

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	Printed Name		License Number	

Beth Bialby

City of Riverview, Michigan

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

City of Riverview, Michigan

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Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Riverview, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Riverview, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

The management's discussion and analysis, retirement system schedules of funding progress and employer contributions, and the budgetary comparison schedules, as identified in the table of contents, are not required parts 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 Riverview, Michigan

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

Plante & Moran, PLLC

December 4, 2007

City of Riverview, Michigan

Management's Discussion and Analysis

Overview of the Financial Statements

The City of Riverview, Michigan's (the "City") 2007 annual financial report is presented in conformity with the requirements of GASB Statement No. 34, as it was in 2006. This annual report consists of four parts - management's discussion and analysis, the basic financial statements, required supplemental information, and other supplemental information. The basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

Government-wide Statements

The government-wide 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.

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

Governmental Activities - Most of the City's basic services are included here, such as the police, fire, public works, recreation departments, and general administration. Property taxes, state-shared revenue, charges for services, grants, and transfers provide much of the funding.

Business-type Activities - The City charges fees to customers to help it cover the costs of certain services it provides. The City's water and sewer system, golf course, golf practice facility, and land preserve are all included here.

Component Units - The City includes the Economic Development Corporation in its report.

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. The City Council establishes other funds to control and manage money for particular purposes.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

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 whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

Proprietary Funds - Services to which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, 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.

Financial Highlights

The financial report for the year ended June 30, 2007 reflects complete implementation of Governmental Accounting Standards Board Statement No. 34, which significantly changed the content and format of municipal financial reporting. Accordingly, these statements present both entity-wide financial reporting for all governmental and business activities in addition to reporting financial information at the fund level. A reconciliation of the net change in fund balance to the change in net assets is provided on page 17.

Assets of the City exceeded its liabilities at the end of the fiscal year by \$76,721,530 (net assets), a decrease of \$3,061,129 from the previous year. Of the \$76.7 million reported in net assets, approximately \$9.7 million may be used to meet the ongoing obligations to citizens and creditors (unrestricted net assets).

Net assets of the City's governmental activities increased \$86,114, or 0.26 percent, while net assets of our business-type activities decreased \$3,147,243, or 6.7 percent.

Unrestricted net assets for governmental activities are 20.3 percent of expenses. Unrestricted net assets for business-type activities are 37.3 percent of expenses.

The General Fund reported revenues in excess of expenditures of \$188,333, resulting in an increase in the General Fund fund balance to \$711,620. Of this amount, \$357,201 is unreserved and undesignated, or 3.6 percent, of General Fund expenditures.

In February 2004, the City issued \$7.6 million of General Obligation Limited Tax bonds, with the proceeds designated for reconstruction and repair of various streets located throughout the City. The bonds are scheduled for repayment over the next 10 years, with funding being derived from the State of Michigan (Act 51 Road Funds), operating transfers from the land preserve, and tax levies. The project was completed by the end of fiscal year 2007.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The City's combined net assets are \$76.7 million at June 30, 2007. Business-type activities make up \$43.6 million and governmental activities make up \$33.1 million of the total. The following table shows, in a condensed format, the net assets as of June 30, 2007 and compared to the prior year:

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 7.0	\$ 7.2	\$ 36.0	\$ 37.3	\$ 43.0	\$ 44.5
Noncurrent assets	34.5	35.3	49.1	48.9	83.6	84.2
Total assets	41.5	42.5	85.1	86.2	126.6	128.7
Liabilities						
Current liabilities	2.3	2.6	4.3	5.8	6.6	8.4
Long-term liabilities	6.1	6.9	37.2	33.6	43.3	40.5
Total liabilities	8.4	9.5	41.5	39.4	49.9	48.9
Net Assets						
Invested in capital assets -						
Net of related debt	28.1	29.5	29.6	28.1	57.7	57.6
Restricted	2.4	1.9	6.9	13.8	9.3	15.7
Unrestricted	2.6	1.6	7.1	4.9	9.7	6.5
Total net assets	<u>\$ 33.1</u>	<u>\$ 33.0</u>	<u>\$ 43.6</u>	<u>\$ 46.8</u>	<u>\$ 76.7</u>	<u>\$ 79.8</u>

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

City of Riverview - Net Assets

As noted earlier, the City's assets exceed its liabilities at the end of the fiscal year by \$76.7 million (net assets). However, a significant portion (75 percent) of the City's net assets represents its investment 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 assets in providing services to its citizens; thus, these assets are not available for future spending.

Current and other assets have decreased by \$1.5 million from the prior year, current liabilities have decreased by \$1.8 million, and long-term liabilities have increased by \$2.8 million. The increase in long-term liabilities is primarily due to an increase in the land preserve closure liability, offset by payments on bonds issued for the street repair project and sewer improvements, along with payments on capital lease obligations for vehicle and equipment purchases.

Unrestricted net assets of the City increased from \$6.5 million at June 30, 2006 to \$9.7 million at the end of this year. This 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 Riverview, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets for 2007:

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 0.9	\$ 0.9	\$ 15.8	\$ 15.5	\$ 16.7	\$ 16.4
Operating grants and contributions	1.0	0.9	-	-	1.0	0.9
Capital grants and contributions	0.1	-	-	-	0.1	-
General revenue:						
Property taxes	5.7	5.6	1.3	1.3	7.0	6.9
State-shared revenues	1.3	1.3	-	-	1.3	1.3
Cable, franchise, and right-of-way fees	0.3	0.2	-	-	0.3	0.2
Investment income	0.3	0.2	1.7	0.1	2.0	0.3
Transfers	3.2	2.6	(3.2)	(2.6)	-	-
Other	-	0.1	0.3	0.2	0.3	0.3
Total revenue	12.8	11.8	15.9	14.5	28.7	26.3
Program Expenses						
General government	2.1	1.4	-	-	2.1	1.4
Public safety	5.3	4.3	-	-	5.3	4.3
Public works	3.7	5.3	-	-	3.7	5.3
Community and economic development	0.3	0.1	-	-	0.3	0.1
Recreation and culture	1.1	1.0	-	-	1.1	1.0
Interest on long-term debt	0.2	0.2	-	-	0.2	0.2
Water and sewer	-	-	4.4	4.0	4.4	4.0
Golf course	-	-	1.1	1.4	1.1	1.4
Golf practice	-	-	0.2	0.2	0.2	0.2
Land preserve	-	-	13.4	8.4	13.4	8.4
Total program expenses	12.7	12.3	19.1	14.0	31.8	26.3
Change in Net Assets	0.1	(0.5)	(3.2)	0.5	(3.1)	-
Net Assets - Beginning of year	33.0	33.5	46.8	46.3	79.8	79.8
Net Assets - End of year	\$ 33.1	\$ 33.0	\$ 43.6	\$ 46.8	\$ 76.7	\$ 79.8

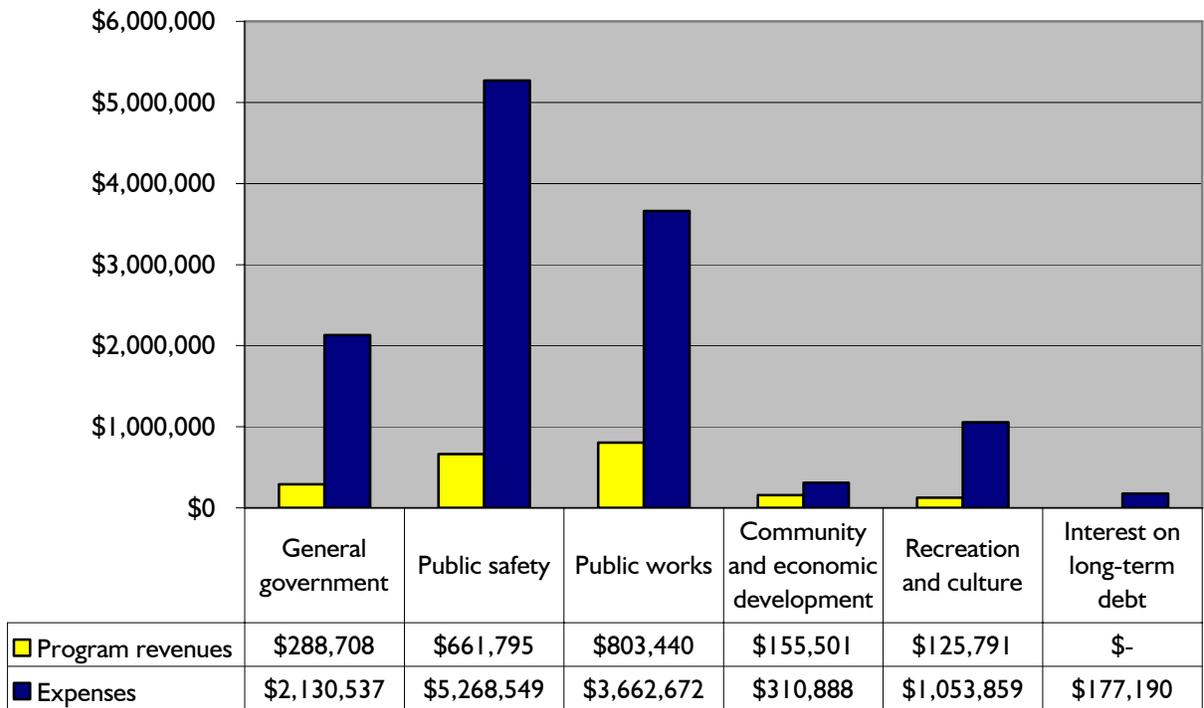
City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

