

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 type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

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 type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature <i>Ernest W. Audlin</i>	Printed Name		License Number	

City of Livonia, Michigan

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

City of Livonia, Michigan

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan (the "City") as of and for the year ended November 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 Livonia, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Livonia, Michigan as of November 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, pension system schedule of funding progress and employer contributions, postemployment benefit plans schedule of funding progress and employer contributions, and the budgetary comparison schedules, 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 Livonia, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Livonia, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 19, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

March 19, 2008

Overview of the Financial Statements

The City of Livonia, Michigan's (the "City") 2007 annual report consists of four parts: (1) management's discussion and analysis, (2) basic financial statements, (3) required supplemental information, and (4) other supplemental information that presents combining statements for nonmajor governmental funds, proprietary funds, and fiduciary funds. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that are intended to provide longer-term information about the City's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the City's government, reporting the City's operations in more detail than the government-wide financial statements.

Government-wide Financial Statements

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

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health or position.

The government-wide financial statements of the City are divided into three categories:

- **Government Activities** - Most of the City's basic services are included here, such as the police, fire, public works, parks departments, and general administration. Property taxes, state-shared revenue, and charges for services provide most of the funding for these activities.
- **Business-type Activities** - The City charges fees to customers to cover the costs of certain services it provides. The City's water and sewer system, golf course operations, and non-federal senior housing are treated as business-type activities.
- **Component Units** - The City includes two other entities in its report, the Plymouth Road Development Authority and the Economic Development Corporation. Although legally separate, these "component units" are important because the City is financially accountable for them, including debt, which is issued on behalf of the authorities by the City.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. Other funds are established to control and manage money for particular purposes.

The City has three kinds of funds:

- **Governmental Funds** - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash, flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine if there are more or fewer financial resources available to spend in the near future to finance the City's programs.
- **Proprietary Funds** - Services that are intended to be entirely self-supporting by customer fees are generally reported in proprietary funds. Proprietary fund statements, like government-wide statements, provide both short- and long-term financial information.
- **Fiduciary Funds** - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

In a condensed format, the table below shows a comparison of the net assets as of November 30, 2007 to the prior year.

Net Assets (in millions of dollars)

Summary Condensed Statement of Net Assets (normally presented in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current and other assets	\$ 57.6	\$ 58.1	\$ 34.5	\$ 32.8	\$ 92.1	\$ 90.9
Capital assets	<u>166.9</u>	<u>164.9</u>	<u>80.2</u>	<u>82.2</u>	<u>247.1</u>	<u>247.1</u>
Total assets	224.5	223.0	114.7	115.0	339.2	338.0
Liabilities						
Current liabilities	12.9	17.4	5.9	6.0	18.8	23.4
Long-term liabilities	<u>43.3</u>	<u>44.2</u>	<u>15.2</u>	<u>16.9</u>	<u>58.5</u>	<u>61.1</u>
Total liabilities	<u>56.2</u>	<u>61.6</u>	<u>21.1</u>	<u>22.9</u>	<u>77.3</u>	<u>84.5</u>
Net Assets						
Invested in capital assets -						
Net of related debt	128.8	126.5	67.6	67.9	196.4	194.4
Restricted	26.4	25.6	25.3	23.2	51.7	48.8
Unrestricted	<u>13.1</u>	<u>9.3</u>	<u>0.7</u>	<u>1.0</u>	<u>13.8</u>	<u>10.3</u>
Total net assets	<u>\$ 168.3</u>	<u>\$ 161.4</u>	<u>\$ 93.6</u>	<u>\$ 92.1</u>	<u>\$ 261.9</u>	<u>\$ 253.5</u>

City of Livonia - Net Assets

The City's assets exceed its liabilities at the end of the fiscal year by \$261.9 million (net assets). However, a major portion (75 percent) of the City's net assets represents its investments in capital assets (e.g., land, roads, infrastructure, buildings, and equipment) less any related debt used to acquire or construct these assets. The City uses these physical assets to provide services to its citizens. These assets are illiquid and not available for future spending.

Unrestricted net assets of the City increased from \$10.3 million at November 30, 2006 to \$13.6 million at the end of this year. The amount represents the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements.

Further, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year, and as compared to the prior year:

Changes in Net Assets (in millions of dollars)

Summary Condensed Income Statement (normally presented in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 16.5	\$ 17.7	\$ 27.9	\$ 26.4	\$ 44.4	\$ 44.1
Operating grants and contributions	8.2	8.6	-	-	8.2	8.6
Capital grants and contributions	0.2	0.2	0.1	1.1	0.3	1.3
General revenue:						
Property taxes	56.3	53.4	-	-	56.3	53.4
State-shared revenue	8.9	9.1	-	-	8.9	9.1
Rental income and fees	1.5	1.1	-	-	1.5	1.1
Interest	4.3	3.7	1.6	1.1	5.9	4.8
Transfer and miscellaneous	0.3	0.5	0.4	-	0.7	0.5
Total revenue	96.2	94.3	30.0	28.6	126.2	122.9
Program Expenses						
General government	9.9	9.3	-	-	9.9	9.3
Public safety	35.0	35.7	-	-	35.0	35.7
Public works	25.9	25.2	-	-	25.9	25.2
Community and economic development	1.1	1.6	-	-	1.1	1.6
Recreation and culture	14.8	13.6	-	-	14.8	13.6
Interest on long-term debt	2.6	1.0	-	-	2.6	1.0
Water and sewer	-	-	25.5	24.1	25.5	24.1
Golf course	-	-	1.9	1.8	1.9	1.8
Housing	-	-	1.1	1.1	1.1	1.1
Total program expenses	89.3	86.4	28.5	27.0	117.8	113.4
Change in Net Assets	6.9	7.9	1.5	1.6	8.4	9.5
Net Assets - Beginning of year	161.4	153.5	92.1	90.5	253.5	244.0
Net Assets - End of year	\$ 168.3	\$ 161.4	\$ 93.6	\$ 92.1	\$ 261.9	\$ 253.5

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

In reviewing the above table, it can be noted that revenues increased by \$3.4 million and expenses increased by \$4.3 million. The significant factors impacting revenue include increases in interest income (\$1.1 million) and property taxes (\$2.9 million). The most significant factor impacting the increases in expenses related to interest on long-term debt due to the issuance of new debt (\$1.6 million), increases in water and sewer expenses (\$1.4 million), and increases in recreation and culture expenses (\$1.2 million)

Business-type Activities

Livonia has three business-type activities. These include the water and sewer system, the operating fund for the Fox Creek, Idyl Wyld, and Whispering Willows golf courses, and non-federal senior housing at Silver Village, Newburgh Village, and 13 scattered site homes.

The following table shows the operating income (loss) before contributions, transfers, and interest for each of these activities in the current and prior year:

(In thousands of dollars)

	Water and Sewer		Golf Courses		Housing	
	2007	2006	2007	2006	2007	2006
Operating Revenue	\$ 25,246	\$ 23,433	\$ 1,678	\$ 1,653	\$ 1,296	\$ 1,279
Operating Expenses	<u>(24,780)</u>	<u>(23,338)</u>	<u>(1,825)</u>	<u>(1,755)</u>	<u>(960)</u>	<u>(948)</u>
Operating Income (Loss)	<u>\$ 466</u>	<u>\$ 95</u>	<u>\$ (147)</u>	<u>\$ (102)</u>	<u>\$ 336</u>	<u>\$ 331</u>

Capital Assets and Debt Distribution

At the end of fiscal year 2007, the City has \$391 million invested, before depreciation, in a wide range of capital assets, including land, buildings, infrastructure, public safety equipment, computer equipment, and water and sewer lines.

Debt of \$38.2 million related to the construction of the above-mentioned capital assets is reported as a liability in the governmental activities in the statement of net assets.

Debt related to the water and sewer system totaling \$13.3 million and debt related to the housing and golf course activities of \$3.5 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents construction of and improvements to existing water and sewer lines and improvements to the golf course and City residential rental facilities.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Significant additions to capital assets during fiscal year 2007 include \$4.2 million invested in the construction of infrastructure and improvements to roads and \$2.8 million invested in equipment and vehicles. There were no significant disposals of capital assets during fiscal year 2007.

The City's Funds

The fund financial statements begin on page 13 and provide detailed information on the most significant governmental funds - not the City as a whole. Funds are created to help manage money for special purposes, as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for 2007 include the General Fund, Community Recreation Fund, and Refuse Disposal Fund.

The City's governmental funds reported a combined fund balance of \$37.9 million. This is an increase of approximately \$2.8 million for the year. The increases were caused primarily by ongoing cost containment efforts to restrain spending at a level below expected revenues.

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Council monitor and amend the budget, primarily to prevent expenditures in excess of budget, as required by the State of Michigan Budget Act. The final amended budget included \$800,000 less in revenues and expenditures than the original adopted budget. The primary causes of the budget adjustments were a result of amending the General Fund budget to remove the loan proceeds and related costs for the City Hall HVAC project, which was deferred to 2008 and to reflect the interest earnings that exceeded original projections.

Actual General Fund revenues were approximately \$851,000 below the final budget. Specifically, state-shared revenues were \$250,000 less than the final budget because of reduced sales tax collections by the State of Michigan, permit revenue was \$238,000 less than the final budget because of reduced building activity, and miscellaneous revenue was \$535,000 less than the final budget because of reduced transfers from other funds.

Actual General Fund expenditures were approximately \$1.1 million below the final budget. All departments held expenditures below the final budget.

City of Livonia, Michigan

Management's Discussion and Analysis (Continued)

Current Economic Conditions

The City continues to maintain positive fund balances in each of its funds. However, concerns arise when considering the revenues and expenses that the City is facing in upcoming years.

The majority of the City's revenue base is constrained by factors outside the City's control. Property taxes, state-shared revenue, and interest income total 72 percent of the City's total governmental activities revenue. Property tax revenue may actually decrease in coming years as a result of decreased property values. The State of Michigan has experienced budget deficits and has significantly reduced revenue-sharing payments to local governments to help reduce their deficit. Interest rates are declining as a result of rate cuts from the Federal Reserve.

On the expense side, certain expenses continue to rise at a rate far in excess of inflation. In particular, healthcare expenses have continued their trend of double-digit increases. Hiring and capital outlay freezes, among other measures, have been implemented in previous years to reduce expenses to the level of available revenue. We are committed to living within our means, although the result may be diminished programs and service response capabilities.

Contacting the City's Financial Management

The financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors 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 financial information, contact the director of finance at the City of Livonia, 33000 Civic Center Drive, Livonia, Michigan 48154.

City of Livonia, Michigan

Statement of Net Assets November 30, 2007

	Primary Government			
	Governmental	Business-type	Total	Component Units
	Activities	Activities		
Assets				
Cash and investments (Note 3)	\$ 46,029,241	\$ 15,221,757	\$ 61,250,998	\$ 3,609,077
Receivables:				
Taxes	256,608	-	256,608	-
Customers	-	10,454,531	10,454,531	-
Special assessments	474,917	-	474,917	-
Workers' compensation	79,449	-	79,449	-
Due from other governmental units	4,071,232	-	4,071,232	-
VEBA	1,083,886	-	1,083,886	-
Other	2,470,908	357,187	2,828,095	19,500
Inventory, prepaid expenditures, and deposits	2,223,129	600,280	2,823,409	-
Installment contracts	-	462,849	462,849	-
Restricted assets (Note 8)	933,987	7,482,406	8,416,393	-
Capital assets (Note 4):				
Nondepreciable capital assets	35,969,420	5,726,093	41,695,513	474,448
Depreciable capital assets - Net	130,941,936	74,438,141	205,380,077	9,925,867
Total assets	224,534,713	114,743,244	339,277,957	14,028,892
Liabilities				
Accounts payable	5,327,636	925,377	6,253,013	1,410,058
Accrued and other liabilities	2,080,379	102,507	2,182,886	18,755
Deferred revenue (Note 13)	912,777	630,914	1,543,691	-
Due to other governmental units	-	1,950,473	1,950,473	-
Bonds and deposits	-	225,996	225,996	-
Noncurrent liabilities (Note 7):				
Due within one year	4,676,222	2,097,249	6,773,471	355,000
Due in more than one year:				
Bonds and capital leases payable	36,707,686	14,901,524	51,609,210	4,680,000
Compensated absences and insurance claims	5,876,822	221,831	6,098,653	-
Landfill closure liability	696,084	-	696,084	-
Property tax liability	-	-	-	-
Total liabilities	56,277,606	21,055,871	77,333,477	6,463,813
Net Assets				
Invested in capital assets - Net of related debt	128,757,721	67,599,136	196,356,857	5,365,315
Restricted:				
Community recreation	5,874,360	-	5,874,360	-
Municipal refuse	6,239,147	-	6,239,147	-
Street, roads, and sidewalks	4,899,691	-	4,899,691	-
Grants and SAD street lighting	231,814	-	231,814	-
Library	1,182,073	-	1,182,073	-
Public safety communication	3,550,789	-	3,550,789	-
Adjudicated forfeitures	1,799,119	-	1,799,119	-
Debt service	30,032	-	30,032	-
Court building improvements	1,541,949	-	1,541,949	-
Drainage projects	127,200	-	127,200	-
Capital projects construction	963,694	-	963,694	-
Restricted for ordinance requirements	-	3,250,980	3,250,980	-
Water and sewer	-	22,072,192	22,072,192	-
Unrestricted	13,059,518	765,065	13,824,583	2,199,764
Total net assets	\$ 168,257,107	\$ 93,687,373	\$ 261,944,480	\$ 7,565,079

