds | General Fund | <u>77,835</u> |
| Total | | <u>\$ 179,318</u> |
| Due to/from Primary Government and Component Units | | |
| Primary government - General Fund | Component unit - Downtown Development Authority | <u>\$ 128,463</u> |

Interfund balances and amounts due between the City and its component unit represent routine and temporary cash flow assistance resulting from interfund activity until the amounts can be reimbursed.

Interfund Transfers

| Fund Transferred To | Fund Transferred From | Amount |
|-----------------------------------|-----------------------------------|-------------------|
| General Fund | Other nonmajor governmental funds | \$ 212,714 (1) |
| Other nonmajor governmental funds | General Fund | 24,931 (2) |
| | General Fund | 12,661 (3) |
| | Other nonmajor governmental funds | <u>54,139 (4)</u> |
| | | <u>\$ 304,445</u> |

- (1) Transfer consists primarily of deficit elimination
- (2) Transfer operating subsidy to Cemetery Fund
- (3) Transfer operating subsidy to Building Fund
- (4) Transfer of \$18,479 due to creation of new fund; transfer of \$35,660 of Act 51 funds from Major Street Fund to Local Street Fund, as allowed by State Law

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

| | <u>Unavailable</u> | <u>Unearned</u> |
|---|--------------------|-----------------|
| Special assessments | \$ 10,049 | \$ - |
| Reimbursements from other governmental units received greater than 60 days after year end | 14,885 | - |
| Grant reimbursements received greater than 60 days after year end | 11,125 | - |
| Reimbursements from component units received greater than 60 days after year end | 85,556 | - |
| Grant payments received prior to meeting all eligibility requirements | <u>-</u> | <u>8,202</u> |
| Total | <u>\$ 121,615</u> | <u>\$ 8,202</u> |

Note 7 - Long-term Debt

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

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

| | Interest Rate | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|------------------|---------------------------------|----------------------|------------|--------------|-------------------|------------------------|
| Governmental Activities | | | | | | | |
| Land contract: | | | | | | | |
| Amount of issue - \$90,408 | | | | | | | |
| Maturing through 2007 | 9.0% | \$29,642 | \$ 35,443 | \$ - | \$ (5,801) | \$ 29,642 | \$ 29,642 |
| Land contract: | | | | | | | |
| Amount of issue - \$620,000 | 6.2% | \$30,986 - | | | | | |
| Maturing through 2016 | | \$59,656 | 452,653 | - | (33,429) | 419,224 | 38,695 |
| Installment purchase contract - 2007 Fire Truck: | | | | | | | |
| Amount of issue - \$320,000 | 4.63% | \$48,457 - | | | | | |
| Maturing through 2013 | | \$58,072 | - | 320,000 | - | 320,000 | 54,219 |
| Total installment debt obligations | | | 488,096 | 320,000 | (39,230) | 768,866 | 122,556 |
| Other long-term obligations - Accumulated employee benefits | | | 129,232 | - | (11,992) | 117,240 | 32,270 |
| Total governmental activities | | | 617,328 | 320,000 | (51,222) | 886,106 | 154,826 |
| Business-type Activities | | | | | | | |
| County contractual obligations - Revenue Bonds: | | | | | | | |
| Water Supply and Sewer Disposal System, Series 1992A: | | | | | | | |
| Amount of issue - \$550,000 | 7.2% | \$25,000 - | | | | | |
| Maturing through 2010 | | \$40,000 | 135,000 | - | (35,000) | 100,000 | 35,000 |
| Water Supply and Sewer Disposal System, Series 1994: | | | | | | | |
| Amount of issue - \$995,000 | 6.0% - | \$20,000 - | | | | | |
| Maturing through 2011 | 6.25% | \$100,000 | 345,000 | - | (65,000) | 280,000 | 75,000 |
| Water Supply and Sewer Disposal System, Series 2002: | | | | | | | |
| Amount of issue - \$995,000 | 3.75% - | \$30,000 - | | | | | |
| Maturing through 2023 | 5.4% | \$135,000 | 950,000 | - | (25,000) | 925,000 | 30,000 |
| General obligation bonds: | | | | | | | |
| Downriver Sewer System Debt 15 issues | | | | | | | |
| Maturing through 2026 | various | various | 867,905 | - | (55,501) | 812,404 | 59,720 |
| Total business-type activities | | | 2,297,905 | - | (180,501) | 2,117,404 | 199,720 |
| Total governmental and business-type activities | | | \$ 2,915,233 | \$ 320,000 | \$ (231,723) | \$ 3,003,510 | \$ 354,546 |
| Component Unit | | | | | | | |
| County contractual obligations - General obligation bonds | | | | | | | |
| Limited Tax Bond, Series 1994A: | | | | | | | |
| Amount of issue - \$1,075,000 | 6.8% - | \$65,000 - | | | | | |
| Maturing through 2014 | 7.1% | \$100,000 | \$ 625,000 | \$ - | \$ (60,000) | \$ 565,000 | \$ 65,000 |
| Limited Tax Bond, Series 1994B: | | | | | | | |
| Amount of issue - \$825,000 | 7.15% - | | | | | | |
| Maturing through 2013 | 7.25% | \$70,000 | 490,000 | - | (70,000) | 420,000 | 70,000 |
| General obligation debt: | | | | | | | |
| Amount of issue - \$950,000 | 5.15% - | \$70,000 - | | | | | |
| Maturing through 2014 | 5.4% | \$100,000 | 650,000 | - | (65,000) | 585,000 | 70,000 |
| Total component unit | | | \$ 1,765,000 | \$ - | \$ (195,000) | \$ 1,570,000 | \$ 205,000 |