For the year ended June 30, 2007, revenues for the City's governmental activities totaled \$12.8 million, or an increase of \$1.0 million from 2006. Property taxes increased slightly from \$5.6 million in 2006 to \$5.7 million in 2007, due to an increase in the property tax base as a result of inflationary increases in existing parcels. Operating transfers from Enterprise Funds were \$3.2 million in 2007, an increase of \$0.6 million over last year. State-shared revenues were \$1.3 million in 2007, the same as in 2006. Even though there was no change from last year, these revenues continue to be a concern as to future funding levels.

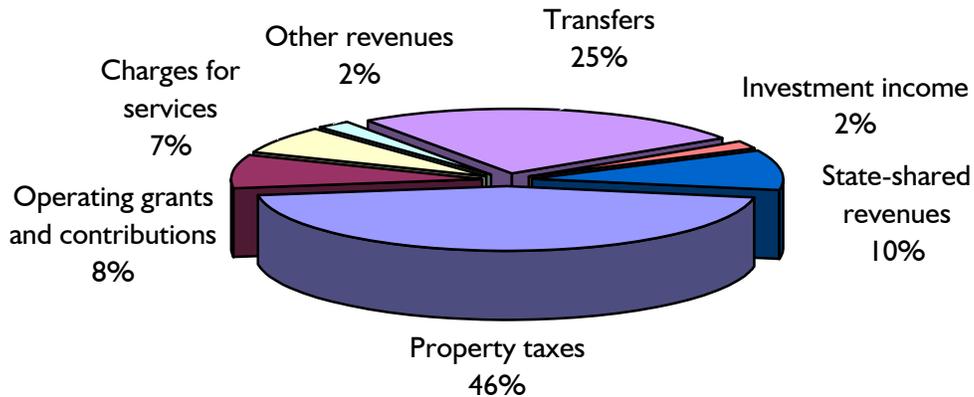
Expenses and Program Revenues Governmental Activities



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Revenue by Source Governmental Activities



Business-type Activities

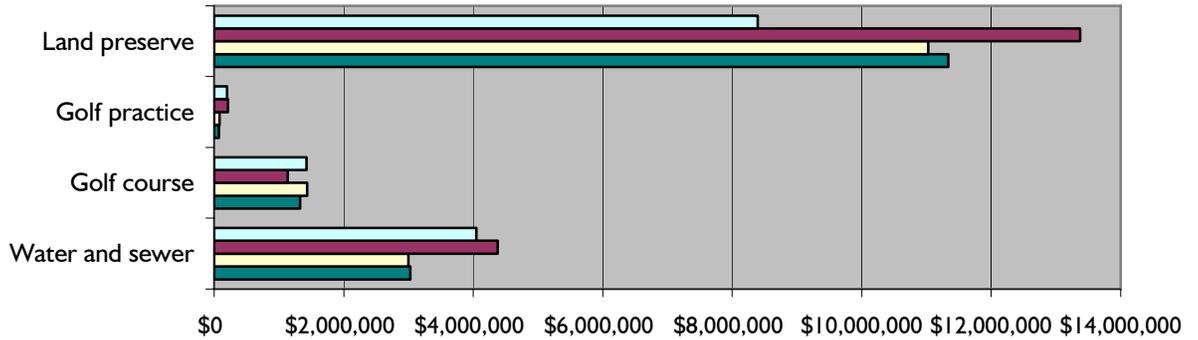
The City has four business-type activities: the water and sewer system, the golf course, the golf practice facility, and the land preserve. In total, these four activities generated \$15.8 million in charges for services and incurred \$22.3 million in expenses and transfers out in 2007, compared to \$15.5 million in charges for services and \$16.6 million in expenses and transfers out for 2006. The City experienced a decrease in net assets of approximately \$3.2 million from its business-type activities.

In addition, general revenues for business-type activities were approximately \$3.3 million in 2007, compared to \$1.6 million in 2006. Investment income on investments went from \$0.1 million in 2006 to \$1.7 million in 2007; this was primarily due to unrealized gains on funds held for long-term investments at the land preserve. Property tax revenue was \$1.3 million, or the same as in 2006; these property taxes are used to make payments on debt incurred for the sewer system improvements.

City of Riverview, Michigan

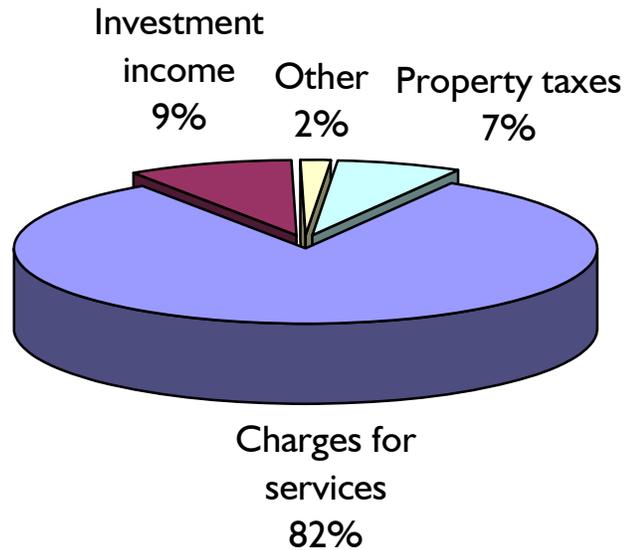
Management's Discussion and Analysis (Continued)

Expense and Program Revenues Business-type Activities



	Water and sewer	Golf course	Golf practice	Land preserve
2006 Program Expenses	\$4,049,613	1,425,305	194,791	8,391,306
2007 Program Expenses	\$4,379,224	1,135,159	213,233	13,371,427
2006 Program Revenues	\$2,998,383	1,436,143	84,328	11,027,200
2007 Program Revenues	\$3,030,160	1,328,265	74,366	11,338,380

Revenue by Source Business-type Activities



City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets and Debt Administration

At the end of fiscal year 2007, the City has \$145.3 million invested, before depreciation, in a wide range of capital assets, including land, building, public safety equipment, computer equipment, and water and sewer lines. Of that amount, approximately \$20.1 million, net of depreciation, relates to infrastructure.

Debt of \$6.3 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. As noted earlier, the City issued \$7.6 million of general obligation bonds in February 2004 to finance various street repairs across the City. This project was originally intended to be completed over a 10-year period, but with the proceeds from the bond issuance, the project was shortened to three years and was completed during fiscal year 2006/2007.

Debt related to the water and sewer system totaling \$17.3 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents improvements at the Wyandotte wastewater treatment plant that were mandated by a federal consent decree.

Debt related to capital lease obligations totaling \$2.3 million is recorded as a liability in the business-type activities in the statement of net assets. This debt represents installment-type loans whose proceeds were used to purchase equipment for both the land preserve and the golf course.

The City's Funds

The fund financial statements begin on page 16 and provide detailed information on the most significant governmental funds - not the City as a whole. The City Council creates funds 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 and the Major and Local Streets Funds.