City of Livonia, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 9,910,096	\$ 3,996,644	\$ -	\$ -
Public safety	35,036,287	6,011,126	1,413,070	-
Public works	25,854,733	1,737,185	6,256,406	175,566
Community and economic development	1,118,824	279,990	401,825	-
Recreation and culture	14,777,496	4,510,568	115,130	-
Interest on long-term debt	2,643,531	-	-	-
Total governmental activities	89,340,967	16,535,513	8,186,431	175,566
Business-type activities:				
Water and sewer	25,485,493	24,951,302	-	118,255
Golf course	1,852,192	1,674,040	-	-
Housing	1,109,571	1,294,933	-	-
Total business-type activities	28,447,256	27,920,275	-	118,255
Total primary government	\$ 117,788,223	\$ 44,455,788	\$ 8,186,431	\$ 293,821
Component units:				
Economic Development Corporation	\$ 947	\$ -	\$ -	\$ -
Plymouth Road Development Authority	1,575,338	-	-	-
Total component units	\$ 1,576,285	\$ -	\$ -	\$ -
General revenues:				
Property taxes				
State-shared revenue				
Unrestricted fees and other				
Interest				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended November 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,913,452)	\$ -	\$ (5,913,452)	\$ -
(27,612,091)	-	(27,612,091)	-
(17,685,576)	-	(17,685,576)	-
(437,009)	-	(437,009)	-
(10,151,798)	-	(10,151,798)	-
(2,643,531)	-	(2,643,531)	-
(64,443,457)	-	(64,443,457)	-
-	(415,936)	(415,936)	-
-	(178,152)	(178,152)	-
-	185,362	185,362	-
-	(408,726)	(408,726)	-
(64,443,457)	(408,726)	(64,852,183)	-
-	-	-	(947)
-	-	-	(1,575,338)
-	-	-	(1,576,285)
56,280,294	-	56,280,294	1,713,379
8,912,585	-	8,912,585	-
1,542,055	-	1,542,055	-
4,329,109	1,615,409	5,944,518	152,460
377,563	297,620	675,183	20,000
(115,000)	115,000	-	-
71,326,606	2,028,029	73,354,635	1,885,839
6,883,149	1,619,303	8,502,452	309,554
161,373,958	92,068,070	253,442,028	7,255,525
\$ 168,257,107	\$ 93,687,373	\$ 261,944,480	\$ 7,565,079

City of Livonia, Michigan

Governmental Funds Balance Sheet November 30, 2007

	Major Special Revenue Funds				Total Governmental Funds
	General Fund	Community Recreation	Refuse Disposal System	Other Nonmajor Governmental Funds	
Assets					
Current assets:					
Cash and investments	\$ 4,686,284	\$ 7,173,066	\$ 8,325,541	\$ 18,144,821	\$ 38,329,712
Receivables:					
Taxes	130,411	16,856	50,957	58,384	256,608
Special assessments	-	-	-	474,917	474,917
Workers' compensation	79,449	-	-	-	79,449
Due from other governmental units	2,066,817	-	-	2,004,415	4,071,232
Employees' Retirement System and VEBA	1,083,886	-	-	-	1,083,886
Other	915,258	8,348	58,663	118,878	1,101,147
Inventory, prepaid expenses, and deposits	522,421	-	-	-	522,421
Restricted assets (Note 8)	-	-	-	933,987	933,987
Total assets	\$ 9,484,526	\$ 7,198,270	\$ 8,435,161	\$ 21,735,402	\$ 46,853,359
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,283,972	\$ 426,937	\$ 1,488,564	\$ 2,128,163	\$ 5,327,636
Accrued and other liabilities	1,803,443	30,910	11,366	85,150	1,930,869
Deferred revenue (Note 13)	277,111	880,947	45,691	493,149	1,696,898
Total liabilities	3,364,526	1,338,794	1,545,621	2,706,462	8,955,403
Fund Balances					
Reserved for prepaids and inventory	469,835	-	-	-	469,835
Reserved for capital improvements	-	-	-	963,694	963,694
Unreserved:					
Designated - Reported in:					
Special Revenue Funds	-	628,807	128,654	1,720,443	2,477,904
Capital Projects Funds	-	-	-	39,853	39,853
Undesignated - Reported in:					
General Fund	5,650,165	-	-	-	5,650,165
Special Revenue Funds	-	5,230,669	6,760,886	11,171,969	23,163,524
Debt Service Funds	-	-	-	27,473	27,473
Capital Projects Funds	-	-	-	5,105,508	5,105,508
Total fund balances	6,120,000	5,859,476	6,889,540	19,028,940	37,897,956
Total liabilities and fund balances	\$ 9,484,526	\$ 7,198,270	\$ 8,435,161	\$ 21,735,402	\$ 46,853,359

City of Livonia, Michigan

Governmental Funds Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities November 30, 2007

Total Fund Balances of Governmental Funds	\$ 37,897,956
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	166,911,356
Certain receivables are expected to be collected over several years relating to special assessments and delinquent personal property taxes	784,121
Fines and fees are not available to pay for current year expenditures	1,369,761
The changes in liabilities for accrued interest payable, compensated absences, and general claims are recorded when incurred in the statement of activities:	
Compensated absences	(6,762,820)
Accrued interest payable	(149,510)
Landfill closure and postclosure liability is not due and payable in the current period and is not reported in the funds	(696,084)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(38,153,635)
A portion of the Internal Service Fund (self-insurance) is included as part of governmental activities	<u>7,055,962</u>
Net Assets of Governmental Activities	<u>\$ 168,257,107</u>

City of Livonia, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended November 30, 2007

	<u>Major Special Revenue Funds</u>				Total Governmental Funds
	General Fund	Community Recreation	Refuse Disposal System	Other Nonmajor Governmental Funds	
Revenue					
Property taxes	\$ 29,552,531	\$ 3,801,942	\$ 11,489,995	\$ 11,292,969	\$ 56,137,437
Licenses and permits	2,110,827	-	-	-	2,110,827
Special assessments	-	-	-	1,181,030	1,181,030
Intergovernmental revenue:					
State sources	8,912,585	-	-	6,382,036	15,294,621
Federal sources	257,982	-	-	1,082,614	1,340,596
Charges for services	3,314,564	3,709,979	136,454	1,104,164	8,265,161
Interest	1,952,783	411,858	458,172	1,056,491	3,879,304
Fines and forfeitures	3,865,406	-	-	671,017	4,536,423
Miscellaneous revenue	2,246,080	996	44,966	1,066,636	3,358,678
Total revenue	52,212,758	7,924,775	12,129,587	23,836,957	96,104,077
Expenditures					
General government	8,843,364	-	-	-	8,843,364
Public safety	32,857,521	-	-	1,047,669	33,905,190
Public works	3,698,461	-	11,859,827	12,427,082	27,985,370
Recreation and culture	1,557,874	6,109,950	-	6,055,719	13,723,543
Community and economic development	761,749	-	-	652,687	1,414,436
Employee benefits, insurance, and other	1,861,903	-	-	-	1,861,903
Capital outlay	258,021	-	-	2,272,854	2,530,875
Debt service	-	-	-	2,960,556	2,960,556
Total expenditures	49,838,893	6,109,950	11,859,827	25,416,567	93,225,237
Excess of Revenue Over (Under) Expenditures	2,373,865	1,814,825	269,760	(1,579,610)	2,878,840
Other Financing Sources (Uses)					
Issuance of long-term debt (Note 7)	-	-	-	31,025,000	31,025,000
Payments to escrow agents for bond refunding	-	-	-	(31,025,000)	(31,025,000)
Transfers in (Note 5)	40,000	-	-	10,646,414	10,686,414
Transfers out (Note 5)	(2,111,294)	(2,173,767)	-	(6,516,353)	(10,801,414)
Total other financing sources (uses)	(2,071,294)	(2,173,767)	-	4,130,061	(115,000)
Net Change in Fund Balances	302,571	(358,942)	269,760	2,550,451	2,763,840
Fund Balances - Beginning of year	5,817,429	6,218,418	6,619,780	16,478,489	35,134,116
Fund Balances - End of year	\$ 6,120,000	\$ 5,859,476	\$ 6,889,540	\$ 19,028,940	\$ 37,897,956

City of Livonia, Michigan

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

Net Change in Fund Balances - Total Governmental Funds	\$ 2,763,840
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	8,787,504
Depreciation, net of disposals, is recorded as an expense in the statement of activities but not in the governmental funds	(6,718,406)
Loss on disposal of fixed assets is recorded in the statement of activities but not in the governmental funds	(127,996)
Certain revenue reported in the governmental funds was recorded as revenue in the statement of activities in previous years	219,575
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	32,016,745
Interest expense is recorded when incurred in the statement of activities	27,297
Bond proceeds are not reported as financing uses on the statement of activities	(31,025,000)
Net decrease in accumulated employee sick and vacation pay is recorded when incurred in the statement of activities	551,486
Increase in landfill liability is recorded when incurred in the statement of activities	(17,892)
A portion of the Internal Service Fund (self-insurance) is also included as governmental activities in the statement of activities	405,996
Change in Net Assets of Governmental Activities	<u>\$ 6,883,149</u>

City of Livonia, Michigan

Proprietary Funds Statement of Net Assets November 30, 2007

	Major Enterprise Funds		Nonmajor	Enterprise Fund	
	Water and Sewer	Housing	Golf Course	Total Enterprise Funds	Internal Service Fund
Assets					
Current assets:					
Cash and investments	\$ 14,058,711	\$ 405,126	\$ -	\$ 14,463,837	\$ 8,457,447
Accounts receivable:					
Customers	10,454,531	-	-	10,454,531	-
Other	334,701	2,555	19,931	357,187	-
Inventory, prepaid expenditures, and deposits	<u>921,713</u>	<u>-</u>	<u>4,263</u>	<u>925,976</u>	<u>1,837,860</u>
Total current assets	25,769,656	407,681	24,194	26,201,531	10,295,307
Noncurrent assets:					
Restricted assets (Note 8)	7,482,406	-	-	7,482,406	-
Nondepreciable assets	561,657	1,581,948	3,582,488	5,726,093	-
Depreciable assets - Net	<u>67,935,150</u>	<u>4,391,271</u>	<u>2,111,720</u>	<u>74,438,141</u>	<u>-</u>
Total noncurrent assets	<u>75,979,213</u>	<u>5,973,219</u>	<u>5,694,208</u>	<u>87,646,640</u>	<u>-</u>
Total assets	101,748,869	6,380,900	5,718,402	113,848,171	10,295,307
Liabilities					
Current liabilities:					
Accounts payable	716,644	44,363	164,370	925,377	-
Accrued and other liabilities	84,299	16,802	1,406	102,507	-
Due to other governmental units	1,950,473	-	-	1,950,473	-
Deferred revenue (Note 13)	630,914	-	-	630,914	-
Bonds and deposits	102,191	123,805	-	225,996	-
Current portion of long-term obligations	<u>1,572,197</u>	<u>520,818</u>	<u>4,234</u>	<u>2,097,249</u>	<u>-</u>
Total current liabilities	5,056,718	705,788	170,010	5,932,516	-
Noncurrent liabilities - Long-term debt - Net of current portion (Note 7)	<u>11,937,270</u>	<u>3,040,678</u>	<u>-</u>	<u>14,977,948</u>	<u>2,489,677</u>
Total liabilities	<u>16,993,988</u>	<u>3,746,466</u>	<u>170,010</u>	<u>20,910,464</u>	<u>2,489,677</u>
Net Assets					
Invested in capital assets - Net of related debt	59,431,709	2,473,219	5,694,208	67,599,136	-
Restricted for ordinance requirements	3,250,980	-	-	3,250,980	-
Unrestricted	<u>22,072,192</u>	<u>161,215</u>	<u>(145,816)</u>	<u>22,087,591</u>	<u>7,805,630</u>
Total net assets	<u>\$ 84,754,881</u>	<u>\$ 2,634,434</u>	<u>\$ 5,548,392</u>	92,937,707	<u>\$ 7,805,630</u>

Amounts reported for business-type activities in the statement of net assets are different because a portion of the Internal Service Fund is included as business-type activities

749,666

Net Assets of Business-type Activities

\$ 93,687,373

City of Livonia, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended November 30, 2007

	Major Enterprise Funds		Nonmajor	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Enterprise Fund		
			Golf Course		
Operating Revenue					
Customer billings	\$ 23,985,495	\$ -	\$ -	\$ 23,985,495	\$ -
Fines and forfeitures	746,470	-	-	746,470	-
Service connections	154,762	-	-	154,762	-
Greens fees	-	-	1,511,919	1,511,919	-
Golf cart fees	-	-	94,524	94,524	-
City contributions	-	-	-	-	13,411,588
Rental income	-	1,294,323	-	1,294,323	-
Other revenue	359,208	2,299	71,998	433,505	-
Total operating revenue	25,245,935	1,296,622	1,678,441	28,220,998	13,411,588
Operating Expenses					
Cost of water	7,470,098	-	-	7,470,098	-
Cost of sewage disposal	9,439,220	-	-	9,439,220	-
System maintenance and operation	4,306,789	-	-	4,306,789	-
General and administrative	961,171	-	-	961,171	-
Depreciation	2,603,122	165,508	187,446	2,956,076	-
Reinsurance charges and claims	-	-	-	-	13,557,512
Salaries and wages	-	353,650	131,384	485,034	-
Supplies	-	11,490	208,124	219,614	-
Other services and charges	-	429,792	1,298,300	1,728,092	-
Total operating expenses	24,780,400	960,440	1,825,254	27,566,094	13,557,512
Operating Income (Loss)	465,535	336,182	(146,813)	654,904	(145,924)
Nonoperating Revenue (Expense)					
Loss on sale of assets	-	-	(3,103)	(3,103)	-
Interest income	1,583,017	32,392	-	1,615,409	449,805
Interest expense	(641,507)	(137,541)	-	(779,048)	-
Total nonoperating revenue (expense)	941,510	(105,149)	(3,103)	833,258	449,805
Income (Loss) - Before contributions and transfers	1,407,045	231,033	(149,916)	1,488,162	303,881
Capital Contributed from Developers and Grants	118,255	-	-	118,255	-
Transfers In (Note 5)	-	-	115,000	115,000	-
Change in Net Assets	1,525,300	231,033	(34,916)	1,721,417	303,881
Net Assets - Beginning of year	83,229,581	2,403,401	5,583,308	91,216,290	7,501,749
Net Assets - End of year	<u>\$ 84,754,881</u>	<u>\$ 2,634,434</u>	<u>\$ 5,548,392</u>	<u>\$ 92,937,707</u>	<u>\$ 7,805,630</u>
Net Change in Net Assets - Total Enterprise Funds				\$ 1,721,417	
Amounts reported for business-type activities in the statement of activities are different because the Internal Service Fund is allocated partially to business-type activities				(102,114)	
Change in Net Assets of Business-type Activities				<u>\$ 1,619,303</u>	