City of Belleville, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above governmental bond and note obligations are as follows:

| | Governmental Activities | | | Business-type Activities | | | Component Unit | | |
|-----------|-------------------------|-------------------|-------------------|--------------------------|-------------------|---------------------|---------------------|-------------------|---------------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2008 | \$ 122,554 | \$ 31,449 | \$ 154,003 | \$ 199,720 | \$ 82,986 | \$ 282,706 | \$ 205,000 | \$ 97,066 | \$ 302,066 |
| 2009 | 89,621 | 34,742 | 124,363 | 216,221 | 72,896 | 289,117 | 215,000 | 83,648 | 298,648 |
| 2010 | 94,490 | 29,872 | 124,362 | 217,759 | 62,139 | 279,898 | 220,000 | 69,650 | 289,650 |
| 2011 | 99,631 | 24,732 | 124,363 | 199,560 | 52,930 | 252,490 | 230,000 | 55,057 | 285,057 |
| 2012 | 105,059 | 19,304 | 124,363 | 202,643 | 45,311 | 247,954 | 245,000 | 39,596 | 284,596 |
| 2013-2017 | 257,511 | 22,909 | 280,420 | 696,110 | 131,093 | 827,203 | 455,000 | 29,585 | 484,585 |
| 2018-2022 | - | - | - | 332,094 | 43,244 | 375,338 | - | - | - |
| 2023-2027 | - | - | - | 53,297 | 1,727 | 55,024 | - | - | - |
| Total | <u>\$ 768,866</u> | <u>\$ 163,008</u> | <u>\$ 931,874</u> | <u>\$ 2,117,404</u> | <u>\$ 492,326</u> | <u>\$ 2,609,730</u> | <u>\$ 1,570,000</u> | <u>\$ 374,602</u> | <u>\$ 1,944,602</u> |

In the prior year, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2007, \$880,000 of bonds outstanding is considered defeased.

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for employee injuries and medical benefit claims and participates in the Michigan Municipal Risk Management Authority risk pool (as a state pool member) for claims relating to loss, torts, and errors and omissions. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's State Pool program operates as a common risk-sharing management program for local units of government in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.

Note 9 - Defined Benefit Pension Plan

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

Funding Policy - The obligation to contribute to and maintain the MMERS for these employees was established by negotiation with the City's collective bargaining units.

Effective June 1, 2000, the City agreed to institute the F55/20 waiver of the Michigan Employees' Retirement System Plan. Employee contributions are twenty-six one hundredths of one percent (.26 percent) and employer contributions are fifty one hundredths of one percent (.50 percent) of employees' gross earnings.

Annual Pension Costs - For the year ended June 30, 2007, the City's annual pension cost of \$176,903 for the plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, using an entry age normal actuarial method. Significant actuarial assumptions used include: (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, attributable to inflation, and (c) an additional salary increase of 0 percent to 8.4 percent per year, attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 26 years.