The City's governmental funds reported combined fund balance of \$5.2 million for this year, the same amount as last year. Although there was no overall change in the combined fund balance, the General Fund fund balance increased approximately \$188,000 due to the drug forfeiture funds which were received in fiscal year 2006/2007; these funds are restricted and are not available for on-going city operations. In addition, the Local Streets Fund fund balance decreased by approximately \$524,000, primarily due to expenditures related to the final year of the streets repair project.

General Fund Budgetary Highlights

Revenues for the General Fund increased from the original budget to the final budget by approximately \$335,000, primarily due to grants received during the year and higher ambulance billings. Actual revenues were approximately \$405,000 below the final budget amounts; this was primarily due to lower than anticipated operating transfers from the land preserve.

City of Riverview, Michigan

Management's Discussion and Analysis (Continued)

Expenditures increased from the original budget to the final budget by approximately \$383,000, based on higher than anticipated pension costs as well as the purchase of public safety equipment through a homeland security grant. Actual expenses were approximately \$641,000 below the final budget, resulting from tighter controls over spending due to lower revenue projections. Included in the General Fund expenditures was a contribution to the pension system of approximately \$690,000 for its general members and police members.

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 major sources of revenue for the City are property taxes, state-shared revenues, and charges for services. These sources have certain limitations outside of the City's control - taxable value of property in the City has remained flat, resulting in small increases in property taxes; the State of Michigan has experienced budget deficits and has reduced revenue-sharing payments to local governments to help in reducing their deficit; and the economy has restricted the City in what it can charge its customers. In comparison, certain expenses continue to rise at a rate higher than inflation (e.g., health care). We are continuing to plan for the long term and will continue to balance the budgets through controls over spending, while still providing the City's residents with the same level of service to which they have become accustomed.

Contacting the City's Financial Management

This 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 Riverview, 14100 Civic Park Drive, Riverview, MI 48193.

City of Riverview, Michigan

Statement of Net Assets June 30, 2007

	Primary Government			Component Unit - Economic Development Corporation
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,704,569	\$ 4,618,283	\$ 10,322,852	\$ 12,865
Receivables - Net:				
Taxes	260,151	-	260,151	-
Customers	-	4,111,684	4,111,684	-
Due from other governmental units	592,131	-	592,131	-
Other	306,396	106,654	413,050	-
Internal balances (Note 4)	39,376	(39,376)	-	-
Inventories	-	23,428	23,428	-
Prepaid and other assets	136,228	293,201	429,429	-
Restricted assets (Note 5)	-	26,920,754	26,920,754	-
Capital assets (Note 6):				
Nondepreciable capital assets	11,561,257	3,464,278	15,025,535	-
Depreciable capital assets - Net	22,944,664	45,696,466	68,641,130	-
Total assets	41,544,772	85,195,372	126,740,144	12,865
Liabilities				
Accounts payable	1,005,851	1,810,112	2,815,963	-
Accrued and other liabilities	426,068	134,708	560,776	-
Deferred revenue	42,836	-	42,836	-
Noncurrent liabilities:				
Due within one year (Note 7)	886,000	2,377,651	3,263,651	-
Due in more than one year (Note 7)	6,096,011	17,277,747	23,373,758	-
Land preserve closure liability (Note 5)	-	19,961,630	19,961,630	-
Total liabilities	8,456,766	41,561,848	50,018,614	-
Net Assets				
Invested in capital assets - Net of related debt	28,180,921	29,557,818	57,738,739	-
Restricted:				
Streets	2,097,509	-	2,097,509	-
CDBG	76,697	-	76,697	-
Drug forfeiture	178,115	-	178,115	-
Water and sewer debt service	-	1,102,144	1,102,144	-
Land preserve closure and post- closure costs	-	5,856,980	5,856,980	-
Unrestricted	2,554,764	7,116,582	9,671,346	12,865
Total net assets	<u>\$ 33,088,006</u>	<u>\$ 43,633,524</u>	<u>\$ 76,721,530</u>	<u>\$ 12,865</u>

City of Riverview, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,130,527	\$ 264,841	\$ 19,375	\$ 4,492
Public safety	5,268,549	350,132	211,391	100,272
Public works	3,662,672	81,013	722,427	-
Community and economic development	310,888	55,316	100,185	-
Recreation and culture	1,053,859	108,431	17,360	-
Interest on long-term debt	177,190	-	-	-
Total governmental activities	12,603,685	859,733	1,070,738	104,764
Business-type activities:				
Water and sewer	4,379,224	3,030,160	-	-
Golf course	1,135,159	1,328,265	-	-
Golf practice	213,233	74,366	-	-
Land preserve	13,371,427	11,338,380	-	-
Total business-type activities	19,099,043	15,771,171	-	-
Total primary government	<u>\$ 31,702,728</u>	<u>\$ 16,630,904</u>	<u>\$ 1,070,738</u>	<u>\$ 104,764</u>
Component unit - Economic Development Corporation	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State sources				
Cable, franchise, and right-of-way fees				
Investment income				
Gain (loss) on sale of capital assets				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets - Beginning of year (as restated in Note 6)				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Unit -
Governmental	Business-type		Economic
Activities	Activities	Total	Development
			Corporation
\$ (1,841,819)	\$ -	\$ (1,841,819)	\$ -
(4,606,754)	-	(4,606,754)	-
(2,859,232)	-	(2,859,232)	-
(155,387)	-	(155,387)	-
(928,068)	-	(928,068)	-
(177,190)	-	(177,190)	-
<u>(10,568,450)</u>	<u>-</u>	<u>(10,568,450)</u>	<u>-</u>
-	(1,349,064)	(1,349,064)	-
-	193,106	193,106	-
-	(138,867)	(138,867)	-
-	<u>(2,033,047)</u>	<u>(2,033,047)</u>	<u>-</u>
<u>-</u>	<u>(3,327,872)</u>	<u>(3,327,872)</u>	<u>-</u>
(10,568,450)	(3,327,872)	(13,896,322)	-
-	-	-	-
5,706,880	1,336,015	7,042,895	-
1,272,462	-	1,272,462	-
250,495	-	250,495	-
259,404	1,730,817	1,990,221	540
(51,831)	330,951	279,120	-
<u>3,217,154</u>	<u>(3,217,154)</u>	<u>-</u>	<u>-</u>
<u>10,654,564</u>	<u>180,629</u>	<u>10,835,193</u>	<u>540</u>
86,114	(3,147,243)	(3,061,129)	540
<u>33,001,892</u>	<u>46,780,767</u>	<u>79,782,659</u>	<u>12,325</u>
<u>\$ 33,088,006</u>	<u>\$ 43,633,524</u>	<u>\$ 76,721,530</u>	<u>\$ 12,865</u>

City of Riverview, Michigan

Governmental Funds Balance Sheet June 30, 2007

	Major Special Revenue Funds				Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	
Assets					
Cash and investments	\$ 720,379	\$ 1,670,886	\$ 616,294	\$ 2,493,280	\$ 5,500,839
Receivables:					
Taxes	211,856	-	17,910	30,385	260,151
State of Michigan	408,141	74,350	32,532	-	515,023
Other	212,477	-	-	18,256	230,733
Due from other funds (Note 4)	73,636	-	-	50,644	124,280
Due from other governmental units	2,085	-	-	75,023	77,108
Prepaid expenses and other assets	88,750	-	-	-	88,750
Total assets	\$ 1,717,324	\$ 1,745,236	\$ 666,736	\$ 2,667,588	\$ 6,796,884
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 573,856	\$ 10,883	\$ 303,580	\$ 117,532	\$ 1,005,851
Due to other funds	50,644	-	-	40,270	90,914
Accrued and other liabilities	381,204	-	-	16,221	397,425
Deferred revenue	-	-	-	106,583	106,583
Total liabilities	1,005,704	10,883	303,580	280,606	1,600,773
Fund Balances					
Reserved for prepaids	88,750	-	-	-	88,750
Reserved for drug forfeitures	178,115	-	-	-	178,115
Unreserved:					
Designated for pending tax tribunals	87,554	-	5,270	10,541	103,365
Undesignated	357,201	1,734,353	357,886	-	2,449,440
Unreserved, reported in:					
Special Revenue Funds	-	-	-	805,257	805,257
Debt Service Funds	-	-	-	190,966	190,966
Capital Projects Funds	-	-	-	1,380,218	1,380,218
Total fund balances	711,620	1,734,353	363,156	2,386,982	5,196,111
Total liabilities and fund balances	\$ 1,717,324	\$ 1,745,236	\$ 666,736	\$ 2,667,588	\$ 6,796,884