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows Year Ended November 30, 2007

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Cash Flows from Operating Activities					
Receipts from customers	\$ 23,942,790	\$ 1,294,192	\$ 1,676,676	\$ 26,913,658	\$ 13,411,588
Payments to suppliers	(17,760,527)	(442,475)	(1,605,462)	(19,808,464)	(14,476,477)
Payments to employees	(3,893,245)	(327,465)	(135,973)	(4,356,683)	-
Other receipts/payments	(711,351)	392	(4,263)	(715,222)	-
Net cash provided by (used in) operating activities	1,577,667	524,644	(69,022)	2,033,289	(1,064,889)
Cash Flows from Noncapital Financing Activities - Net transfers to other funds	-	-	115,000	115,000	-
Cash Flows from Capital and Related Financing Activities					
Contributions from customers	118,255	-	-	118,255	-
Principal and interest paid on long-term debt	(1,927,650)	(4,023,393)	-	(5,951,043)	-
Proceeds from issuance of debt	-	3,380,000	-	3,380,000	-
Purchase of capital assets	(854,107)	(5,910)	(42,875)	(902,892)	-
Net cash used in capital and related financing activities	(2,663,502)	(649,303)	(42,875)	(3,355,680)	-
Cash Flows from Investing Activities					
Interest received on investments	1,583,017	32,392	-	1,615,409	449,805
Net purchases of investment activities	(201,350)	24,915	(3,103)	(179,538)	166,073
Net cash provided by (used in) investing activities	1,381,667	57,307	(3,103)	1,435,871	615,878
Net Increase (Decrease) in Cash and Cash Equivalents	295,832	(67,352)	-	228,480	(449,011)
Cash and Cash Equivalents - December 1, 2006	17,188,490	363,150	-	17,551,640	6,622,947
Cash and Cash Equivalents - November 30, 2007	<u>\$ 17,484,322</u>	<u>\$ 295,798</u>	<u>\$ -</u>	<u>\$ 17,780,120</u>	<u>\$ 6,173,936</u>
Balance Sheet Classification of Cash and Cash Equivalents					
Cash and investments	\$ 14,058,711	\$ 405,126	\$ -	\$ 14,463,837	\$ 8,457,447
Restricted assets (Note 8)	7,221,652	-	-	7,221,652	-
Total cash and investments	21,280,363	405,126	-	21,685,489	8,457,447
Less investments	(3,796,041)	(109,328)	-	(3,905,369)	(2,283,511)
Net cash and cash equivalents	<u>\$ 17,484,322</u>	<u>\$ 295,798</u>	<u>\$ -</u>	<u>\$ 17,780,120</u>	<u>\$ 6,173,936</u>

City of Livonia, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended November 30, 2007

	Major Enterprise Funds		Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Fund
	Water and Sewer	Housing	Golf Course		
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities					
Operating income (loss)	\$ 465,535	\$ 336,182	\$ (146,813)	\$ 654,904	\$ (145,924)
Adjustments to reconcile operating income (loss) to net cash from operating activities:					
Depreciation	2,603,122	165,508	187,446	2,956,076	-
Changes in assets and liabilities:					
Receivables	(1,380,243)	(2,430)	(1,765)	(1,384,438)	-
Inventory, prepaids, and deposits	(116,591)	-	(4,263)	(120,854)	(824,460)
Accounts payable	749,869	16,296	(97,659)	668,506	(227,492)
Accrued and other liabilities	(294,700)	8,698	(5,968)	(291,970)	132,987
Deferred revenue	(449,325)	-	-	(449,325)	-
Bonds and deposits	-	390	-	390	-
Net cash provided by (used in) operating activities	<u>\$ 1,577,667</u>	<u>\$ 524,644</u>	<u>\$ (69,022)</u>	<u>\$ 2,033,289</u>	<u>\$ (1,064,889)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended November 30, 2007, there were no water and sewer lines donated to the City's Water and Sewer Fund by developers. The Housing Fund had noncash financing activity related to a bond defeasance in the amount of \$3,380,000.

City of Livonia, Michigan

Fiduciary Funds Statement of Net Assets November 30, 2007

	Pension and Other	
	Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ 990,613	\$ 13,613,710
Investments (Note 3):	-	
U.S. government securities	58,776,216	-
Common stock	126,487,542	-
Corporate bonds	45,164,757	-
Foreign stock	2,901,156	-
Mutual funds	30,643,080	-
Real estate investment trust	15,547,137	-
Securities lending short-term collateral bank investment pool	22,972,348	-
Due from other governmental units	85,671	-
Due from other agency funds	986,028	-
Other receivables	952,868	-
	305,507,416	\$ 13,613,710
Total assets		
Liabilities		
Accounts payable	3,388,557	\$ 156,712
Accrued and other liabilities	-	4,404,779
Due to other governmental units	-	8,066,191
Due to other trust funds	-	986,028
Amounts due to broker under securities lending agreement	22,972,348	-
	26,360,905	\$ 13,613,710
Total liabilities		
Net Assets - Held in trust for pension and other employee benefits	\$ 279,146,511	

City of Livonia, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefits Trust Funds Year Ended November 30, 2007

	<u>Pension and Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 9,356,404
Net appreciation in fair value of investments	13,401,303
Less investment expenses	<u>(617,357)</u>
Net investment income	22,140,350
Securities lending income:	
Interest and fees	1,391,607
Less borrower rebates and bank fees	<u>(1,314,167)</u>
Total securities lending income	77,440
Contributions:	
Employer	6,455,607
Employee	<u>909,606</u>
Total contributions	<u>7,365,213</u>
Total additions	29,583,003
Deductions	
Benefit payments	11,501,321
Medical benefit payments	6,401,302
Administrative expenses	146,123
Refunds of contributions	<u>343,783</u>
Total deductions	<u>18,392,529</u>
Net Increase	11,190,474
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>267,956,037</u>
End of year	<u><u>\$ 279,146,511</u></u>

City of Livonia, Michigan

Component Units Statement of Net Assets November 30, 2007

	Economic Development Corporation	Plymouth Road Development Authority	Total Component Units
Assets			
Cash and cash equivalents	\$ 2,378	\$ 3,606,699	\$ 3,609,077
Accounts receivable	19,500	-	19,500
Capital assets (Note 4):			
Nondepreciable capital assets	-	474,448	474,448
Depreciable capital assets - Net	-	9,925,867	9,925,867
Total assets	21,878	14,007,014	14,028,892
Liabilities			
Accounts payable	140	1,409,918	1,410,058
Accrued and other liabilities	-	18,755	18,755
Noncurrent liabilities:			
Due within one year	-	355,000	355,000
Due in more than one year	-	4,680,000	4,680,000
Total liabilities	140	6,463,673	6,463,813
Net Assets			
Invested in capital assets - Net of related debt	-	5,365,315	5,365,315
Unrestricted	21,738	2,178,026	2,199,764
Total net assets	<u>\$ 21,738</u>	<u>\$ 7,543,341</u>	<u>\$ 7,565,079</u>

City of Livonia, Michigan

	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Economic Development Corporation - General government	\$ 947	\$ -	\$ -	\$ -
Plymouth Road Development Authority:				
Community and economic development	1,338,311	-	-	-
Interest on long-term debt	<u>237,027</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Plymouth Road Development Authority	<u>1,575,338</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,576,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Taxes

Interest

Miscellaneous

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
November 30, 2007**

Net (Expense) Revenue and Changes in Net Assets

<u>Economic Development Corporation</u>	<u>Plymouth Road Development Authority</u>	<u>Total</u>
\$ (947)	\$ -	\$ (947)
-	(1,338,311)	(1,338,311)
<u>-</u>	<u>(237,027)</u>	<u>(237,027)</u>
-	(1,575,338)	(1,575,338)
(947)	(1,575,338)	(1,576,285)
-	1,713,379	1,713,379
133	152,327	152,460
<u>20,000</u>	<u>-</u>	<u>20,000</u>
<u>20,133</u>	<u>1,865,706</u>	<u>1,885,839</u>
19,186	290,368	309,554
<u>2,552</u>	<u>7,252,973</u>	<u>7,255,525</u>
<u>\$ 21,738</u>	<u>\$ 7,543,341</u>	<u>\$ 7,565,079</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Livonia, 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 Livonia, Michigan:

Reporting Entity

The City of Livonia, Michigan's legislative branch is governed by an elected seven-member council. The City's administration operates under the overall direction of an elected mayor. The accompanying financial statements present the City and its component units. The component units are entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City's operations. The discretely presented component units are aggregated and reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Blended Component Units - The Municipal Building Authority of Livonia is governed by a board that is appointed by the mayor. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

The City of Livonia Employees' Retirement System and the City of Livonia Health and Disability Plan have been blended into the City's financial statements. These systems are governed by a five-member Pension Board that includes three individuals chosen by the City Council and/or the mayor. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of each system. The operations of the Employees' Retirement System and the City of Livonia Health and Disability Plan are reported as a Pension and Other Employee Benefits Fiduciary Fund.

Discretely Presented Component Units - The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of eight individuals, is selected by the mayor and approved by the City Council. Internally prepared financial statements for the EDC can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

Note I - Summary of Significant Accounting Policies (Continued)

The Plymouth Road Development Authority was created to encourage additional economic activity and growth in the Plymouth Road business district. The Authority's governing body, which consists of 12 individuals, is selected by the mayor and approved by the City Council. Internally prepared financial statements for the Plymouth Road Development Authority can be obtained from the City of Livonia Finance Department at 33000 Civic Center Drive, Livonia, MI 48154.

The City has excluded the Housing Commission from this report. Even though the City appoints the Housing Commission's directors, it does not have the ability to impose its will.

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 City (the primary government) and its discretely presented component units. 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 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 (governmental activities) or segment (business-type activities) 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 applicable to specific programs 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.

Note I - Summary of Significant Accounting Policies (Continued)

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, fiduciary fund, and component unit 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, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments and certain federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a “deferred revenue” liability.

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.

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.

Refuse Disposal Fund - The Refuse Disposal Fund accounts for the operations of the refuse disposal activities of the City. Funding is provided primarily through a local property tax levy.

Community Recreation Fund - The Community Recreation Fund accounts for the activities of the Livonia Community Recreation Center, ice rinks, and certain other recreation activities. Funding is provided primarily by a local property tax levy and user charges.

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major proprietary funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

Housing Fund - The Housing Fund accounts for the Newburgh and Silver Village residential rental facilities. Funding is provided primarily through user charges.

Additionally, the City reports the following fund types:

Internal Service Fund - The Internal Service Fund is used to fund general, workers' compensation, and employee health care liability claims and to purchase insurance that provides excess general liability coverage for City employees and property. The fund is financed primarily by charges to the various departments of the City.

Pension and Other Employee Benefits Trust Funds - The Pension and Other Employee Benefits Trust Fund accounts for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do 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 the 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 the City's proprietary fund (Water and Sewer 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 (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

Properties are assessed as of December 31 and the related property taxes become a lien when billed. These taxes are billed on July 1 and December 1 of the following year, and are due on September 14 and February 14, respectively. After the final collection on the last day of February, real property taxes are added to the county tax rolls. The 2006 taxable valuation of the City of Livonia totaled \$5.078 billion (a portion of which is abated and a portion of which is captured by the PRDA). The millages levied by the City and the resulting revenues are as follows:

Purpose of Millage	Millage Rate	Approximate Revenue (in millions)
Operating purposes	4.0447	\$ 19.67
Police	0.8088	3.93
Police and fire	1.2134	5.89
Library	0.8088	3.91
Refuse and recycling	2.3746	11.49
Industrial development	0.0102	0.05
Debt service	0.1330	0.64
Roads, sidewalks, and trees	0.8893	4.30
Recreation	0.7855	3.80
Transit and capital improvement	0.5000	2.43

Note I - Summary of Significant Accounting Policies (Continued)

These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

The delinquent real property taxes of the City are purchased by Wayne County. The county sells tax notes, the proceeds of which are used to pay the City for these property taxes. Wayne County remitted its purchased delinquent real property taxes in August 2007. Wayne County delinquent real property taxes have been recorded as revenue in the current year.

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. Pooled investment income from the Investment Agency Fund is generally allocated to each fund using a weighted average of balance for the principal held for each fund on a daily basis.

Receivables and Payables - In general, outstanding balances between funds are reported as "due 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.

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 - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. Unspent bond proceeds have also been set aside for construction. These amounts have been classified as restricted assets, as well as amounts on deposit at the county and the state being held for the construction and debt service. The 1990 Street Improvement Capital Projects Fund has unspent bond proceeds that have been set aside for construction and that have been classified as restricted assets.

Note I - Summary of Significant Accounting Policies (Continued)

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	33 to 40 years
Road rights	33 years
Buildings and improvements	20 to 50 years
Machinery, equipment, and vehicles	2 to 20 years
Water and sewer distribution systems	50 years

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. Under the City's policy, employees earn benefits based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide and proprietary 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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 those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at December 1, 2006		\$ (742,551)
Current year building permit revenue		2,062,800
Related expenses:		
Direct costs	\$ 1,652,989	
Estimated indirect costs	<u>487,202</u>	
Total related expenses		<u>(2,140,191)</u>
Current year net expenses		<u>(77,391)</u>
Cumulative shortfall at November 30, 2007		<u>\$ (819,942)</u>

Fund Deficits - The Golf Course Fund had a deficit of \$145,816 at November 30, 2007 in unrestricted net assets. The deficit will be eliminated by cost management over several years.

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 fund and retiree health care fund are 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 has designated five banks for the deposit of its funds. The investment policy adopted by the Council 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 of Livonia's deposits and investment policies are in accordance with statutory authority.