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

| | Fiscal Year Ended June 30 | | |
|---|-----------------------------|--------------|--------------|
| | 2005 | 2006 | 2007 |
| Annual pension costs (APC) | \$ 146,648 | \$ 185,568 | \$ 176,903 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | \$ - | \$ - | \$ - |
| | Valuation as of December 31 | | |
| | 2004 | 2005 | 2006 |
| Actuarial value of assets | \$ 2,720,440 | \$ 2,944,673 | \$ 3,242,376 |
| Actuarial accrued liability (entry age) (AAL) | \$ 4,143,702 | \$ 4,581,155 | \$ 4,787,458 |
| Unfunded AAL (UAAL) | \$ 1,423,262 | \$ 1,636,482 | \$ 1,545,082 |
| Funded ratio | 65.65% | 64.28% | 67.73% |
| Covered payroll | \$ 990,765 | \$ 984,640 | \$ 988,515 |
| UALL as a percentage of covered payroll | 143.65% | 166.20% | 156.30% |

Note 10 - Postretirement Benefits

The City provides healthcare benefits and life insurance policies to certain full-time employees upon retirement in accordance with labor contracts. Currently, two retirees are eligible for each. Expenditures for postemployment benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$17,300.

Upcoming Reporting Change

The Governmental Accounting Standards Board (GASB) 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 healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2010.

Note 11 - Commitments

The City had been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the downriver sewage treatment system. Several other communities, including Wayne County, were also named as defendants. Under terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act.

In connection with this ongoing project, the County issued additional state revolving fund loans subsequent to June 30, 2007. The City's share of these loans payable is approximately \$98,000. The County is anticipating issuing additional state revolving fund loans in the next year. The City's share of these loans payable will be approximately \$46,000.

Note 12 - Joint Ventures

The City of Belleville, Michigan is a member of a joint venture with Van Buren and Sumpter Townships. The purpose is to provide library services to the residents of all participating communities. The participating communities provide annual funding for its operations, and it is the City of Belleville, Michigan's responsibility to account for and remit these funds to Wayne County for services provided. During the current year, the City contributed approximately \$72,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the joint venture can be obtained from the administrative offices at 6 Main Street, Belleville, MI.

Beginning July 1, 2006, the City of Belleville, Michigan entered into a joint venture agreement with Van Buren Township. The purpose is to provide centralized communications, detention facilities, and other related operations to the citizens of the communities for public safety, health, and welfare. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$94,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township.

Note 12 - Joint Ventures (Continued)

The City of Belleville, Michigan is a member of a joint venture with Van Buren Township. The purpose is to provide museum services to the residents of all participating communities. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$18,000 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township. Financial statements for the joint venture can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI.

The City of Belleville, Michigan is a member of a joint venture with Van Buren Township, Huron Township, Sumpter Township, and the City of Romulus. The purpose is to provide a shared information network to the local law enforcement agencies. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$25,700 for its operations. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Financial activity is maintained by Van Buren Township. Financial statements for the joint venture can be obtained from the administrative offices at 46425 Tyler Road, Belleville, MI.

Required Supplemental Information

City of Belleville, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|--------------------|---------------------|--------------------|---------------------------------|
| Revenues | | | | |
| Property taxes | \$ 1,323,500 | \$ 1,215,300 | \$ 1,245,908 | \$ 30,608 |
| Federal sources | 56,050 | 79,097 | 110,648 | 31,551 |
| State sources | 485,300 | 522,688 | 583,554 | 60,866 |
| Charges for services | 449,000 | 367,500 | 227,945 | (139,555) |
| Licenses and permits | 3,675 | 3,675 | 3,648 | (27) |
| District court | 53,000 | 54,778 | 82,362 | 27,584 |
| Interest and rental income | 56,700 | 69,598 | 87,029 | 17,431 |
| Other | 53,400 | 60,662 | 135,483 | 74,821 |
| Transfer from other funds | 60,500 | 271,196 | 212,714 | (58,482) |
| Total revenues | <u>2,541,125</u> | <u>2,644,494</u> | <u>2,689,291</u> | <u>44,797</u> |
| Expenditures | | | | |
| General government: | | | | |
| City Council | 27,590 | 27,590 | 26,386 | 1,204 |
| City manager | 56,680 | 56,680 | 68,549 | (11,869) |
| Elections | 8,010 | 8,010 | 7,307 | 703 |
| Clerk | 73,600 | 73,600 | 77,544 | (3,944) |
| Treasurer | 129,750 | 103,500 | 92,363 | 11,137 |
| Municipal Building | 116,355 | 116,355 | 98,852 | 17,503 |
| Outside services | 96,000 | 160,120 | 175,567 | (15,447) |
| Other | 500 | 500 | - | 500 |
| Total general government | <u>508,485</u> | <u>546,355</u> | <u>546,568</u> | <u>(213)</u> |
| Public safety: | | | | |
| Police | 1,157,820 | 1,160,595 | 1,165,575 | (4,980) |
| Fire | 139,930 | 139,930 | 123,034 | 16,896 |
| Total public safety | <u>1,297,750</u> | <u>1,300,525</u> | <u>1,288,609</u> | <u>11,916</u> |
| Public works: | | | | |
| Department of public works | 103,200 | 123,200 | 126,128 | (2,928) |
| Street lighting | 20,500 | 20,500 | 17,968 | 2,532 |
| Vehicle operations | 11,000 | 11,000 | 86 | 10,914 |
| Sanitation | 157,990 | 157,990 | 155,531 | 2,459 |
| Senior transportation | 63,350 | 63,350 | 59,533 | 3,817 |
| Other | 180,000 | 210,700 | 147,305 | 63,395 |
| Total public works | <u>536,040</u> | <u>586,740</u> | <u>506,551</u> | <u>80,189</u> |
| Recreation and cultural: | | | | |
| Parks | 33,940 | 33,940 | 25,458 | 8,482 |
| Cultural activities | 19,500 | 19,500 | 18,322 | 1,178 |
| Library | 72,500 | 72,500 | 72,248 | 252 |
| Total recreation and cultural | <u>125,940</u> | <u>125,940</u> | <u>116,028</u> | <u>9,912</u> |
| Transfers to other funds | 37,950 | 41,648 | 37,592 | 4,056 |
| Total expenditures | <u>2,506,165</u> | <u>2,601,208</u> | <u>2,495,348</u> | <u>105,860</u> |
| Net Change in Fund Balance | 34,960 | 43,286 | 193,943 | 150,657 |
| Fund Deficit - Beginning of year | <u>(28,970)</u> | <u>(204,696)</u> | <u>(204,696)</u> | <u>-</u> |
| Fund Balance (Deficit) - End of year | <u>\$ 5,990</u> | <u>\$ (161,410)</u> | <u>\$ (10,753)</u> | <u>\$ 150,657</u> |