City of Riverview, Michigan

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

Total Fund Balances of Governmental Funds	\$ 5,196,111
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	34,505,921
Certain revenue in the Community Development Block Grant Fund is deferred and will be recognized as revenue in the fund statements in future years	63,747
Compensated absences are not due and payable in the current period and are not reported in the funds	(657,011)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,325,000)
Accrued interest is not recorded in the funds	(28,643)
The Internal Service Fund (self-insurance) is included as part of governmental activities	<u>332,881</u>
Net Assets of Governmental Activities	<u>\$ 33,088,006</u>

City of Riverview, Michigan

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

	Major Special Revenue Funds				Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund	Other Nonmajor Governmental Funds	
Revenue					
Property taxes	\$ 4,942,891	\$ -	\$ 286,496	\$ 477,493	\$ 5,706,880
Federal sources	370,424	42,917	-	90,185	503,526
State sources	1,272,462	452,796	226,714	10,000	1,961,972
Charges to other funds	647,302	-	-	-	647,302
Ambulance fees	281,356	-	-	-	281,356
Investment income	101,629	46,575	30,715	80,735	259,654
Other	567,091	-	-	420,745	987,836
Total revenue	8,183,155	542,288	543,925	1,079,158	10,348,526
Expenditures					
General government	1,373,960	-	-	148,093	1,522,053
Public safety	4,616,608	-	-	-	4,616,608
Public works	2,001,804	196,401	1,145,494	656,382	4,000,081
Community and economic development	128,987	-	-	103,218	232,205
Recreation and culture	496,891	-	-	419,271	916,162
Employee benefits and other	1,269,499	-	-	-	1,269,499
Debt service:					
Principal	-	-	710,000	90,000	800,000
Interest and other charges	-	-	150,388	29,718	180,106
Total expenditures	9,887,749	196,401	2,005,882	1,446,682	13,536,714
Excess of Revenue Over (Under)					
Expenditures	(1,704,594)	345,887	(1,461,957)	(367,524)	(3,188,188)
Other Financing Sources (Uses)					
Operating transfers in	1,892,927	-	938,051	758,655	3,589,633
Operating transfers out	-	(159,586)	-	(212,893)	(372,479)
Total other financing sources (uses)	1,892,927	(159,586)	938,051	545,762	3,217,154
Net Change in Fund Balances	188,333	186,301	(523,906)	178,238	28,966
Fund Balances - Beginning of year	523,287	1,548,052	887,062	2,208,744	5,167,145
Fund Balances - End of year	\$ 711,620	\$ 1,734,353	\$ 363,156	\$ 2,386,982	\$ 5,196,111

City of Riverview, 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 June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$	28,966
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		(729,575)
Governmental funds do not report the loss from the sale of fixed assets		(53,722)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		800,000
Interest expense is recorded when incurred in the statement of activities		2,666
Decrease in accumulated employee sick and vacation pay is recorded when paid in the governmental funds		14,608
Certain revenue in the Community Development Block Grant Fund is deferred and will be recognized as revenue in the fund statements in future years		9,925
The Internal Service Fund (self-insurance) is also included as governmental activities in the statement of activities		<u>13,246</u>
Change in Net Assets of Governmental Activities	\$	<u>86,114</u>

City of Riverview, Michigan

	Major Enterprise Funds		
	Water and Sewer	Golf Course	Land Preserve
Assets			
Current assets:			
Cash and investments	\$ 4,004,878	\$ 477,602	\$ -
Accounts receivable:			
Customers	529,941	-	3,581,743
Other	106,654	-	-
Due from other funds (Note 4)	59,991	-	3,375,706
Inventories	-	14,679	8,749
Prepaid and other assets	289,715	3,137	-
Total current assets	4,991,179	495,418	6,966,198
Noncurrent assets:			
Restricted assets (Note 5)	1,102,144	-	25,818,610
Capital assets - Net (Note 6):			
Nondepreciable capital assets	-	-	2,772,377
Depreciable capital assets	28,044,588	1,707,681	14,027,739
Total noncurrent assets	29,146,732	1,707,681	42,618,726
Total assets	34,137,911	2,203,099	49,584,924
Liabilities			
Current liabilities:			
Accounts payable	246,729	37,134	1,524,112
Due to other funds (Note 4)	3,031,332	468,064	53,741
Accrued and other liabilities	26,889	32,529	71,613
Current portion of bonds payable (Note 7)	1,448,083	82,610	846,958
Total current liabilities	4,753,033	620,337	2,496,424
Noncurrent liabilities:			
Bonds payable - Net of current portion (Note 7)	15,854,202	176,408	1,194,665
Accumulated employee benefits (Note 7)	27,167	1,597	23,531
Land preserve closure liability (Note 5)	-	-	19,961,630
Total noncurrent liabilities	15,881,369	178,005	21,179,826
Net Assets (Deficit)			
Invested in capital assets - Net of related debt	10,742,303	1,448,663	14,758,493
Restricted for debt service (Note 5)	1,102,144	-	-
Restricted for land preserve closure and postclosure costs (Note 5)	-	-	5,856,980
Unrestricted	1,659,062	(43,906)	5,293,201
Total net assets (deficit)	\$ 13,503,509	\$ 1,404,757	\$ 25,908,674

Proprietary Funds
Statement of Net Assets (Deficit)
June 30, 2007

Nonmajor Enterprise Fund		Governmental Activities
Golf Practice	Total Enterprise Funds	Internal Service Fund
\$ 135,803	\$ 4,618,283	\$ 203,730
-	4,111,684	-
-	106,654	75,663
78,064	3,513,761	6,010
-	23,428	-
<u>349</u>	<u>293,201</u>	<u>47,478</u>
214,216	12,667,011	332,881
-	26,920,754	-
691,901	3,464,278	-
<u>1,916,458</u>	<u>45,696,466</u>	<u>-</u>
<u>2,608,359</u>	<u>76,081,498</u>	<u>-</u>
2,822,575	88,748,509	332,881
2,137	1,810,112	-
-	3,553,137	-
3,677	134,708	-
<u>-</u>	<u>2,377,651</u>	<u>-</u>
5,814	7,875,608	-
-	17,225,275	-
177	52,472	-
<u>-</u>	<u>19,961,630</u>	<u>-</u>
<u>177</u>	<u>37,239,377</u>	<u>-</u>
2,608,359	29,557,818	-
-	1,102,144	-
-	5,856,980	-
<u>208,225</u>	<u>7,116,582</u>	<u>332,881</u>
<u>\$ 2,816,584</u>	<u>\$ 43,633,524</u>	<u>\$ 332,881</u>

City of Riverview, Michigan

	Major Enterprise Funds		
	Water and Sewer	Golf Course	Land Preserve
Operating Revenue			
Customer billings	\$ 2,794,880	\$ -	\$ -
Greens fees	-	825,832	-
Charges for services	-	-	-
Equipment rentals	-	330,126	-
Rubbish collections	-	-	10,903,131
Miscellaneous revenue	235,280	172,307	435,249
Total operating revenue	3,030,160	1,328,265	11,338,380
Operating Expenses			
Personnel services	498,593	533,193	2,258,038
Supplies	13,606	109,821	32,722
Water and sewer charges	1,336,601	-	-
Operation and maintenance	101,258	49,215	961,840
Depreciation	1,380,226	159,031	2,116,172
Other services and charges	627,116	283,899	8,002,655
Total operating expenses	3,957,400	1,135,159	13,371,427
Operating (Loss) Income	(927,240)	193,106	(2,033,047)
Nonoperating Revenue (Expenses)			
Investment income	187,242	-	1,543,575
Interest expense	(421,824)	-	-
(Loss) gain on sale of equipment	(199)	-	331,150
Property taxes - Downriver Sewage Disposal System	1,336,015	-	-
Total nonoperating revenue	1,101,234	-	1,874,725
Income (Loss) - Before transfers	173,994	193,106	(158,322)
Transfers In	221,175	-	-
Transfers Out	-	-	(3,438,329)
Change in Net Assets	395,169	193,106	(3,596,651)
Net Assets - Beginning of year (as restated in Note 6)	13,108,340	1,211,651	29,505,325
Net Assets - End of year	\$ 13,503,509	\$ 1,404,757	\$ 25,908,674