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the City of Livonia Employees' Retirement System (the "System") (see Note 10) lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended November 30, 2007, only United States currency was received as collateral.

The System did not impose any restrictions during the fiscal year on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

Note 3 - Deposits and Investments (Continued)

The City of Livonia Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pools as of November 30, 2007 was 129 days. Because the loans are terminable on demand, their duration did not generally match the duration of the investments made with cash collateral. On November 30, 2007, the System had no credit risk exposure to borrowers. The collateral held and the fair market value of the underlying securities on loan for the System as of November 30, 2007 was \$22,972,348 and \$22,421,657, respectively.

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, the City of Livonia had \$42,121,453 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City of Livonia 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 of Livonia 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.

Note 3 - Deposits and Investments (Continued)

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:

Investment	Fair Value	0 to 5 Years	6 to 15 Years	Over 15 Years
Primary Government				
Bank investment pools	\$ 16,583,745	\$ 16,583,745	\$ -	\$ -
City of Livonia Employees' Retirement System				
Corporate bonds	36,729,850	8,931,208	9,029,647	18,768,995
U.S. agency securities	39,697,000	1,243,254	8,809,396	29,644,350
U.S. Treasury securities	6,433,187	-	5,816,751	616,436
City of Livonia Retiree Health and Disability Benefits Plan				
Corporate bonds	8,434,907	2,439,074	2,516,586	3,479,247
U.S. agency securities	11,235,543	78,311	2,836,129	8,321,103
U.S. Treasury securities	1,410,486	244,202	545,624	620,660

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 pools	\$ 3,038,763	Aaa	Moody's
Bank investment pools	37,237,421	A1	S&P
Corporate bond	1,263,552	A	S&P
Corporate bond	2,104,587	A-	S&P
Corporate bond	688,899	A+	S&P
Corporate bond	969,029	A+E	S&P
Corporate bond	559,362	AA	S&P
Corporate bond	957,136	AA-	S&P
Corporate bond	58,790	AA+	S&P
Corporate bond - Asset backed	18,877,230	AAA	S&P
Corporate bond	804,999	AAAE	S&P
Corporate bond	710,920	AA-E	S&P
Corporate bond	1,094,705	B	S&P
Corporate bond	150,500	B+	S&P
Corporate bond	233,450	BB-	S&P
Corporate bond	335,039	BB+	S&P
Corporate bond	3,138,840	BBB	S&P
Corporate bond	1,287,984	BBB-	S&P
Corporate bond	5,000,441	BBB+	S&P
Corporate bond - CMO	146,102	NR	S&P
Corporate bond	5,401,174	NR	S&P
Corporate bond	465,042	A-	S&P
Corporate bond	916,975	BBB+	S&P
U.S. agencies securities	1,476,023	AAA	S&P
U.S. agencies securities	49,456,520	NR	S&P
U.S. agencies securities - CMO	872,425	NR	S&P
U.S. treasury securities	7,843,673	AAA	S&P
Component Unit - Bank investment pools	3,606,699	Aaa	Moody's

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 4 - Capital Assets

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

	Balance December 1, 2006	Reclassifications	Additions	Disposals and Adjustments	Balance November 30, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 34,470,310	\$ -	\$ -	\$ -	\$ 34,470,310
Construction in progress	335,222	(49,503)	1,213,391	-	1,499,110
Subtotal	34,805,532	(49,503)	1,213,391	-	35,969,420
Capital assets being depreciated:					
Infrastructure	73,953,533	-	3,583,452	-	77,536,985
Road rights	16,173,958	-	894,430	-	17,068,388
Buildings and improvements	90,524,497	-	610,778	-	91,135,275
Equipment and vehicles	28,411,246	49,503	2,435,950	(1,036,002)	29,860,697
Subtotal	209,063,234	49,503	7,524,610	(1,036,002)	215,601,345
Accumulated depreciation:					
Infrastructure	28,062,189	-	2,195,732	-	30,257,921
Road rights	4,726,057	-	491,249	-	5,217,306
Buildings and improvements	27,516,191	-	1,930,386	-	29,446,577
Equipment and vehicles	18,594,075	-	2,101,039	(957,509)	19,737,605
Subtotal	78,898,512	-	6,718,406	(957,509)	84,659,409
Net capital assets being depreciated	130,164,722	-	806,204	(78,493)	130,941,936
Net governmental capital assets	\$ 164,970,254	\$ -	\$ 2,019,595	\$ (78,493)	\$ 166,911,356

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 4 - Capital Assets (Continued)

	Balance December 1, 2006	Reclassifications	Additions	Disposals and Adjustments	Balance November 30, 2007
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 5,164,436	\$ -	\$ -	\$ -	\$ 5,164,436
Construction in progress	<u>1,276,184</u>	<u>(1,470,013)</u>	<u>755,486</u>	<u>-</u>	<u>561,657</u>
Subtotal	6,440,620	(1,470,013)	755,486	-	5,726,093
Capital assets being depreciated:					
Buildings and building improvements	9,428,596	-	-	-	9,428,596
Land improvements	2,880,746	-	-	-	2,880,746
Vehicles	1,966,902	-	5,911	(15,372)	1,957,441
Machinery and equipment	2,282,354	197,100	144,620	(100,800)	2,523,274
Water and sewer distribution	<u>115,663,403</u>	<u>1,272,913</u>	<u>-</u>	<u>-</u>	<u>116,936,316</u>
Subtotal	132,222,001	1,470,013	150,531	(116,172)	133,726,373
Accumulated depreciation:					
Buildings and building improvements	3,528,370	-	188,787	-	3,717,157
Land improvements	2,075,688	-	110,518	-	2,186,206
Vehicles	987,400	-	170,647	(15,372)	1,142,675
Machinery and equipment	1,326,853	-	171,796	(97,677)	1,400,972
Water and sewer distribution	<u>48,526,894</u>	<u>-</u>	<u>2,314,328</u>	<u>-</u>	<u>50,841,222</u>
Subtotal	<u>56,445,205</u>	<u>-</u>	<u>2,956,076</u>	<u>(113,049)</u>	<u>59,288,232</u>
Net capital assets being depreciated	<u>75,776,796</u>	<u>1,470,013</u>	<u>(2,805,545)</u>	<u>(3,123)</u>	<u>74,438,141</u>
Net governmental capital assets	<u>\$ 82,217,416</u>	<u>\$ -</u>	<u>\$ (2,050,059)</u>	<u>\$ (3,123)</u>	<u>\$ 80,164,234</u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 4 - Capital Assets (Continued)

Capital asset activity for the City of Livonia's component units for the year was as follows:

	Balance December 1, 2006	Additions	Balance November 30, 2007
Component Units			
Development Authority:			
Capital assets not being depreciated - Land	\$ 474,448	\$ -	\$ 474,448
Capital assets being depreciated - Land improvements	15,219,243	65,133	15,284,376
Accumulated depreciation - Land improvements	<u>4,597,412</u>	<u>761,097</u>	<u>5,358,509</u>
Net capital assets being depreciated	<u>10,621,831</u>	<u>(695,964)</u>	<u>9,925,867</u>
Net component unit capital assets	<u>\$ 11,096,279</u>	<u>\$ (695,964)</u>	<u>\$ 10,400,315</u>

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

Governmental activities:	
General government	\$ 501,106
Public safety	1,263,188
Public works	3,217,569
Recreation and culture	<u>1,736,543</u>
Total governmental activities	<u>\$ 6,718,406</u>
Business-type activities:	
Water and sewer	\$ 2,603,121
Housing	187,447
Golf course	<u>165,508</u>
Total business-type activities	<u>\$ 2,956,076</u>

Note 4 - Capital Assets (Continued)

Construction Commitments - The City has active construction projects at year end. At year end, the City's commitments with contractors are as follows:

	Spent to Date	Remaining Commitment
Street and sidewalk projects	\$ 6,442,468	\$ 1,109,318
Storm water retention project	612,525	72,475
Utility related projects	<u>465,778</u>	<u>3,086,672</u>
Total	<u>\$ 7,520,771</u>	<u>\$ 4,268,465</u>

Note 5 - Interfund Receivables, Payables, and Transfers

The City of Livonia Retiree Health and Disability Benefits Plan (the "VEBA") has an interfund receivable of \$986,028 from the Investment Administration Fund for contributions payable to the VEBA as of the end of the year.

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Nonmajor governmental funds	\$ 1,996,294 *
	Golf Course Fund	<u>115,000 *</u>
Total General Fund		2,111,294
Community Recreation Fund	Nonmajor governmental funds	2,173,767 **
Nonmajor governmental funds	General Fund	40,000 *
	Nonmajor governmental funds	<u>6,476,353 ***</u>
Total nonmajor governmental funds		<u>6,516,353</u>
Total		<u>\$ 10,801,414</u>

* Transfer of unrestricted resources to finance capital projects and general obligation debt service in accordance with budgetary authorizations

** Transfer from a Community Recreation Fund for debt service

*** Primarily transfers of gas and weight tax revenues from the Major Streets Fund and Local Streets Fund to the Road and Sidewalk Fund and Capital Improvement Fund in accordance with Act 51; also includes transfer for debt service

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 6 - Leases

Capital Leases - The City has entered into a lease agreement as lessee for financing the purchase of police, fire, and energy conservation equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. The future minimum lease obligations and the net present value are as follows:

<u>Years Ending November 30</u>	<u>Governmental Activities</u>
2008	\$ 229,690
2009	229,690
2010	229,692
2011	<u>229,690</u>
Total minimum lease payments	918,762
Less amount representing interest	<u>(70,127)</u>
Present value at November 30, 2007	<u>\$ 848,635</u>

These leases are included in the long-term debt schedules in Note 7.

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. Capital lease obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
Building Authority Bonds:							
1998 MBA Fire Station Bonds							
Amount of issue - \$1,700,000							
Maturing through 2007	4.70%	\$75,000	\$ 75,000	\$ -	\$ (75,000)	\$ -	\$ -
2000 Recreation Bonds							
Amount of issue - \$3,000,000							
Maturing through 2010	5.00%	\$100,000	375,000	-	(75,000)	300,000	100,000
2001 Recreation Bonds							
Amount of issue - \$33,500,000		\$525,000 -					
Maturing through 2009	5.00%	\$750,000	32,330,000	-	(30,430,000)	1,900,000	525,000
2005 MBA Refunding Bonds							
Amount of issue - \$3,730,000	3.25% -	\$105,000 -					
Maturing through 2015	4.25%	\$285,000	3,705,000	-	(25,000)	3,680,000	105,000
2007 MBA Refunding Bonds							
Amount of issue - \$31,025,000	4.00% -	\$115,000 -					
Maturing through 2030	4.75%	\$1,705,000	-	31,025,000	-	31,025,000	115,000
Street and Highway General Obligation							
Unlimited Tax Bonds:							
1993 Road Improvement Bonds							
Amount of issue - \$3,500,000							
Maturing through 2008	4.25%	\$400,000	775,000	-	(375,000)	400,000	400,000
2002 General Obligation Refunding Bonds							
Amount of issue - \$2,385,000							
Maturing through 2007	3.00%	\$255,000	255,000	-	(255,000)	-	-
Capital lease obligations:							
Energy Conservation Equipment							
Amount of issue - \$3,651,237							
Maturing through 2007	3.88%	\$454,906	454,906	-	(454,906)	-	-
Fire Truck Pumper							
Amount of issue - \$485,000		\$61,175 -					
Maturing through 2011	3.39%	\$67,690	316,730	-	(59,147)	257,583	61,175
Fire Truck Pumper							
Amount of issue - \$612,450							
Maturing through 2007	3.78%	\$131,832	131,832	-	(131,832)	-	-
Transportation Buses							
Amount of issue - \$726,912		\$139,774 -					
Maturing through 2011	3.68%	\$155,948	726,912	-	(135,860)	591,052	139,774
Total governmental activity debt			39,145,380	31,025,000	(32,016,745)	38,153,635	1,445,949

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Other long-term obligations:							
General liability claims, workers' compensation, and health insurance claims (Note 9)			\$ 2,370,624	\$ -	\$ (26,349)	\$ 2,344,275	\$ -
Landfill closure and postclosure liability			678,192	17,892	-	696,084	-
Compensated absences			7,314,306	2,722,654	(3,274,140)	6,762,820	3,230,273
Total governmental activities			<u>\$ 49,508,502</u>	<u>\$ 33,765,546</u>	<u>\$ (35,317,234)</u>	<u>\$ 47,956,814</u>	<u>\$ 4,676,222</u>
Business-type activities:							
Building Authority Bonds:							
1996 MBA Refinancing Bonds							
Amount of issue - \$4,939,956							
Maturing through 2008	4.5%	\$3,725,000	\$ 3,725,000	\$ -	\$ (3,725,000)	\$ -	\$ -
1999 MBA Refinancing Bonds							
Amount of issue - \$1,210,000							
Maturing through 2008	4.00%	\$120,000	245,000	-	(125,000)	120,000	120,000
2007 MBA Refunding Bonds							
Amount of issue - \$3,380,000							
Maturing through 2015	4.00%	\$380,000-\$465,000	-	3,380,000	-	3,380,000	380,000
Water Supply and Wastewater System Bonds:							
2000 Water Supply and Wastewater System Revenue Bonds							
Amount of issue - \$5,000,000	5.15% -	\$125,000 -					
Maturing through 2009	5.30%	\$450,000	375,000	-	(125,000)	250,000	125,000
2002 Water Supply and Wastewater System Revenue Refunding Bonds							
Amount of issue - \$9,300,000	2.50% -	\$910,000 -					
Maturing through 2012	4.00%	\$1,005,000	5,665,000	-	(940,000)	4,725,000	970,000
Less deferred amount on refunding			(460,882)	-	(72,406)	(388,476)	-
2005 Water Supply and Wastewater System Revenue Bonds							
Amount of issue - \$4,885,000	3.50% -	\$265,000 -					
Maturing through 2020	5.00%	\$400,000	4,615,000	-	(255,000)	4,360,000	265,000
2006 Water Supply and Wastewater System Revenue Refunding Bonds							
Amount of issue - \$4,110,000	3.50% -	\$15,000 -					
Maturing through 2020	5.00%	\$440,000	4,095,000	-	(15,000)	4,080,000	15,000
Total business-type activity debt			18,259,118	3,380,000	(5,257,406)	16,526,524	1,875,000