City of Belleville, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Public Improvements Fund Year Ended June 30, 2007

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|---|---------------------------|-------------------------|--------------------------|------------------------------------|
| Revenues | | | | |
| Property taxes | \$ 130,000 | \$ 130,000 | \$ 131,116 | \$ 1,116 |
| Federal sources | - | - | 77,500 | 77,500 |
| Interest income | - | - | 4,456 | 4,456 |
| Other | 56,000 | 56,000 | 86,080 | 30,080 |
| Proceeds from issuance of long-term debt | - | - | 320,000 | 320,000 |
| Total revenues | 186,000 | 186,000 | 619,152 | 433,152 |
| Expenditures - Capital outlay | <u>234,220</u> | <u>234,220</u> | <u>533,842</u> | <u>(299,622)</u> |
| Net Change in Fund Balance | (48,220) | (48,220) | 85,310 | 133,530 |
| Fund Balance - Beginning of year | <u>23,710</u> | <u>123,876</u> | <u>123,876</u> | <u>-</u> |
| Fund Balance (Deficit) - End of year | <u>\$ (24,510)</u> | <u>\$ 75,656</u> | <u>\$ 209,186</u> | <u>\$ 133,530</u> |

Other Supplemental Information

City of Belleville, Michigan

| | Special Revenue Funds | | | | | |
|---|-----------------------|------------------|-----------------|----------------------|-------------|---------------------|
| | Major Streets | Local Streets | Cemetery | Budget Stabilization | 911 | Building Department |
| Assets | | | | | | |
| Cash and investments | \$ 35,938 | \$ 62,387 | \$ 1,779 | \$ - | \$ - | \$ 45,875 |
| Due from other governmental units | 12,595 | 4,316 | - | - | - | - |
| Due from other funds | 52,131 | - | - | 25,704 | - | - |
| Total assets | \$ 100,664 | \$ 66,703 | \$ 1,779 | \$ 25,704 | \$ - | \$ 45,875 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 1,577 | \$ 682 | \$ 1,083 | \$ - | \$ - | \$ 26,459 |
| Accrued and other liabilities | 142 | 478 | 696 | - | - | 19,365 |
| Total liabilities | 1,719 | 1,160 | 1,779 | - | - | 45,824 |
| Fund Balances | | | | | | |
| Reserved for cemetery perpetual care | - | - | - | - | - | - |
| Unreserved, reported in Special Revenue Funds | 98,945 | 65,543 | - | 25,704 | - | 51 |
| Total fund balances | 98,945 | 65,543 | - | 25,704 | - | 51 |
| Total liabilities and fund balances | \$ 100,664 | \$ 66,703 | \$ 1,779 | \$ 25,704 | \$ - | \$ 45,875 |