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

Nonmajor Enterprise Fund		Governmental Activities	
Golf Practice	Total Enterprise Funds	Internal Service Fund	
\$ -	\$ 2,794,880	\$ -	
9,845	835,677	-	
-	-	436,467	
64,226	394,352	-	
-	10,903,131	-	
295	843,131	167,153	
74,366	15,771,171	603,620	
62,726	3,352,550	-	
10,089	166,238	-	
-	1,336,601	-	
-	1,112,313	-	
119,703	3,775,132	-	
20,715	8,934,385	600,908	
213,233	18,677,219	600,908	
(138,867)	(2,906,048)	2,712	
-	1,730,817	10,534	
-	(421,824)	-	
-	330,951	-	
-	1,336,015	-	
-	2,975,959	10,534	
(138,867)	69,911	13,246	
-	221,175	-	
-	(3,438,329)	-	
(138,867)	(3,147,243)	13,246	
2,955,451	46,780,767	319,635	
\$ 2,816,584	\$ 43,633,524	\$ 332,881	

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor
				Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Cash Flows from Operating Activities				
Receipts from customers	\$ 3,012,271	\$ 1,328,265	\$ 11,246,626	\$ 74,366
Payments to suppliers	(2,346,799)	(441,154)	(3,853,482)	(33,479)
Payments to employees	(491,419)	(617,657)	(2,294,343)	(73,108)
Claims paid	-	-	(1,600,000)	-
Net cash provided by (used in) operating activities	174,053	269,454	3,498,801	(32,221)
Cash Flows from Noncapital Financing Activities				
Net transfers in (out) to other funds	221,175	-	(3,438,329)	-
Payments from (to) other funds	305	-	(4,810)	-
Net cash provided by (used in) noncapital financing activities	221,480	-	(3,443,139)	-
Cash Flows from Capital and Related Financing Activities				
Collection of property taxes	412,085	-	-	-
Principal and interest paid on long-term debt	(830,616)	(72,629)	(697,711)	-
Proceeds from the sale of assets	349,643	-	331,150	-
Purchase of capital assets	(241,375)	(24,940)	(3,156,572)	(7,705)
Net cash used in capital and related financing activities	(310,263)	(97,569)	(3,523,133)	(7,705)
Cash Flows from Investing Activities				
Investment income	124,614	-	1,543,575	-
Net (purchases) sales of investment securities	(93,780)	(15,150)	2,112,428	(8,742)
Net cash provided by (used in) investing activities	30,834	(15,150)	3,656,003	(8,742)
Net Increase (Decrease) in Cash and Cash Equivalents	116,104	156,735	188,532	(48,668)
Cash and Cash Equivalents - July 1, 2006	1,636,753	(43,653)	(188,532)	(25,909)
Cash and Cash Equivalents - June 30, 2007	\$ 1,752,857	\$ 113,082	\$ -	\$ (74,577)
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 4,004,878	\$ 477,602	\$ -	\$ 135,803
Restricted assets	-	-	25,108,589	-
Total cash and cash equivalents	4,004,878	477,602	25,108,589	135,803
Less investments	(2,252,021)	(364,520)	(25,108,589)	(210,380)
Net cash and cash equivalents	\$ 1,752,857	\$ 113,082	\$ -	\$ (74,577)

**Proprietary Funds
Statement of Cash Flows
Year Ended June 30, 2007**

Total Enterprise Funds	Governmental Activities	
	Internal Service Fund	
\$ 15,661,528	\$ 580,157	
(6,674,914)	(620,655)	
(3,476,527)	-	
(1,600,000)	-	
3,910,087	(40,498)	
(3,217,154)	-	
(4,505)	-	
(3,221,659)	-	
412,085	-	
(1,600,956)	-	
680,793	-	
(3,430,592)	-	
(3,938,670)	-	
1,668,189	10,534	
1,994,756	-	
3,662,945	10,534	
412,703	(29,964)	
1,378,659	(19,840)	
\$ 1,791,362	\$ (49,804)	
\$ 4,618,283	\$ 203,730	
25,108,589	-	
29,726,872	203,730	
(27,935,510)	(253,534)	
\$ 1,791,362	\$ (49,804)	

City of Riverview, Michigan

	Major Enterprise Funds			Nonmajor
				Enterprise Fund
	Water and Sewer	Golf Course	Land Preserve	Golf Practice
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (927,240)	\$ 193,106	\$ (2,033,047)	\$ (138,867)
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation	1,380,226	159,031	2,116,172	119,703
Changes in assets and liabilities:				
Receivables	(17,889)	-	(91,754)	-
Prepaid assets	(230,592)	677	-	75
Inventory	-	721	589	-
Restricted asset receivable	-	-	38,886	-
Accounts payable	(37,626)	383	(36,325)	(2,750)
Accrued and other liabilities	7,174	(84,464)	(1,636,305)	(10,382)
Land preserve closure liability	-	-	5,140,585	-
Net cash provided by (used in) operating activities	<u>\$ 174,053</u>	<u>\$ 269,454</u>	<u>\$ 3,498,801</u>	<u>\$ (32,221)</u>

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2007, the following activities occurred at the County of Wayne that are not reflected in the statement of cash flows:

Assets on Hand - July 1, 2006	\$ 1,132,960
Interest earned on investment	62,628
Judgment levy	923,930
Principal paid	(734,504)
Interest paid	(282,870)
Assets on Hand - June 30, 2007	<u>\$ 1,102,144</u>

In the current year, the Land Preserve Fund purchased capital assets of \$989,450 through the issuance of capital lease obligations (see Note 7).

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

Total Enterprise Funds	Governmental Activities Internal Service Fund
\$ (2,906,048)	\$ 2,712
3,775,132	-
(109,643)	(22,696)
(229,840)	(5,493)
1,310	-
38,886	-
(76,318)	-
(1,723,977)	(15,021)
<u>5,140,585</u>	<u>-</u>
<u>\$ 3,910,087</u>	<u>\$ (40,498)</u>

City of Riverview, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2007

	<u>Pension Trust Fund - Employees' Retirement System</u>	<u>Private Purpose Trust Fund - Community Trust</u>	<u>Agency Funds</u>
Assets			
Cash and cash equivalents	\$ 762,985	\$ 9,416	\$ 156,906
Investments:			
Corporate bonds and notes	982,177	-	-
U.S. government securities	6,977,676	-	-
Common and preferred stock	14,377,499	-	-
Other receivables	<u>484,572</u>	<u>-</u>	<u>610,723</u>
Total assets	23,584,909	9,416	<u><u>\$ 767,629</u></u>
Liabilities			
Escrow	-	-	\$ 84,281
Due to other governmental units	-	-	683,348
Other	<u>-</u>	<u>3,263</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>3,263</u>	<u><u>\$ 767,629</u></u>
Net Assets			
Reserved:			
Employee contributions	3,953,242	-	
Retired benefit payments	12,526,969	-	
Employer contributions	975,555	-	
Undistributed income	6,129,143	-	
Unreserved	<u>-</u>	<u>6,153</u>	
Total net assets	<u><u>\$ 23,584,909</u></u>	<u><u>\$ 6,153</u></u>	

City of Riverview, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Private Purpose Trust Funds Year Ended June 30, 2007

	Pension Trust Fund - Employees' Retirement System	Private Purpose Trust Fund - Community Trust
Additions		
Investment income:		
Interest and dividends	\$ 668,654	\$ -
Net appreciation in fair value of investments	2,276,470	-
Less investment expenses	(146,209)	-
Net investment income	2,798,915	-
Contributions:		
Employer	975,555	-
Employee	246,240	-
Total contributions	1,221,795	-
Total additions	4,020,710	-
Deductions		
Benefit payments	1,452,058	-
Refunds of contributions	44,791	-
Total deductions	1,496,849	-
Net Increase	2,523,861	-
Net Assets Held in Trust for Pension Benefits and Private Purpose Trust Fund		
Beginning of year	21,061,048	6,153
End of year	\$ 23,584,909	\$ 6,153

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The City of Riverview, Michigan is governed by a mayor and six-member council. The accompanying financial statements present the City and its component unit, an entity for which the City is considered to be financially accountable. Although the blended component unit is a legal separate entity, in substance, it is part of the City's operations. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Unit - The City's Building Authority is a City-created and directed authority whose sole business activity is acquiring and leasing property to the City. 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, and its operations consist of the issuance and repayment of debt and the related construction. The operations of the Building Authority are reported as a nonmajor Debt Service Fund.