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
County contractual obligations:							
State Revolving Fund Loan - N. Huron Valley/Rouge Valley Wastewater Control System Amount of issue - \$14,428,703 Maturing through 2021							
	2.25%	\$20,000 - \$25,000	\$ 290,000	\$ -	\$ (20,000)	\$ 270,000	\$ 20,000
Other long-term obligations:							
General liability claims, workers' compensation, and health insurance claims (Note 9)							
			213,558	-	(68,156)	145,402	-
Compensated absences							
			306,833	169,427	(197,582)	278,678	202,249
Total business-type activities			19,069,509	3,549,427	(5,543,144)	17,220,604	2,097,249
Total governmental and business-type activities			<u>\$ 68,578,011</u>	<u>\$ 37,314,973</u>	<u>\$ (40,860,378)</u>	<u>\$ 65,177,418</u>	<u>\$ 6,773,471</u>
Component units:							
1998 Downtown Development Bonds: Amount of issue - \$7,500,000 Maturing through 2009							
	4.70%	\$215,000 - \$350,000	\$ 895,000	\$ -	\$ (330,000)	\$ 565,000	\$ 350,000
2006 Downtown Development Refunding Bonds Amount of issue - \$4,470,000 Maturing through 2018							
	4.00% - 5.00%	\$5,000 - \$455,000	4,470,000	-	-	4,470,000	5,000
Total component unit activity			<u>\$ 5,365,000</u>	<u>\$ -</u>	<u>\$ (330,000)</u>	<u>\$ 5,035,000</u>	<u>\$ 355,000</u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 7 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 1,445,949	\$ 1,573,224	\$ 3,019,173	\$ 1,822,595	\$ 662,076	\$ 2,484,671
2009	1,163,243	1,515,347	2,678,590	1,767,593	595,809	2,363,402
2010	1,305,805	1,459,576	2,765,381	1,733,990	522,296	2,256,286
2011	1,468,638	1,577,329	3,045,967	1,793,990	459,439	2,253,429
2012	1,370,000	1,342,726	2,712,726	1,844,995	393,451	2,238,446
2013-2017	8,555,000	5,757,273	14,312,273	5,290,225	1,099,040	6,389,265
2018-2022	9,365,000	3,872,716	13,237,716	2,543,136	202,768	2,745,904
2023-2027	8,740,000	1,907,569	10,647,569	-	-	-
2028-2030	4,740,000	300,475	5,040,475	-	-	-
Total	<u>\$ 38,153,635</u>	<u>\$ 19,306,235</u>	<u>\$ 57,459,870</u>	<u>\$ 16,796,524</u>	<u>\$ 3,934,879</u>	<u>\$ 20,731,403</u>

	Component Units		
	Principal	Interest	Total
2008	\$ 355,000	\$ 212,830	\$ 567,830
2009	370,000	196,353	566,353
2010	390,000	180,400	570,400
2011	410,000	164,400	574,400
2012	430,000	147,600	577,600
2013-2017	2,510,000	430,950	2,940,950
2018-2022	570,000	12,113	582,113
Total	<u>\$ 5,035,000</u>	<u>\$ 1,344,646</u>	<u>\$ 6,379,646</u>

Defeased Debt

During the year, the City issued \$34,405,000 in Building Authority Refunding Bonds with interest rates ranging from 4.00 percent to 4.75 percent. The proceeds of these bonds were used to advance refund \$3,380,000 for Series 1996 MBA Refinancing Bonds and \$29,980,000 for 2001 Recreation Bonds. There is no remaining outstanding liability for Series 1996 MBA Refinancing bonds and the remaining outstanding liability is \$1,900,000 for the 2001 Recreation Bonds. The advance refunding reduced total debt service payments over the next 20 years by \$2,062,633, which represents an economic gain of \$1,675,355.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 7 - Long-term Debt (Continued)

In prior years, 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 basic financial statements. At November 30, 2007, \$53,025,000 of bonds outstanding are considered defeased.

No Commitment Debt - The City has issued Industrial Development Revenue Bonds and Economic Development Corporation Bonds under state law which authorizes municipalities under certain circumstances to acquire and lease industrial sites, buildings, and equipment and lease them to third parties. The revenue bonds issued are payable solely from the net revenue derived from the respective leases and are not a general obligation of the City. After these bonds are issued, all financial activity is taken over by the paying agent. The bonds and related lease contracts are not reflected in the City's financial statements. Information regarding the status of each bond issue, including possible default, must be obtained from the paying agent or other knowledgeable source. As of November 30, 2007, there is approximately \$61,367,000 of no commitment debt outstanding.

Note 8 - Restricted Assets

The balances of the restricted asset accounts are as follows:

	Governmental Activities	Business-type Activities
	Other Nonmajor Governmental Funds	Water and Sewer Fund
Cash and cash equivalents:		
Revenue bond reserves	\$ -	\$ 4,231,426
Bond proceeds	<u>736,581</u>	<u>2,990,226</u>
Total cash and cash equivalents	736,581	7,221,652
Assets held by Wayne County	-	260,754
Receivable from Wayne County	<u>197,406</u>	<u>-</u>
Total restricted assets	<u>\$ 933,987</u>	<u>\$ 7,482,406</u>

Note 8 - Restricted Assets (Continued)

Governmental Activities - The governmental activities have unspent bond proceeds relating to debt issued for the construction of streets and for police computer upgrades. The City also has a receivable from Wayne County relating to street construction financed by the City on behalf of the County with bond proceeds.

Business-type Activities - At November 30, 2007, the City was in compliance with the provisions of the Water Supply and Wastewater System Revenue bonds.

Bond proceeds held in the amount of \$2,990,226 in the Water and Sewer Fund relate to excess funds from the 2006 Water Supply and Wastewater System Revenue bonds to be used for future water and sewer obligations.

The City also has assets of \$260,754 held at Wayne County that are restricted for future water and sewer obligations.

Note 9 - 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 medical benefits and workers' compensation and participates in the Michigan Municipal Risk Management Authority (the "Authority").

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 that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

Note 9 - Risk Management (Continued)

The City estimates the liability for general liability, workers' compensation, and medical claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Self-insurance Internal Service Fund. The estimated liability for property loss, general liability, workers' compensation, and medical claims is recorded within the governmental activities and business-type activities columns of the statement of net assets. Changes in the estimated liability for the past two fiscal years were as follows:

	General Liability		Workers' Compensation		Medical Claims	
	2007	2006	2007	2006	2007	2006
Estimated liability - Beginning of year	\$ 523,488	\$ 523,368	\$ 959,762	\$ 1,047,221	\$ 1,100,932	\$ 1,045,756
Estimated claims incurred, including changes in estimates	1,745,559	1,371,675	658,461	268,812	11,153,492	8,891,755
Claim payments	<u>(1,784,390)</u>	<u>(1,371,555)</u>	<u>(486,643)</u>	<u>(356,271)</u>	<u>(11,380,984)</u>	<u>(8,836,579)</u>
Estimated liability - End of year	<u>\$ 484,657</u>	<u>\$ 523,488</u>	<u>\$ 1,131,580</u>	<u>\$ 959,762</u>	<u>\$ 873,440</u>	<u>\$ 1,100,932</u>

Note 10 - Pension Plans

Retirement System

Plan Description - The City of Livonia Employees' Retirement System (the "System") is a single-employer defined benefit pension plan that is administered by the City of Livonia Employees' Retirement System; this plan covers the following employees of the City unless they elected to transfer to the City's 401(a) defined contribution pension plan (see Note 11):

- General employee members - All members hired prior to March 17, 1997 and their beneficiaries
- Police lieutenant and sergeant members - All members hired prior to December 8, 1997 and their beneficiaries
- Police officer members - All members hired prior to November 24, 1998 and their beneficiaries
- Fire fighter members - All members hired prior to July 1, 1998 and their beneficiaries

Note 10 - Pension Plans (Continued)

The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At November 30, 2006, the date of the most recent actuarial valuation, membership consisted of 571 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 262 current active employees. The System does not issue a separate financial report.

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note I for further significant accounting policies.

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's collective bargaining units and requires a contribution from the employees from 2.55 percent to 5.21 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Annual Pension Cost - For the year ended November 30, 2007, the City was not required to and did not make a contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2005 using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.25 percent rate of return and (b) projected salary increases of 4.75 percent to 12.67 percent per year. Both (a) and (b) include an inflation component of 4.75 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 percentage of payroll on a closed basis. The remaining amortization period is the expected future working lifetime.

Reserves - As of November 30, 2007, the plan's reserves have been fully funded as follows:

Legally required reserves:

Reserve for employees' contributions	\$ 10,257,841
Reserve for retired benefit payments	64,047,621
Additional reserves - Reserve for employer contributions	<u>150,557,367</u>
Total reserves	<u>\$ 224,862,829</u>

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 10 - Pension Plans (Continued)

Three-year Trend Information

	Fiscal Year Ended November 30		
	2005	2006	2007
Annual pension cost (APC)	\$ -	\$ -	\$ -
Percent of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Defined Contribution Pension Plan

The City established a defined contribution pension plan under Section 401(a) of the Internal Revenue Code for the following employees:

- General employee members - All members hired on or after March 17, 1997
- Police lieutenant and sergeant members - All members hired on or after December 8, 1997
- Police officer members - All members hired on or after November 24, 1998
- Fire fighter members - All members hired on or after July 1, 1998

In addition, the plan covers all employees electing to transfer from the City's defined benefit pension plan (see Note 10).

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. As established by the City of Livonia through collective bargaining agreements, the City contributes a percentage of employees' earnings as follows:

	Employees Transferring from the Defined Benefit Pension Plan		New Employees Hired After the Effective Dates Noted Above	
	Employer Contribution	Employee Contribution	Employer Contribution	Employee Contribution
General	12%	3.1% to 3.66%	7%	3.1% to 3.66%
Police lieutenants and sergeants	13%	5.21%	9%	5.21%
Police	13%	5%	9%	5%
Fire	13%	3.56%	11%	3.56%

Note 11 - Defined Contribution Pension Plan (Continued)

The employee contribution percentages noted above represent the minimum required contribution. Employees are permitted to contribute additional amounts up to the maximum allowed by law.

The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after four years of service and are vested immediately for employees transferring from the existing defined benefit pension.

In accordance with the above requirements, the City contributed \$1,822,314 during the current year, and employees contributed \$709,114.

Note 12 - Postemployment Benefits

The City of Livonia Retiree Health and Disability Benefits Plan

Plan Description - Effective November 4, 1998, the City created the City of Livonia Retiree Health and Disability Benefits Plan (the "VEBA"). The plan provides medical and healthcare benefits, including hospitalization and disability benefits, for the welfare of all retirees and their spouses and eligible dependents. At November 30, 2006, the date of the most recent actuarial valuation, membership consisted of 628 active participants, 611 retired participants, and 40 inactive vested participants. After November 4, 1998, all contributions related to postemployment benefits for all members of the Defined Benefit Pension Plan and Defined Contribution Pension Plan and their beneficiaries will be recorded as revenue in the City's Other Employee Benefits Trust Fund.

Eligibility - All retirees of the Defined Benefit Pension plan and the Defined Contribution Pension Plan and their beneficiaries and future retirees who complete 10 years or more of credited service are eligible.

Contributions - Employer contributions to the trust are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits are recognized when due and payable in accordance with the terms of the plan.

The obligation to contribute to and maintain the System for these employees was established by negotiation with certain bargaining units, including general and administrative employees. These employees are required to make a contribution of 2.00 percent beginning December 1, 2006. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Note 12 - Postemployment Benefits (Continued)

Annual Cost - For the year ended November 30, 2007, the City's annual postemployment cost of \$6,455,607 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at November 30, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) an 8.25 percent investment rate of return and (b) a graduated projected annual inflation rate for medical care. A 6.00 percent annual rate for medical care inflation was assumed for the year following the valuation, 5.50 percent for the next year, and 4.75 percent thereafter. 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 percentage of payroll on an open basis. The remaining amortization period is 50 years for health and 30 years for disability.

Reserves - As of November 30, 2007, the plan's reserves have been fully funded as follows:

Reserve for health insurance	\$ 52,549,038
Reserve for disability insurance	<u>1,734,644</u>
Total reserves	<u><u>\$ 54,283,682</u></u>

Three-year Trend Information

	Fiscal Year Ended November 30		
	2005	2006	2007
Annual OPEB cost	\$ 5,534,608	\$ 7,755,379	\$ 6,455,607
Percent of OPEB cost contributed	100%	100%	100%
Net OPEB obligation	\$ -	\$ -	\$ -

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 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 November 30, 2009.