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

| Special Revenue Funds | | Permanent | Total Nonmajor Governmental Funds |
|------------------------------|--------------------------|-------------------------------|---|
| Police Forfeiture Fund | Expendable Trust Fund | Cemetery Perpetual Care | |
| \$ 19,053 | \$ 15,384 | \$ 223,661 | \$ 404,077 |
| - | - | - | 16,911 |
| - | - | - | 77,835 |
| \$ 19,053 | \$ 15,384 | \$ 223,661 | \$ 498,823 |
| | | | |
| \$ 270 | \$ - | \$ - | \$ 30,071 |
| - | - | - | 20,681 |
| 270 | - | - | 50,752 |
| - | - | 223,661 | 223,661 |
| 18,783 | 15,384 | - | 224,410 |
| 18,783 | 15,384 | 223,661 | 448,071 |
| | | | |
| \$ 19,053 | \$ 15,384 | \$ 223,661 | \$ 498,823 |

City of Belleville, Michigan

| Special Revenue Funds | | | | | | |
|--|------------------|------------------|-------------|-------------------------|-------------|------------------------|
| | Major Streets | Local Streets | Cemetery | Budget Stabilization | 911 | Building Department |
| Revenue | | | | | | |
| State sources | \$ 222,878 | \$ 82,332 | \$ - | \$ - | \$ - | \$ - |
| Interest | 4,401 | 729 | 4,818 | 8,009 | - | 1,544 |
| Charges for services | - | - | 63,341 | - | - | - |
| Forfeitures | - | - | - | - | - | - |
| Licenses and permits | - | - | - | - | - | 42,062 |
| Other revenue | 3,645 | - | 15 | - | - | 280 |
| Total revenue | 230,924 | 83,061 | 68,174 | 8,009 | - | 43,886 |
| Expenditures | | | | | | |
| Public safety | - | - | - | - | - | 68,723 |
| Public works | 72,512 | 57,510 | 75,604 | - | - | - |
| Administration | 14,263 | 8,317 | 13,803 | - | - | - |
| Capital outlay | - | - | - | - | - | - |
| Total expenditures | 86,775 | 65,827 | 89,407 | - | - | 68,723 |
| Excess of Revenue Over (Under) Expenditures | | | | | | |
| | 144,149 | 17,234 | (21,233) | 8,009 | - | (24,837) |
| Other Financing Sources (Uses) | | | | | | |
| Operating transfers in | - | 35,660 | 24,931 | - | - | 12,661 |
| Operating transfers out | (35,660) | - | - | (212,705) | (9) | - |
| Total other financing sources (uses) | (35,660) | 35,660 | 24,931 | (212,705) | (9) | 12,661 |
| Contributions | | | | | | |
| | - | - | - | - | - | - |
| Net Change in Fund Balance | 108,489 | 52,894 | 3,698 | (204,696) | (9) | (12,176) |
| Fund Balances (Deficit) - Beginning of year | | | | | | |
| | (9,544) | 12,649 | (3,698) | 230,400 | 9 | 12,227 |
| Fund Balances - End of year | \$ 98,945 | \$ 65,543 | \$ - | \$ 25,704 | \$ - | \$ 51 |

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended June 30, 2007

| Special Revenue Funds | | Permanent | | |
|------------------------------|--------------------------|----------------------------|---|--|
| Police Forfeiture Fund | Expendable Trust Fund | Cemetery Perpetual Care | Total Nonmajor Governmental Funds | |
| \$ - | \$ - | \$ - | \$ 305,210 | |
| 335 | - | - | 19,836 | |
| 1,188 | - | - | 64,529 | |
| 12,694 | - | - | 12,694 | |
| - | - | - | 42,062 | |
| 5,915 | - | - | 9,855 | |
| 20,132 | - | - | 454,186 | |
| 3,556 | - | - | 72,279 | |
| - | - | - | 205,626 | |
| - | - | - | 36,383 | |
| 16,272 | - | - | 16,272 | |
| 19,828 | - | - | 330,560 | |
| 304 | - | - | 123,626 | |
| 18,479 | - | - | 91,731 | |
| - | (18,479) | - | (266,853) | |
| 18,479 | (18,479) | - | (175,122) | |
| - | - | 4,309 | 4,309 | |
| 18,783 | (18,479) | 4,309 | (47,187) | |
| - | 33,863 | 219,352 | 495,258 | |
| \$ 18,783 | \$ 15,384 | \$ 223,661 | \$ 448,071 | |