Discretely Presented Component Unit - The Economic Development Corporation (the "EDC") 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 EDC's governing body, consisting of nine individuals, is appointed by the City Council. Complete financial statements for the EDC can be obtained from the administrative office at 14100 Civic Park Drive, Riverview, MI 48193.

Note I - Summary of Significant Accounting Policies (Continued)

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 unit. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the City is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue items not properly included among program revenues are reported instead as general revenue.

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

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.

Major Streets Fund - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.

Note I - Summary of Significant Accounting Policies (Continued)

Local Streets Fund - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as “local” within the City. Funding is provided primarily through state-shared gas and weight taxes and a local property tax levy.

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 the sewage and storm water collection systems. Funding is provided primarily through user charges and a local property tax levy.

Golf Course Fund - The Golf Course Fund accounts for the activity of the golf course. Funding is provided primarily through user charges.

Land Preserve Fund - The Land Preserve Fund accounts for the activities of the landfill operation. 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 liability claims and 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 Trust Fund - The Pension Trust Fund accounts for the activities of the employee benefit plan that accumulates resources for pension payments to qualified employees.

Private Purpose Trust Fund - The Private Purpose Trust Fund accounts for the activity of resources donated for the veterans’ memorial.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become 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, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. 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.

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. Operating expenses 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.

Private sector standards of accounting issued before 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 apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

Note I - Summary of Significant Accounting Policies (Continued)

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.

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.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed on the following July 1, are due on August 31, and become a lien on December 1 with the final collection date of February 28 before they are added to the county tax rolls.

The 2006 taxable valuation of the City totaled \$380 million, on which ad valorem taxes levied consisted of 14.71 mills for the City's operating purposes and 3.25 mills for sewage disposal debt. The ad valorem taxes levied raised \$5.6 million for operations (taxes are reflected in the General Fund, Local Street Fund, and Library Fund) and \$1.3 million for sewage disposal debt.

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 July 2007. Wayne County's delinquent real property taxes have been recorded as revenue in the current year.

Inventories - 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.

Restricted Assets - The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care costs of the land preserve. These amounts have all been classified as restricted assets. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted assets first, then unrestricted assets as they are needed.

Note 1 - 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 \$500 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.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	10 to 30 years
Buildings and improvements	20 to 30 years
Land improvements	5 to 40 years
Vehicles	1 to 10 years
Furniture, fixtures, and equipment	5 to 30 years
Water and sewer distribution systems	20 to 40 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation benefits. Under the City's policy, employees earn benefits based on time of service with the City. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary 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 statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding 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 and deferred amount on refunding. Significant bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

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

Budgetary Information - The annual budget is prepared by the city manager and adopted by the City Council; subsequent amendments are approved by the City Council. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America, with the exception of operating transfers, which have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."

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

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the goods or services have not been received as of year end; the commitments will be reappropriated and honored during the subsequent year.

The budget statements (budgetary combined schedules for the General and Major Special Revenue Funds) are presented on the same basis of accounting used in preparing the adopted budget.

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

1. Prior to the first regular meeting in April, the city manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. As provided for by the City Charter, not later than the second Monday in June, the budget is legally adopted through the passage of budget resolutions for each fund.
4. The city manager is authorized to transfer budgeted amounts within departments; however, any revisions that alter the total expenditure of any department, and transfers between funds or department, or from contingency must be approved by the City Council.

The budget has been adopted on an activity basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the General Fund and major Special Revenue Funds budgets as adopted by the City Council is included in the required supplemental information. This comparison includes expenditure overruns. A comparison of the actual results of operations to the nonmajor Special Revenue Funds budgets as adopted by the City Council is available at the city hall for inspection.

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City had no expenditures that were significantly in excess of the amounts budgeted.

State Construction Code Act - 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 shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at July 1, 2006		\$ (978,711)
Current year building permit revenue		93,193
Related expenses:		
Direct costs	\$ 221,997	
Estimated indirect costs	<u>22,200</u>	
Total construction code expenses		<u>244,197</u>
Cumulative shortfall at June 30, 2007		<u>\$ (1,129,715)</u>

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 certificates of deposit of financial institutions 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; bankers' acceptances of United States banks; commercial paper which matures not more than 270 days after the date of purchase; investment pools through an interlocal agreement under the Urban Cooperation Act of 1967; investment pools organized under the Surplus Investment Act of 1982; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Employees' Retirement System is also authorized by Michigan's 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, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated four banks for the deposit of its funds. The investment policy adopted by the City 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 Riverview, Michigan's deposits and investment policies are in accordance with statutory authority.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$4,298,362 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, approximately \$400,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amount of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. To the extent that cash from various funds has been pooled, related investment income is allocated to each fund based on relative participation in the pool.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

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 maximum of a 270-day maturity. The majority of the City's investments are recorded in the Land Preserve Fund. The Land Preserve Fund's investments hold longer maturities due to the fact that the land preserve will not need these funds until it is closed some time in the distant future. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	Less than 1 Year	1-5 Years	6-10 Years	10 Years and More
Primary Government					
U.S. government agencies and securities:					
Federal Home Loan Bank	\$ 3,722,097	\$ 679,620	\$ 2,499,006	\$ 543,471	\$ -
Federal Home Loan Mortgage Corp.	5,739,394	835,755	3,757,030	948,964	197,645
Federal National Mortgage Association	9,869,866	2,915,975	4,552,414	2,099,137	302,340
T-Notes	10,545,769	1,545,614	5,812,842	3,187,313	-
Government National Mortgage Association	7,678	-	-	-	7,678
Corporate bonds	97,964	-	97,964	-	-
Fiduciary Funds					
U.S. government agencies and securities:					
Federal Home Loan Mortgage Corp.	507,232	-	327,095	135,652	44,485
Federal National Mortgage Association	1,867,970	-	1,127,147	-	740,823
T-Notes	4,601,077	-	4,091,408	509,669	-
Government National Mortgage Association	1,397	-	-	-	1,397
Corporate bonds	982,178	-	589,235	392,943	-

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

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

Investment Type	Fair Value	Rating	Rating Organization
Primary Government			
U.S. government agencies and securities:			
Federal Home Loan Bank	\$ 3,722,096	AAA	S & P
Federal Home Loan Mortgage Corp.	5,739,394	AAA	S & P
Federal National Mortgage Association	9,869,866	AAA	S & P
Corporate bonds	97,964	AAA	S & P
Fiduciary Funds			
U.S. government agencies and securities:			
Federal Home Loan Mortgage Corp.	462,747	AAA	S & P
	44,485	Not rated	N/A
Federal National Mortgage Association	1,127,147	AAA	S & P
	742,220	Not rated	N/A
Corporate bonds	74,218	AAA	Moody's
	134,281	Aaa	Moody's
	19,697	Aa1	Moody's
	166,272	Aa2	Moody's
	166,170	Aa3	Moody's
	194,057	A1	Moody's
	198,196	A2	Moody's
	29,287	A3	Moody's

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk - The City places no limit on the amount the City may invest in any one issuer. The City has more than 5 percent of its investments in the following:

Governmental Activities

U.S. government agencies and securities:

Federal Home Loan Bank	28.52%
Federal Home Loan Mortgage Corp.	29.09%
Federal National Mortgage Association	22.68%

Land Preserve Fund

U.S. government agencies and securities:

Federal Home Loan Bank	5.91%
Federal National Mortgage Association	32.58%
Federal Home Loan Mortgage Corp.	13.87%

Fiduciary Funds

U.S. government agencies and securities - Federal National
Mortgage Association

8.04%

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Interfund Receivables, Payables, and Transfers

The composition of interfund receivables at June 30, 2007 is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 39,616
	Nonmajor governmental funds	<u>34,020</u>
	Total General Fund	73,636
Nonmajor governmental funds	General Fund	50,644
Internal Service Fund	Water and Sewer Fund	6,010
Enterprise Funds:		
Water and Sewer Fund	Nonmajor governmental funds	6,250
	Land Preserve Fund	<u>53,741</u>
	Total Water and Sewer Fund	59,991
Land Preserve Fund	Golf Course Fund	390,000
	Water and Sewer Fund	<u>2,985,706</u>
	Total Land Preserve Fund	3,375,706
Golf Practice Fund	Golf Course Fund	<u>78,064</u>
	Total Enterprise Funds	<u>3,513,761</u>
	Total	<u>\$ 3,593,407</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund statements were as follows:

Fund Transferred From	Fund Transferred To	Amount
Major Streets Fund	Local Streets Fund (3)	\$ 113,199
	Nonmajor governmental funds	46,387
	Total Major Streets Fund	159,586
Nonmajor governmental funds	General (1)	67,900
	Nonmajor governmental funds (2)	119,993
	Water and Sewer Fund (2)	25,000
	Total nonmajor governmental funds	212,893
Land Preserve Fund	General Fund (1)	1,825,027
	Local Streets Fund (1)	824,852
	Nonmajor governmental funds (1)	592,275
	Water and Sewer Fund (2)	196,175
	Total Land Preserve Fund	3,438,329
Total		<u>\$ 3,810,808</u>

- (1) Transfer of discretionary funds to be used for the benefit of the community
- (2) Transfer of discretionary funds to offset debt payments
- (3) Transfer allowed under state law Act 51 for maintenance

Note 5 - Restricted Assets

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

	Business-type Activities		Total
	Water and Sewer Fund	Land Preserve Fund	
Cash and investments	\$ -	\$ 25,108,589	\$ 25,108,589
Accounts receivable - Restricted portion of April, May, and June 2007 receipts physically transferred in August 2007	-	710,021	710,021
Deposits held by Wayne County - Water and Sewer Fund	1,102,144	-	1,102,144
Total restricted assets	<u>\$ 1,102,144</u>	<u>\$ 25,818,610</u>	<u>\$ 26,920,754</u>

Note 5 - Restricted Assets (Continued)

Water and Sewer - The City also has assets of \$1,102,144 held at Wayne County that are restricted for debt payments related to the Downriver Sewage Disposal System project. The restricted assets balance results from the debt service tax levy in excess of debt expenses for the Downriver Sewage Disposal System project. Of this amount, \$756,391 of debt is currently payable from restricted assets and the remainder of the assets is for long-term debt obligations.

Landfill - Closure and Postclosure Care Costs - State and federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the City reports a portion of the closure and postclosure care costs as an operating expense in each period based on the acres of the entire permitted site used as of each balance sheet date. The \$19,961,630 reported as landfill closure and postclosure liability at June 30, 2007 represents the cumulative amount reported to date based on the closure and postclosure costs related to the acres of the permitted site that have been used. The City will recognize the remaining estimate of closure and postclosure care costs of approximately \$4.2 million as the remaining estimated capacity is filled.

These amounts are based on what it would cost to perform all closure and postclosure care in current dollars. The City expects to close the landfill in the year 2021. On a volume basis versus site acreage basis, approximately 59 percent of landfill capacity is used as of June 30, 2007. Actual costs may be higher due to inflation, changes in technology, or changes in regulations.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Restricted Assets (Continued)

The City is required by state and federal laws and regulations to make contributions to a trust to finance closure and postclosure care (see Note 8). The City is in compliance with these requirements and, at June 30, 2007, investments of \$25,108,589 and accounts receivable of \$710,021 are held for these purposes. These are reported as restricted assets on the balance sheet. Net assets have been restricted for \$5,856,980, which is the total restricted assets of \$25,818,610 less the closure and postclosure liability of \$19,961,630. The City expects that future inflation costs will be paid from interest earnings on these contributions. However, if interest earnings are inadequate or additional postclosure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

Note 6 - Capital Assets

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

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007
Governmental activities:				
Capital assets not being depreciated - Land	\$ 11,516,792	\$ 44,465	\$ -	\$ 11,561,257
Capital assets being depreciated:				
Infrastructure	37,093,240	968,931	-	38,062,171
Buildings and improvements	9,836,800	2,739	-	9,839,539
Equipment and vehicles	5,270,721	376,109	(106,900)	5,539,930
Subtotal	52,200,761	1,347,779	(106,900)	53,441,640
Accumulated depreciation:				
Infrastructure	16,543,652	1,423,619	-	17,967,271
Buildings and improvements	7,577,734	318,041	-	7,895,775
Equipment and vehicles	4,306,949	380,159	(53,178)	4,633,930
Subtotal	28,428,335	2,121,819	(53,178)	30,496,976
Net capital assets being depreciated	23,772,426	(774,040)	(53,722)	22,944,664
Net governmental capital assets	\$ 35,289,218	\$ (729,575)	\$ (53,722)	\$ 34,505,921

Note 6 - Capital Assets (Continued)

	Balance July 1, 2006 *	Additions	Disposals and Adjustments **	Balance June 30, 2007
Business-type activities:				
Water and sewer capital assets:				
Capital assets being depreciated:				
Buildings and improvements	\$ 301,088	\$ -	\$ (219,953)	\$ 81,135
Vehicles	487,851	-	(49,732)	438,119
Furniture, fixtures, and equipment	819,903	241,375	(28,325)	1,032,953
Water and sewer distribution systems	39,145,397	-	138,392	39,283,789
Subtotal	40,754,239	241,375	(159,618)	40,835,996
Accumulated depreciation:				
Buildings and improvements	74,388	4,245	-	78,633
Vehicles	369,700	28,431	(100,645)	297,486
Furniture, fixtures, and equipment	497,274	83,322	(17,141)	563,455
Water and sewer distribution systems	10,279,596	1,264,228	308,010	11,851,834
Subtotal	11,220,958	1,380,226	190,224	12,791,408
Net water and sewer capital assets	29,533,281	(1,138,851)	(349,842)	28,044,588
Golf course capital assets:				
Capital assets being depreciated:				
Buildings and improvements	1,117,254	-	-	1,117,254
Land improvements *	1,451,480	-	-	1,451,480
Furniture, fixtures, and equipment	1,011,437	24,940	(26,920)	1,009,457
Subtotal	3,580,171	24,940	(26,920)	3,578,191
Accumulated depreciation:				
Buildings and improvements	914,862	44,075	-	958,937
Land improvements	220,211	42,043	-	262,254
Furniture, fixtures, and equipment	603,326	72,913	(26,920)	649,319
Subtotal	1,738,399	159,031	(26,920)	1,870,510
Net golf course capital assets	1,841,772	(134,091)	-	1,707,681
Land preserve capital assets:				
Capital assets not being depreciated -				
Land	2,772,377	-	-	2,772,377
Capital assets being depreciated:				
Buildings and land improvements *	21,066,522	2,861,951	-	23,928,473
Vehicles	103,351	-	-	103,351
Furniture, fixtures, and equipment	4,440,707	1,284,070	(42,254)	5,682,523
Subtotal	25,610,580	4,146,021	(42,254)	29,714,347

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Capital Assets (Continued)

	Balance July 1, 2006 *	Additions	Disposals and Adjustments **	Balance June 30, 2007
Business-type activities (Continued):				
Land preserve capital assets (Continued):				
Accumulated depreciation:				
Buildings and land improvements	\$ 12,046,661	\$ 1,203,045	\$ -	\$ 13,249,706
Vehicles	78,038	2,321	-	80,359
Furniture, fixtures, and equipment	1,487,991	910,806	(42,254)	2,356,543
Subtotal	13,612,690	2,116,172	(42,254)	15,686,608
Net capital assets being depreciated	11,997,890	2,029,849	-	14,027,739
Net land preserve capital assets	14,770,267	2,029,849	-	16,800,116
Golf practice capital assets:				
Capital assets not being depreciated -				
Land	691,901	-	-	691,901
Capital assets being depreciated:				
Buildings and land improvements *	1,314,767	-	-	1,314,767
Furniture, fixtures, and equipment	1,374,662	13,254	-	1,387,916
Subtotal	2,689,429	13,254	-	2,702,683
Accumulated depreciation:				
Buildings and improvements	340,612	59,464	(3,567)	396,509
Furniture, fixtures, and equipment	320,361	60,239	9,116	389,716
Subtotal	660,973	119,703	5,549	786,225
Net capital assets being depreciated	2,028,456	(106,449)	(5,549)	1,916,458
Net golf practice capital assets	2,720,357	(106,449)	(5,549)	2,608,359
Net business-type activity capital assets	\$ 48,865,677	\$ 650,458	\$ (355,391)	\$ 49,160,744

* Beginning balance has been adjusted for a prior period adjustment. See below.