City of Livonia, Michigan

Notes to Financial Statements November 30, 2007

Note 13 - Deferred Revenue

Governmental funds report deferred revenue in connection with revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds and Enterprise 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:

	Governmental Funds			Governmental	Business-type
	Unavailable	Unearned	Total	Activities Unearned	Activities Unearned
Property tax, special assessment, and other receivables	\$ 784,121	\$ -	\$ 784,121	\$ -	\$ -
Community recreation center annual passes	-	880,947	880,947	880,947	-
Interest receivable on sewer connections	-	-	-	-	377,091
Assets held at Wayne County	-	-	-	-	253,823
Grant payment received prior to meeting all eligibility requirements	-	31,830	31,830	31,830	-
Total	<u>\$ 784,121</u>	<u>\$ 912,777</u>	<u>\$ 1,696,898</u>	<u>\$ 912,777</u>	<u>\$ 630,914</u>

Required Supplemental Information

City of Livonia, Michigan

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

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Taxes	\$ 29,771,170	\$ 29,771,170	\$ 29,552,531	\$ (218,639)
Licenses and Permits				
Business	160,500	160,500	145,319	(15,181)
Nonbusiness	<u>2,188,200</u>	<u>2,188,200</u>	<u>1,965,508</u>	<u>(222,692)</u>
Total licenses and permits	2,348,700	2,348,700	2,110,827	(237,873)
Intergovernmental Revenue				
State and local	9,162,578	9,162,578	8,912,585	(249,993)
Federal	<u>118,560</u>	<u>118,560</u>	<u>257,982</u>	<u>139,422</u>
Total intergovernmental revenue	9,281,138	9,281,138	9,170,567	(110,571)
Charges for Services	3,300,040	3,300,040	3,314,564	14,524
Interest	1,500,000	1,856,000	1,952,783	96,783
Fines and Forfeitures	3,769,000	3,769,000	3,865,406	96,406
Miscellaneous Revenue				
Rent and royalties	1,163,322	1,163,322	1,243,734	80,412
Sale of fixed assets	100,000	100,000	64,173	(35,827)
Other miscellaneous	<u>2,663,905</u>	<u>1,513,905</u>	<u>978,173</u>	<u>(535,732)</u>
Total miscellaneous revenue	<u>3,927,227</u>	<u>2,777,227</u>	<u>2,286,080</u>	<u>(491,147)</u>
Total revenue	<u>\$ 53,897,275</u>	<u>\$ 53,103,275</u>	<u>\$ 52,252,758</u>	<u>\$ (850,517)</u>
Expenditures				
General Government				
Legislative:				
City Council	\$ 395,688	\$ 395,688	\$ 385,786	\$ 9,902
City Clerk	525,985	525,985	483,479	42,506
Elections	<u>287,757</u>	<u>287,757</u>	<u>265,319</u>	<u>22,438</u>
Total legislative	1,209,430	1,209,430	1,134,584	74,846
Judicial	2,975,859	3,071,859	3,070,158	1,701
Executive - Mayor's office	467,140	467,140	453,663	13,477
Human resources:				
Human Relations Commission	7,483	7,483	5,567	1,916
Labor relations	117,000	136,700	136,670	30
Civil service	<u>722,697</u>	<u>702,997</u>	<u>627,953</u>	<u>75,044</u>
Total human resources	847,180	847,180	770,190	76,990

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
General Government (Continued)				
Financial administration:				
Accounting	\$ 490,859	\$ 504,309	\$ 504,287	\$ 22
Assessing	588,778	588,778	574,744	14,034
Finance	267,809	272,309	272,220	89
Independent audit	57,772	57,772	53,970	3,802
Board of Review	3,691	3,991	3,982	9
Treasurer	533,019	533,019	511,816	21,203
Data processing	<u>642,395</u>	<u>624,145</u>	<u>536,082</u>	<u>88,063</u>
Total financial administration	2,584,323	2,584,323	2,457,101	127,222
Other activities:				
Legal	666,548	676,648	676,583	65
Utilities and supplies	609,162	609,162	520,832	88,330
Acquisition of land	9,000	9,000	-	9,000
Research and investigation	24,000	24,000	18,000	6,000
Dues and subscriptions	<u>57,000</u>	<u>46,900</u>	<u>31,347</u>	<u>15,553</u>
Total other activities	<u>1,365,710</u>	<u>1,365,710</u>	<u>1,246,762</u>	<u>118,948</u>
Total general government	9,449,642	9,545,642	9,132,458	413,184
Public Safety				
Police:				
Traffic bureau	642,311	795,511	795,510	1
Administration	2,734,262	2,498,462	2,498,306	156
Detective bureau	2,238,458	2,583,658	2,583,629	29
Automotive service	482,750	499,875	499,873	2
Communications/Records bureau	854,456	921,656	921,600	56
Crossing guards	76,632	45,332	45,238	94
School liaison	572,185	616,485	616,472	13
Reserve police	318,309	344,509	344,486	23
Patrol bureau	11,360,692	10,873,692	10,872,815	877
Intelligence bureau	<u>1,493,885</u>	<u>1,869,460</u>	<u>1,868,116</u>	<u>1,344</u>
Total police	20,773,940	21,048,640	21,046,045	2,595
Fire:				
Administration	1,093,570	1,045,470	961,316	84,154
Firefighting	10,040,330	10,088,430	10,088,375	55
Fire prevention	<u>463,769</u>	<u>463,769</u>	<u>461,287</u>	<u>2,482</u>
Total fire	11,597,669	11,597,669	11,510,978	86,691
Protective inspection:				
Building Code Board of Appeals	1,461	1,461	199	1,262
Inspection	<u>1,314,798</u>	<u>1,314,798</u>	<u>1,275,771</u>	<u>39,027</u>
Total protective inspection	1,316,259	1,316,259	1,275,970	40,289
Other protective:				
Office of emergency preparedness	157,827	143,127	143,075	52
Traffic commission	<u>6,394</u>	<u>6,394</u>	<u>5,446</u>	<u>948</u>
Total other protective	<u>164,221</u>	<u>149,521</u>	<u>148,521</u>	<u>1,000</u>
Total public safety	33,852,089	34,112,089	33,981,514	130,575

City of Livonia, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended November 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget
Expenditures (Continued)				
Public Works				
Public services - Highways, streets, and maintenance:				
Engineering	\$ 729,900	\$ 729,900	\$ 538,871	\$ 191,029
Parks maintenance	902,666	902,666	856,286	46,380
Administration	15,018	27,318	20,071	7,247
Equipment maintenance	106,595	76,895	76,894	1
Building maintenance	3,287,921	2,184,621	2,184,525	96
Street lighting	313,783	313,783	290,498	23,285
Maintenance:				
Streets	72,958	53,658	12,754	40,904
Traffic services	111,584	101,584	93,880	7,704
Forestry	73,221	73,221	15,910	57,311
Total public works	5,613,646	4,463,646	4,089,689	373,957
Recreation and Cultural				
Parks and recreation:				
Administration	386,196	434,196	431,106	3,090
Recreation facilities	54,321	61,821	57,115	4,706
Recreation athletics	128,882	100,882	100,859	23
Recreation programs	81,714	54,214	53,512	702
Total parks and recreation	651,113	651,113	642,592	8,521
Cultural:				
Historic Preservation Commission	5,634	5,634	3,727	1,907
Historical Commission	86,487	84,887	79,404	5,483
Library Commission	450,000	450,000	450,000	-
Arts Commission	23,795	23,795	22,487	1,308
Community resources	923,696	925,296	924,664	632
Total cultural	1,489,612	1,489,612	1,480,282	9,330
Total recreation and cultural	2,140,725	2,140,725	2,122,874	17,851
Community and Economic Development				
City Planning Commission	666,466	666,466	650,448	16,018
Zoning Board of Appeals	133,645	133,645	111,301	22,344
Total community and economic development	800,111	800,111	761,749	38,362
Employee Benefits, Insurance, and Other				
Total expenditures	<u>\$ 53,890,217</u>	<u>\$ 53,096,217</u>	<u>\$ 51,950,187</u>	<u>\$ 1,146,030</u>

City of Livonia, Michigan

	Community Recreation			
	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property taxes	\$ 3,838,401	\$ 3,838,401	\$ 3,801,942	\$ (36,459)
Charges for services	3,967,300	3,967,300	3,709,979	(257,321)
Interest	210,000	210,000	411,858	201,858
Miscellaneous revenue	-	-	996	996
Total revenues	8,015,701	8,015,701	7,924,775	(90,926)
Expenditures				
Sanitation	-	-	-	-
Recreation and culture	7,416,701	7,449,547	6,109,950	1,339,597
Transfers out	2,282,651	2,282,651	2,173,767	108,884
Total expenditures	9,699,352	9,732,198	8,283,717	1,448,481
Excess of Revenues Over (Under) Expenditures	(1,683,651)	(1,716,497)	(358,942)	1,357,555
Fund Balance - Beginning of year	6,218,418	6,218,418	6,218,418	-
Fund Balance - End of year	\$ 4,534,767	\$ 4,501,921	\$ 5,859,476	\$ 1,357,555

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended November 30, 2007**

Refuse			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 11,603,647	\$ 11,603,647	\$ 11,489,995	\$ (113,652)
110,500	110,500	136,454	25,954
175,000	175,000	458,172	283,172
<u>10,000</u>	<u>10,000</u>	<u>44,966</u>	<u>34,966</u>
11,899,147	11,899,147	12,129,587	230,440
11,921,154	12,290,411	11,859,827	430,584
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>11,921,154</u>	<u>12,290,411</u>	<u>11,859,827</u>	<u>430,584</u>
(22,007)	(391,264)	269,760	661,024
<u>6,619,780</u>	<u>6,619,780</u>	<u>6,619,780</u>	<u>-</u>
<u>\$ 6,597,773</u>	<u>\$ 6,228,516</u>	<u>\$ 6,889,540</u>	<u>\$ 661,024</u>

City of Livonia, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
11/30/01	\$ 200,937 *	\$ 151,438	\$ (49,499)	132.7	\$ 16,721	(296.0)
11/30/02	199,627 *	159,272	(40,355)	125.3	17,285	(233.5)
11/30/03	203,505 *	159,900	(43,605)	127.3	17,109	(254.9)
11/30/04	199,578 *	164,378	(35,200)	121.4	16,070	(219.0)
11/30/05	200,005 *	167,226	(32,779)	119.6	15,885	(206.4)
11/30/06	205,101 *	169,506	(35,595)	121.0	16,135	(220.6)

* Valued using the five-year "smoothed funding" market value

Schedule of Employer Contributions

Year Ended November 30	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
2002	11/30/00	\$ 645,335	100
2003	11/30/01	417,464	100
2004	11/30/02	392,639	100
2005	11/30/03	-	100
2006	11/30/04	-	100
2007	11/30/05	-	100

The schedule of funding progress presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	Expected future working lifetime
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected salary increases, including inflation at 4.75%	4.75%-12.67%

City of Livonia, Michigan

Required Supplemental Information Retiree Health and Disability Benefits Plan Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	
11/30/01	**	**	**	**	**	**
11/30/02	**	**	**	**	**	**
11/30/03	\$ 30,475	\$ 104,386	\$ 73,911	29.2	\$ 34,084	216.8
11/30/04	37,690	110,156	72,466	34.2	33,355	217.3
11/30/05	41,987	122,019	80,032	34.4	33,312	240.3
11/30/06	47,673	122,267	74,594	39.0	34,373	217.0

** Information not available

Schedule of Employer Contributions

Year Ended November 30	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
2002	11/30/00	\$ 4,575,001	100
2003	11/30/01	4,960,217	100
2004	11/30/02	5,859,287	100
2005	11/30/03	5,534,608	100
2006	11/30/04	7,755,379	100
2007	11/30/05	6,455,607	100

* The required contribution is expressed to the City as a percentage of payroll.

City of Livonia, Michigan

Required Supplemental Information (Continued) Postemployment Benefit Plans Actuarial Assumptions (000s omitted)

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of November 30, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Remaining amortization period:	
Health	50 years
Disability	30 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25%
Projected annual premium increases, including inflation at 4.75%	10.75%

City of Livonia, Michigan

Notes to Required Supplemental Information November 30, 2007

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budget. Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenues, expenditures, and changes in fund balances):

	General Fund		Community Recreation
	Total Revenue	Total Expenditures	Total Expenditures
Amounts per operating statement	\$ 52,212,758	\$ 49,838,893	\$ 6,109,950
Operating transfers budgeted as revenue and expenditures	<u>40,000</u>	<u>2,111,294</u>	<u>2,173,767</u>
Amounts per budget statement	<u>\$ 52,252,758</u>	<u>\$ 51,950,187</u>	<u>\$ 8,283,717</u>

Note 2 - Budgetary Information

Budgetary Information - 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 except that operating transfers and debt proceeds have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner, except that the General Fund and Economic Development Corporation Component Unit were amended after year end.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before September 15, the mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following December 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain citizen comments.
3. As provided for by the City Charter, not later than November 1, the Council shall adopt the budget through the passage of a budget resolution and transmit the budget to the mayor. Not later than November 15, the mayor shall either approve or disapprove the adopted budget, in whole or in part.

City of Livonia, Michigan

Notes to Required Supplemental Information November 30, 2007

Note 2 - Budgetary Information (Continued)

4. The legislative budget is adopted at a functional level for the General Fund, and at the fund level for other governmental and proprietary funds. The budget document presents information by fund, function, department, and line items. Management may amend the budget at the detail level within the legislative summary constraints. Appropriations that exceed the summary budget constraints require City Council approval.

Excess of Expenditures Over Appropriations in Budgeted Funds - The City did not have significant expenditure budget variances.

Other Supplemental Information

City of Livonia, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Grants and SAD Street Lighting	Cable Television	Library	Public Safety Communication
Assets						
Cash and investments	\$ 1,759,607	\$ 748,573	\$ (38,094)	\$ 1,299,424	\$ 1,226,600	\$ 3,551,092
Receivables:						
Taxes	-	-	-	-	17,357	-
Special assessments	-	-	6,688	-	-	-
Other	6,994	-	2,263	4,755	104,866	-
Due from other governmental units	1,160,691	251,711	440,810	-	-	-
Restricted assets	-	-	-	-	-	-
Total assets	\$ 2,927,292	\$ 1,000,284	\$ 411,667	\$ 1,304,179	\$ 1,348,823	\$ 3,551,092
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 584,193	\$ -	\$ 159,085	\$ 168,480	\$ 108,626	\$ 303
Accrued and other liabilities	-	-	20,768	6,258	58,124	-
Deferred revenue	-	-	46,713	-	15,563	-
Total liabilities	584,193	-	226,566	174,738	182,313	303
Fund Balances						
Reserved for capital improvements	-	-	-	-	-	-
Unreserved:						
Designated	322,922	23,343	-	255,078	-	77,500
Undesignated	2,020,177	976,941	185,101	874,363	1,166,510	3,473,289
Total fund balances	2,343,099	1,000,284	185,101	1,129,441	1,166,510	3,550,789
Total liabilities and fund balances	\$ 2,927,292	\$ 1,000,284	\$ 411,667	\$ 1,304,179	\$ 1,348,823	\$ 3,551,092

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

Special Revenue Funds				Debt Service Funds			
Adjudicated Forfeitures	Community Transit	Roads and Sidewalks	Transit and Capital Improvement	1990 Street Improvement	Special Assessments	2005 MBA Refunding	2007 MBA Refunding
\$ 1,835,334	\$ 38,094	\$ 1,867,897	\$ -	\$ 543	\$ 26,400	\$ -	\$ -
-	-	19,084	19,089	2,854	-	-	-
-	-	-	-	-	235	-	-
-	-	-	-	-	-	-	-
-	151,203	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ 1,835,334	\$ 189,297	\$ 1,886,981	\$ 19,089	\$ 3,397	\$ 26,635	\$ -	\$ -
\$ 36,215	\$ 10,424	\$ 330,673	\$ 532	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	17,112	18,557	2,559	-	-	-
36,215	10,424	347,785	19,089	2,559	-	-	-
-	-	-	-	-	-	-	-
1,041,600	-	-	-	-	-	-	-
757,519	178,873	1,539,196	-	838	26,635	-	-
1,799,119	178,873	1,539,196	-	838	26,635	-	-
\$ 1,835,334	\$ 189,297	\$ 1,886,981	\$ 19,089	\$ 3,397	\$ 26,635	\$ -	\$ -

City of Livonia, Michigan

	Debt Service Fund		Capital Projects Funds		
	Municipal Building Authority and Other	Drainage Projects Construction	1990 Street Improvement	Golf Course Capital Improvement	Capital Improvement
Assets					
Cash and investments	\$ -	\$ 127,200	\$ -	\$ 456,736	\$ 3,181,990
Receivables:					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Other	-	-	-	-	-
Due from other governmental units	-	-	-	-	-
Restricted assets	-	-	933,987	-	-
Total assets	<u>\$ -</u>	<u>\$ 127,200</u>	<u>\$ 933,987</u>	<u>\$ 456,736</u>	<u>\$ 3,181,990</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 599,216	\$ 60,904	\$ 18,097
Accrued and other liabilities	-	-	-	-	-
Deferred revenue	-	-	-	-	-
Total liabilities	-	-	599,216	60,904	18,097
Fund Balances					
Reserved for capital improvements	-	-	334,771	-	628,923
Unreserved:					
Designated	-	-	-	-	39,853
Undesignated	-	127,200	-	395,832	2,495,117
Total fund balances	-	127,200	334,771	395,832	3,163,893
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 127,200</u>	<u>\$ 933,987</u>	<u>\$ 456,736</u>	<u>\$ 3,181,990</u>

**Other Supplemental Information
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
November 30, 2007**

<u>Capital Projects Funds</u>		Total Nonmajor Governmental Funds
<u>Special Assessments</u>	<u>Court Building Improvements</u>	
\$ 521,476	\$ 1,541,949	\$ 18,144,821
-	-	58,384
467,994	-	474,917
-	-	118,878
-	-	2,004,415
-	-	933,987
<u>\$ 989,470</u>	<u>\$ 1,541,949</u>	<u>\$ 21,735,402</u>
\$ 51,415	\$ -	\$ 2,128,163
-	-	85,150
<u>392,645</u>	<u>-</u>	<u>493,149</u>
444,060	-	2,706,462
-	-	963,694
-	-	1,760,296
<u>545,410</u>	<u>1,541,949</u>	<u>16,304,950</u>
<u>545,410</u>	<u>1,541,949</u>	<u>19,028,940</u>
<u>\$ 989,470</u>	<u>\$ 1,541,949</u>	<u>\$ 21,735,402</u>

City of Livonia, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Grants and SAD Street Lighting	Cable Television	Library	Public Safety Communication
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,916,529	\$ -
Special assessments			919,799	-	-	-
Intergovernmental revenue:						
State and local	4,537,866	1,718,540	31,139	-	-	-
Federal	-	-	881,524	-	-	-
Charges for services	-	-	-	-	275,798	642,870
Interest	131,464	18,679	2,507	62,175	118,163	157,334
Fines and forfeitures	-	-	-	-	73,740	-
Miscellaneous revenue	2,170	-	88,414	592,168	-	-
Total revenue	4,671,500	1,737,219	1,923,383	654,343	4,384,230	800,204
Expenditures						
Public safety	-	-	259,463	-	-	23,668
Public works	3,167,976	1,738,308	901,764	-	-	-
Recreation and culture	-	-	42,956	655,722	4,461,247	-
Community and economic development	-	-	652,687	-	-	-
Capital outlay	-	-	-	-	-	-
Debt - Principal retirement	-	-	-	-	-	-
Debt - Interest and other	-	-	-	-	-	-
Total expenditures	3,167,976	1,738,308	1,856,870	655,722	4,461,247	23,668
Excess of Revenue Over (Under)						
Expenditures	1,503,524	(1,089)	66,513	(1,379)	(77,017)	776,536
Other Financing Sources (Uses)						
Proceeds from the issuance of long-term debt	-	-	-	-	-	-
Payments to escrow agents for bond refunding	-	-	-	-	-	-
Transfers in	-	1,924,467	-	-	450,000	-
Transfers out	(2,124,467)	(1,925,000)	-	(40,000)	-	-
Total other financing sources (uses)	(2,124,467)	(533)	-	(40,000)	450,000	-
Net Change in Fund Balances	(620,943)	(1,622)	66,513	(41,379)	372,983	776,536
Fund Balances - Beginning of year	2,964,042	1,001,906	118,588	1,170,820	793,527	2,774,253
Fund Balances - End of year	\$ 2,343,099	\$ 1,000,284	\$ 185,101	\$ 1,129,441	\$ 1,166,510	\$ 3,550,789

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended November 30, 2007**

Special Revenue Funds				Debt Service Funds			
Adjudicated Forfeitures	Community Transit	Roads and Sidewalks	Transit and Capital Improvement	1990 Street Improvement	Special Assessments	2005 MBA Refunding	2007 MBA Refunding
\$ -	\$ -	\$ 4,307,729	\$ 2,426,886	\$ 641,825	\$ -	\$ -	\$ -
-	-	-	-	-	2,980	-	-
-	94,491	-	-	-	-	-	-
201,090	-	-	-	-	-	-	-
-	77,486	-	-	-	-	-	-
92,061	15,610	155,740	-	232	1,461	-	-
597,277	-	-	-	-	-	-	-
300	274	10,000	-	-	-	-	-
890,728	187,861	4,473,469	2,426,886	642,057	4,441	-	-
764,538	-	-	-	-	-	-	-
-	-	6,619,034	-	-	-	-	-
-	895,794	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	630,000	-	25,000	-
-	-	-	-	29,382	-	147,695	1,403,066
764,538	895,794	6,619,034	-	659,382	-	172,695	1,403,066
126,190	(707,933)	(2,145,565)	2,426,886	(17,325)	4,441	(172,695)	(1,403,066)
-	-	-	-	-	-	-	31,025,000
-	-	-	-	-	-	-	(31,025,000)
-	800,000	2,125,000	-	-	-	172,695	1,403,066
-	-	-	(2,426,886)	-	-	-	-
-	800,000	2,125,000	(2,426,886)	-	-	172,695	1,403,066
126,190	92,067	(20,565)	-	(17,325)	4,441	-	-
1,672,929	86,806	1,559,761	-	18,163	22,194	-	-
<u>\$ 1,799,119</u>	<u>\$ 178,873</u>	<u>\$ 1,539,196</u>	<u>\$ -</u>	<u>\$ 838</u>	<u>\$ 26,635</u>	<u>\$ -</u>	<u>\$ -</u>

City of Livonia, Michigan

	Debt Service Fund		Capital Projects Funds	
	Municipal Building Authority and Other	Drainage Projects Construction	1990 Street Improvement	Golf Course Capital Improvement
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental revenue:				
State and local	-	-	-	-
Federal	-	-	-	-
Charges for services	-	-	-	108,010
Interest	-	6,188	34,663	23,442
Fines and forfeitures	-	-	-	-
Miscellaneous revenue	-	-	-	-
Total revenue	-	6,188	34,663	131,452
Expenditures				
Public safety	-	-	-	-
Public works	-	-	-	-
Recreation and culture	-	-	-	-
Community and economic development	-	-	-	-
Capital outlay	-	-	599,215	213,403
Debt - Principal retirement	600,000	-	-	-
Debt - Interest and other	125,413	-	-	-
Total expenditures	725,413	-	599,215	213,403
Excess of Revenue Over (Under) Expenditures	(725,413)	6,188	(564,552)	(81,951)
Other Financing Sources (Uses)				
Proceeds from the issuance of long-term debt	-	-	-	-
Payments to escrow agents for bond refunding	-	-	-	-
Transfers in	725,413	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	725,413	-	-	-
Net Change in Fund Balances	-	6,188	(564,552)	(81,951)
Fund Balances - Beginning of year	-	121,012	899,323	477,783
Fund Balances - End of year	\$ -	\$ 127,200	\$ 334,771	\$ 395,832

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
Year Ended November 30, 2007**

Capital Projects Funds			
Capital Improvement	Special Assessments	Court Building Improvements	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 11,292,969
-	258,251	-	1,181,030
-	-	-	6,382,036
-	-	-	1,082,614
-	-	-	1,104,164
136,606	45,692	54,474	1,056,491
-	-	-	671,017
<u>200</u>	<u>34,976</u>	<u>338,134</u>	<u>1,066,636</u>
136,806	338,919	392,608	23,836,957
-	-	-	1,047,669
-	-	-	12,427,082
-	-	-	6,055,719
-	-	-	652,687
1,305,644	154,592	-	2,272,854
-	-	-	1,255,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,705,556</u>
<u>1,305,644</u>	<u>154,592</u>	<u>-</u>	<u>25,416,567</u>
(1,168,838)	184,327	392,608	(1,579,610)
-	-	-	31,025,000
-	-	-	(31,025,000)
2,767,773	-	278,000	10,646,414
<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,516,353)</u>
<u>2,767,773</u>	<u>-</u>	<u>278,000</u>	<u>4,130,061</u>
1,598,935	184,327	670,608	2,550,451
<u>1,564,958</u>	<u>361,083</u>	<u>871,341</u>	<u>16,478,489</u>
<u>\$ 3,163,893</u>	<u>\$ 545,410</u>	<u>\$ 1,541,949</u>	<u>\$ 19,028,940</u>

City of Livonia, Michigan

	Trust Funds			Agency Funds
	Pension and Other Employee Benefit Plans			
	Employees' Retirement System	VEBA	Total	
Assets				
Cash and cash equivalents	\$ 812,215	\$ 178,398	\$ 990,613	\$ 3,020,643
Investments:				
U.S. government securities	46,130,187	12,646,029	58,776,216	-
Common stock	109,586,131	16,901,411	126,487,542	-
Corporate bonds	36,729,850	8,434,907	45,164,757	-
Foreign corporate stocks	2,656,587	244,569	2,901,156	-
Mutual funds	14,431,752	16,211,328	30,643,080	-
Real estate investment trust	15,547,137	-	15,547,137	-
Securities lending short-term collateral bank investment pool	22,972,348	-	22,972,348	-
Due from other governmental funds	85,671	-	85,671	-
Due from agency funds	-	986,028	986,028	-
Other receivables	952,868	-	952,868	-
Total assets	249,904,746	55,602,670	305,507,416	3,020,643
Liabilities				
Accounts payable	2,069,569	1,318,988	3,388,557	156,712
Accrued and other liabilities	-	-	-	1,877,903
Due to other governmental funds	-	-	-	-
Due to trust funds	-	-	-	986,028
Amounts due to broker under securities lending agreement	22,972,348	-	22,972,348	-
Total liabilities	25,041,917	1,318,988	26,360,905	3,020,643
Net Assets - Reserved				
Employees' Retirement System	224,862,829	-	224,862,829	-
Employees' postemployment health care and disability benefits	-	54,283,682	54,283,682	-
Total net assets	\$ 224,862,829	\$ 54,283,682	\$ 279,146,511	\$ -

City of Livonia, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended November 30, 2007

	Employees' Retirement System	VEBA	Total
	_____	_____	_____
Additions			
Investment income:			
Interest and dividends	\$ 7,489,529	\$ 1,866,875	\$ 9,356,404
Net appreciation in fair value of investments	10,617,626	2,783,677	13,401,303
Less investment expenses	<u>(532,309)</u>	<u>(85,048)</u>	<u>(617,357)</u>
Net investment income	17,574,846	4,565,504	22,140,350
Securities lending income:			
Interest and fees	1,391,607	-	1,391,607
Less borrower rebates and bank fees	<u>(1,314,167)</u>	<u>-</u>	<u>(1,314,167)</u>
Total lending income	77,440	-	77,440
Contributions:			
Employer	-	6,455,607	6,455,607
Employee	<u>545,624</u>	<u>363,982</u>	<u>909,606</u>
Total contributions	<u>545,624</u>	<u>6,819,589</u>	<u>7,365,213</u>
Total additions	18,197,910	11,385,093	29,583,003
Deductions			
Benefit payments	11,485,634	15,687	11,501,321
Medical benefit payments	30,485	6,370,817	6,401,302
Administrative expenses	131,511	14,612	146,123
Refunds of contributions	<u>343,783</u>	<u>-</u>	<u>343,783</u>
Total deductions	<u>11,991,413</u>	<u>6,401,116</u>	<u>18,392,529</u>
Net Increase	6,206,497	4,983,977	11,190,474
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>218,656,332</u>	<u>49,299,705</u>	<u>267,956,037</u>
End of year	<u>\$ 224,862,829</u>	<u>\$ 54,283,682</u>	<u>\$ 279,146,511</u>

City of Livonia, Michigan

**Federal Awards
Supplemental Information
November 30, 2007**

City of Livonia, Michigan

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Independent Auditor's Report

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

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 Livonia, Michigan (the "City") as of and for the year ended November 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2008. Those basic financial statements are the responsibility of the management of the City of Livonia, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule 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.

Plante & Moran, PLLC

March 19, 2008



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

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 as of and for the year ended November 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 19, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We believe that the deficiency described in the schedule of findings and questioned costs as item 07-01 constitutes a material weakness.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City of Livonia, Michigan's response to the material weakness identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the city council, management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 19, 2008



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

Compliance

We have audited the compliance of the City with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended November 30, 2007. The major federal programs of the City is 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 its major federal program is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended November 30, 2007.

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

Internal Control Over Compliance

The management of the City 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's internal control over compliance with the 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 entity'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. However, as discussed below, we identified a certain deficiency in internal control over compliance and its operation that we consider to be a significant deficiency.

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 control deficiency described in the accompanying schedule of findings and questioned costs as item 07-02 to be a significant deficiency in internal control over compliance.

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.

Our consideration of internal control over compliance 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 compliance that we consider to be material weaknesses, as defined above.

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

The City of Livonia, Michigan's response to the significant deficiency identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the city council, management, federal awarding agencies, and other pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

March 19, 2008

City of Livonia, Michigan

Schedule of Expenditures of Federal Awards Year Ended November 30, 2007

	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures	
U.S. Department of Housing and Urban Development:					
Community Development Block Grant:					
Program year 2006 - B05 MC-26-0006	14.218	N/A	\$ 406,697	\$ 350,062	(1)
Program year 2007 - B05 MC-26-0007	14.218	N/A	401,308	347,374	(1)
Total Community Development Block Grant				697,436	
Passed through the Michigan State Housing Development Authority - HOME Investment Partnership - Program year 2003					
	14.239	M-2002-5068	277,200	2,000	
Total U.S. Department of Housing and Urban Development				699,436	
U.S. Department of Health and Human Services - Passed through State of Michigan Department of Community Health - Senior Center Staffing					
	13.635	Project 9/30/07	3,488	582	
	13.635	Project 9/30/06	6,976	5,989	
Total U.S. Department of Health and Human Services				6,571	
U.S. Department of Homeland Security:					
Passed through Michigan Department of State Police:					
2006 Assistance to Firefighters	97.044	FP-00439	15,885	15,660	
Emergency Management Performance Grant	97.042	NONE	43,102	31,482	
UASI Police Grant - Equipment Upgrades	97.008	05-18	120,000	24,417	
IS 300/400 Training	97.unknown	NONE	10,924	10,924	
Total passed through Michigan Department of State Police				82,483	
Homeland Security Cluster:					
UASI Police Grant - Crisis Negotiation Equipment	97.004	05-20	70,500	70,500	
2005 Emergency Management Performance Grant	97.067	NONE	4,592	1,953	
Total Homeland Security Cluster				72,453	
Total U.S. Department of Homeland Security				154,936	
U.S. Department of Justice:					
Federal Equitable Sharing Program	16.unknown	N/A	453,210	453,210	
COPS 2006 Secure our Schools	16.710	CKWX 0739	24,800	24,800	
Drug Enforcement Administration Task Force	16.unknown	N/A	29,260	15,028	
Total U.S. Department of Justice				493,038	
U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety - Drive Michigan Safely Task Force Local Emergency Planning Grant					
	20.600	PT-05-19	289,751	72,716	
	20.703	02-03	5,350	5,350	
Total U.S. Department of Transportation				78,066	
U.S. Department of Agriculture - Passed through the State of Michigan DNR Tree Planting Grant					
	10.664	EAB-07-16	10,000	10,000	
U.S. Environmental Protection Agency - Passed through Wayne County Demonstration Rain Garden Project - Round VI Part B					
	66.unknown	N/A	89,600	66,865	
National Endowment for the Humanities - Library Grant	45.164	GL-50308-03	1,000	667	
Total federal awards				<u>\$ 1,509,579</u>	

(1) Current year expenditures include use of program income from housing rehabilitation and City-owned homes.

City of Livonia, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended November 30, 2007

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 1,340,596
Less other nonfederal reimbursements recorded as grants	(226,500)
Add federal expenditures in excess of revenues	<u>395,483</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,509,579</u>

City of Livonia, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended November 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the same basis of accounting as the basic financial statements. 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.

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended November 30, 2007 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S. Department of Agriculture - Passed through the Wayne Metropolitan Community Services Agency	10.569	USDA Food Distribution	\$ 26,848

Note 3 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Cluster/Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 22,510

City of Livonia, Michigan

Schedule of Findings and Questioned Costs Year Ended November 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

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

Identification of major program:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant

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

Auditee qualified as low-risk auditee? Yes No

City of Livonia, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended November 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
07-01	<p>Adjustments related to fund level statements</p> <p>Finding Type - Material weakness</p> <p>Criteria - Management's goal was to accurately record all adjustments for the fund level statements.</p> <p>Condition - Journal entries were necessary to adjust various account balances in order to properly state them as of November 30, 2007.</p> <p>Context - These entries were made to various funds to reflect current year activity. The adjustments affected prepaids, bond proceeds, accounts payable, and revenue/expense recognition.</p> <p>Effect - As a result of these transactions not being completely recorded, several account balances required adjustment as of November 30, 2007.</p> <p>Cause - For certain financial statement accounts, the City did not have a system in place to ensure that year-end balances agree to detail and are properly stated.</p> <p>Recommendation - The City should develop controls to ensure that all appropriate journal entries are made so that ending balances are correct.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City concurs with the recommendation and will put a process in place to address the issue. The City completed the current year-end closing while in the process of a new financial management system implementation and with personnel changes.</p>

City of Livonia, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended November 30, 2007

Section III - Federal Program Audit Findings

Reference Number	Findings
07-02	<p>Program Name - Community Development Block Grant - 14.218, Department of Housing and Urban Development</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - The City's Comprehensive Annual Performance Report (CAPR) should be derived from information within the City's general ledger.</p> <p>Condition - During testing, it was noted that the CAPR did not include all expenditures recorded in the general ledger.</p> <p>Questioned Costs - None</p> <p>Context - Total expenditures per the CAPR were reported at \$512,351 and should have been \$26,995 higher.</p> <p>Cause and Effect - The City has control procedures in place to reconcile between the general ledger and the CAPR. However, the City did not adequately follow up on the identified differences. As a result, certain balances as stated in the CAPR were incorrect.</p> <p>Recommendation - It is recommended that the City develop and adhere to its controls to reconcile the general ledger activity to the CAPR.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City concurs with the recommendation and will put a process in place to address the issue.</p>



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March 19, 2008

To the Honorable Mayor and
Members of the City Council
City of Livonia
33000 Civic Center Drive
Livonia, MI 48154

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Livonia (the "City") for the year ended November 30, 2007. As a result of our audit, we have the following comments and recommendations for your consideration.

Revenue Sharing

The annual funding of revenue sharing continues to be static at best - which is down considerably compared to funding levels in 2000 and 2001. In 2000 and 2001, the City received approximately \$11.2 million in revenue sharing annually. The current funding level is about \$8.8 million - a decrease of approximately \$2.4 million from historical funding levels.

The condition of the State's budget remains tenuous and that will impact the funding of revenue sharing going forward. The governor's budget that was introduced for the State's 2008/2009 fiscal year currently includes a small funding increase in revenue sharing. However, many open issues remain to be resolved with the revenue-sharing program and the governor's 2008/2009 fiscal year budget occurred before issues with 2008 taxable valuations will be quantified (which could impact the State's School Aid Fund and indirectly the State's General Fund). There are a number of other factors that will impact revenue sharing including:

- **Future of County Participation in Statutory Revenue Sharing** - The question that remains is when the reserve funds established by counties several years ago as a result of the shift of the county tax levy date are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula** - Legislative action is required on this Act for appropriations to continue beyond 2008.

- **Changes to Michigan's Tax Structure** - Significant changes to the Michigan tax structure were made in 2007 (elimination of the single business tax, creation of new Michigan business tax, passage and then subsequent repeal of the services tax, and addition of a surcharge to the Michigan business tax). Technical corrections on the new Michigan business tax continue to occur. The true financial impact on the State's budget of all these changes is hard to predict.

As previously indicated, the 2008/2009 state budget as introduced includes a slight increase in state-shared revenue. Specific details related to the funding remain to be worked out through the appropriations process. Given the continued uncertainty of the state budget and the recent history related to state-shared revenue, we strongly encourage all local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Taxes and Taxable Value Changes

Challenges with property values in the current Michigan economy have been very well publicized. A number of factors are impacting the market value of properties including foreclosures, properties on the market for extended periods of time, properties selling below market value, etc. Property tax assessments are being completed currently for the 2008 tax year and tax rolls will not be finalized until May 2008. However, early indications are that declines in state equalized value may threaten the inflationary growth in taxable value that communities had been experiencing following the passage of Proposal A. We caution the City to keep this in mind as it reviews the expected financial results for 2008, its budget for 2009, and the next few years thereafter.

As a response to the situation with the real estate market, legislation is being discussed in Lansing to adjust the mechanics of the general property tax act. The nature of the legislation has ranged from the suspension of the "pop-up" or increase in taxable value that occurs when a property sells or a "super cap" on taxable value that prohibits an increase in taxable value when market values are declining. The outcome of this legislation could also have a significant impact on the City.

Lastly, more personal property tax relief is also part of the new Michigan business tax. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes - specifically from the State Education Tax (SET) and local school operating mills. "Industrial" personal property will receive exemptions from the six SET mills and the 18 schools operating mills (for a total of 24 mill exemptions). "Commercial" personal property will be exempt from 12 of the 18 school operating mills.

Transportation Funding Declines

The Michigan Department of Transportation recently revised its projections of gas and weight tax distributions for fiscal year 2007/2008 with its most recent projections showing that actual payments may be up to 4 percent less than originally expected. In addition, the Michigan Department of Transportation just released its forecasted distribution rates for fiscal year 2008/2009 which forecast another decrease of approximately 3 percent to 4 percent from the 2007/2008 rates. If these results are realized, they will negatively impact the City's Major and Local Street Funds. The City does have a tax levy to supplement its road activities and the above results may put greater pressure on this revenue source.

New Auditing Standards

Effective for the Audit of the Year Ended November 30, 2007

New auditing rules effective December 15, 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 have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past, 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.

In addition to the comments and recommendations in this letter, our observations and comments regarding the City's internal controls, including any significant deficiencies and material weaknesses that we identified, have been reported to you in the 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*. This report is included in the federal awards supplemental information (the single audit report), and we recommend that the matters we have noted there receive your careful consideration.

Effective for the Audit of the Year Ending November 30, 2008

Several additional audit standards will require implementation with the City's next financial statement audit. These new rules, which are known collectively as the new Risk Assessment Standards, significantly change the procedures auditors must perform in all financial statement audits. These changes to auditing standards continue to occur as a result of the major corporate scandals (i.e., Enron, Worldcom) that happened several years ago and are designed to strengthen the confidence of users in audited financial statements.

Under these new rules, auditors will be required to:

- More thoroughly examine and evaluate the City's accounting processes and controls, including the overall control environment, key controls over significant transactions, the quality of internal oversight of the financial reporting process, and information technology general controls
- More thoroughly assess and document conditions in clients' systems and processes that create risks of material misstatement in their financial statements, and perform additional testing in response to these risks
- Design and perform more analytical tests of accounting and financial data
- Apply more stringent standards in identifying, assessing, and communicating internal control deficiencies
- Communicate more information about the results of the auditor's work to individuals involved in overseeing strategic direction and accountability for operations

As a practical effect of these new rules, we will need to make more detailed and specific requests for information from the City, particularly about processes and controls. We have developed tools that we will give to the City to comply with these new requirements.

Monthly Financial Reporting

We noted during the audit that the monthly financial information normally distributed to the City Council was not prepared for several months of the year due to complications resulting from the implementation of new software. It is our understanding that beginning with December 2007, the City Council is again receiving monthly financial information.

Retiree Health Care and New Accounting Standards

The City will be required to implement GASB Nos. 43 and 45 in fiscal years ending November 30, 2008 and November 30, 2009, respectively. GASB Nos. 43 and 45 require a governmental unit to measure its retiree healthcare liability through actuarial valuations that are to be performed at least biennially. These valuations compute an annual required contribution (ARC). The annual required contribution is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less.

To the Honorable Mayor and
Members of the City Council
City of Livonia

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March 19, 2008

The City has progressively gotten ahead of these new accounting standards. In past years, the City already had its actuary perform the calculations required by these accounting standards and has begun the process of actuarial funding. We compliment the City for the actions taken in this regard. While the City is already having actuarial valuations prepared and making an annual contribution, the VEBA plan is currently using an amortization period (40 years) that is somewhat longer than allowed for under the new standards (30 years). Using this longer period will likely result in the City's contribution being less than the annual required contribution and will require the City to record a liability for the difference on the government-wide financial statements at November 30, 2009.

At November 30, 2007, the VEBA fund currently has approximately \$54 million set aside for these costs. As of the date of the most recent actuarial valuation (November 30, 2006), the liability for retiree health care was approximately \$122 million (compared to \$51 million at November 30, 1998). These costs continue to be a very significant part of the City's budget (contribution of approximately \$6.5 million for the year ended November 30, 2007).

Pension Contributions

As noted last year, the City's actuary has not recommended that the City make any contribution to its defined benefit pension plan since 2003. There are a variety of factors that impact the calculation and estimates made by the actuary, including investment performance, life expectancy, etc. We continue to caution the City and users of the financial statements to recognize that future contributions to the system may be required.

We would like to thank the mayor and the City Council for the opportunity to serve as auditors for the City. We would also like to express our appreciation for the courtesy and cooperation extended to us by the administration during the audit and, in particular, the City's finance department staff. During this year's audit, the finance department was in the midst of an implementation of an update to its financial management system. Despite that challenge, we received a very high level of attention and cooperation from staff to complete the audit in a timely manner. If any questions arise on reviewing the financial statements or on the above comments, we would be happy to discuss them with you further.

Very truly yours,

Plante & Moran, PLLC



Frank W. Audia



Brian J. Camiller