** Disposals and adjustments column represents disposals as well as insignificant adjustments to balance the City's subsidiary records to the general ledger

Prior Period Adjustment - The City has adjusted net assets as of July 1, 2006 for the following:

	Golf Course	Land Preserve	Golf Practice	Business-type activities
Net Assets - July 1, 2006 - As previously reported	\$ 1,302,780	\$ 40,382,267	\$ 3,218,394	\$ 58,011,781
Adjustment to account for the disposal of certain capital assets in prior years which had not been reflected in the subsidiary records and the general ledger in prior years and to account for depreciation on certain land improvements	(91,129)	(10,876,942)	(262,943)	(11,231,014)
Net Assets - July 1, 2006 - As restated	\$ 1,211,651	\$ 29,505,325	\$ 2,955,451	\$ 46,780,767

Note 6 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 1,622,775
Public safety	166,072
Public works	184,906
Recreation and culture	<u>148,066</u>
Total governmental activities	<u>\$ 2,121,819</u>
Business-type activities:	
Water and sewer	\$ 1,380,226
Golf course	159,031
Land preserve	2,116,172
Golf practice	<u>119,703</u>
Total business-type activities	<u>\$ 3,775,132</u>

Construction Commitments - The City had no active construction projects at year end.

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the government. Other long-term obligations include capital lease obligations, compensated absences, claims and judgments, and certain risk liabilities.

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
General obligation bonds - 2003 Library Building						
Authority Refunding Bonds:						
Amount of issue - \$1,160,000	2.40% -					
Maturing through 2014	3.80%	\$ 965,000	\$ -	\$ (90,000)	\$ 875,000	\$ 95,000
General obligation bonds - 2004 Street Bonds:						
Amount of issue - \$7,600,000	2.00% -					
Maturing through 2014	3.125%	6,160,000	-	(710,000)	5,450,000	725,000
Compensated absences		671,619	386,083	(400,691)	657,011	66,000
Total governmental activities		7,796,619	386,083	(1,200,691)	6,982,011	886,000
Business-type activities:						
General obligation bonds:						
1993 General Obligation Limited Tax Bonds:						
Amount of issue - \$10,860,000						
Maturing through 2015	2.00%	5,388,538	-	(555,000)	4,833,538	565,000
2003 General Obligation Limited Tax Refunding Bonds:						
Amount of issue - \$1,295,000	2.50% -					
Maturing through 2015	3.60%	1,065,000	-	(110,000)	955,000	100,000
Capital lease obligations:						
Chase Equipment Leasing Debt						
Amount of issue - \$2,292,265						
Maturing through 2010	3.37%	1,749,884	-	(577,955)	1,171,929	597,698
Chase Equipment Leasing Debt						
Amount of issue - \$331,650						
Maturing through 2009	4.36%	331,650	-	(72,630)	259,020	82,610
Wells Fargo Equipment Leasing Debt						
Amount of issue - \$989,450						
Maturing through 2009	5.38%	-	989,450	(119,755)	869,695	249,260

City of Riverview, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Long-term Debt (Continued)

	Interest Rate Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities (Continued):						
County contractual agreements:						
Downriver Sewage Disposal System Bonds						
Series A Refunding Bonds:						
Amount of issue - \$328,862						
Maturing through 2013						
	Various	\$ 262,008	\$ -	\$ (27,840)	\$ 234,168	\$ 29,102
Downriver Sewage Disposal System Bonds Series B:						
Amount of issue - \$701,512						
Maturing through 2018						
	Various	542,325	-	(30,855)	511,470	32,256
State Revolving Fund Loan:						
Amount of issue - \$14,428,703						
Maturing through 2021						
	2.00% - 2.50%	11,167,661	-	(675,800)	10,491,861	695,030
City of Ecorse plant capacity obligation:						
Amount of issue - \$518,402						
Maturing through 2021						
	-	302,919	-	(26,674)	276,245	26,695
Total bonds and other contractual obligations						
		20,809,985	989,450	(2,196,509)	19,602,926	2,377,651
Other long-term obligations - Compensated absences						
		94,736	99,688	(141,952)	52,472	-
Total business-type activities						
		20,904,721	1,089,138	(2,338,461)	19,655,398	2,377,651
Total governmental and business-type activities						
		\$ 28,701,340	\$ 1,475,221	\$ (3,539,152)	\$ 26,637,409	\$ 3,263,651

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 820,000	\$ 163,465	\$ 983,465	\$ 2,377,651	\$ 485,165	\$ 2,862,816
2009	835,000	144,981	979,981	2,415,551	411,212	2,826,763
2010	860,000	123,875	983,875	1,968,534	342,939	2,311,473
2011	880,000	101,469	981,469	1,555,882	296,412	1,852,294
2012	905,000	77,191	982,191	1,601,995	260,229	1,862,224
2013-2017	2,025,000	72,529	2,097,529	6,745,679	678,053	7,423,732
2018-2022	-	-	-	2,937,634	149,210	3,086,844
Total	\$ 6,325,000	\$ 683,510	\$ 7,008,510	\$ 19,602,926	\$ 2,623,220	\$ 22,226,146

Note 8 - Commitments and Contingencies

State of Michigan Perpetual Care Fund - In October 1990, the City entered into an escrow agreement with the State of Michigan Department of Natural Resources to establish a perpetual care fund. This agreement requires that the City deposit into the perpetual care fund escrow account a fixed amount for every unit of solid waste disposed of in the Riverview Land Preserve. These funds, along with all earnings, interest, and profits, are to be used solely for payment of the costs of closure, monitoring, maintenance, or response activities at the facility necessary to protect public health, safety, and welfare or to protect the environment. The perpetual care fund is reported in the restricted assets of the Land Preserve Fund.

Lawsuits - There are several lawsuits pending against the City. The estimated liabilities associated with these lawsuits, if any, cannot be determined and management expects any settlements to be covered by the City's insurance; therefore, no liability has been recorded.

Commitments and Obligations - The City is a part of the Downriver Sewage Disposal System (DSDS). In fiscal year 2007, the DSDS expects to issue completion bonds and capital improvement bonds for which the City's portion will be \$1,421,841 and \$167,420, respectively.

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 June 30, 2007, \$1,785,000 of bonds outstanding is considered defeased.

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, participates in the Michigan Municipal League risk pool program for workers' compensation, and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool program for claims related to general and auto liability, auto physical damage, and property. The Authority 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 funds 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. Settled claims relating to commercial health insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

Note 10 - Retirement Plan

Plan Description

The City of Riverview Employees' Retirement System is a single-employer defined benefit pension plan that is administered by the City of Riverview; this plan covers all qualified general and police employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2006, the date of the most recent actuarial valuation, membership consisted of 79 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 82 current active employees. The plan does not issue a separate financial report.

Note 10 - Retirement Plan (Continued)

Annual Pension Costs

For the year ended June 30, 2007, the City was required to make a contribution to the pension plan of \$975,555, exclusive of \$246,240 of employee contributions, which was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2006, using the entry age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5 percent per year compounded annually, (c) additional projected salary increases ranging from 0 percent to 4 percent per year, depending on age, attributable to seniority/merit, and (d) no postretirement benefit increases. An inflation component of 5 percent is included in (b) above. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 17 years.

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 1 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 competitive bargaining units and requires a contribution from the employees of 5 percent. The funding policy provides for periodic employer contributions at actuarially determined rates.

Note 10 - Retirement Plan (Continued)

Reserve Balances

The reserves for the retirement systems at June 30, 2007 consist of the following:

Legally required reserves:	
Reserved for employee contributions	\$ 3,953,242
Reserved for retiree benefit payments	12,526,969
Additional reserves:	
Reserved for employer contributions	975,555
Reserved for undistributed income	6,129,143
Total	<u>\$ 23,584,909</u>

Three-year trend information as of June 30 follows:

	2005	2006	2007
Employees' Retirement System:			
Annual pension costs (APC)	\$ 610,663	\$ 801,016	\$ 975,555
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 11 - Other Postemployment Benefits

The City provides health care to all full-time employees upon retirement, in accordance with labor contracts. Currently, 68 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with some retired employee groups contributing a portion of the cost. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits were paid by the General Fund as the insurance premiums became due; during the year, this amounted to approximately \$629,000.

Note 11 - Other Postemployment Benefits (Continued)

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

Note 12 - 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:

- Clerical (AFSCME Local 1882) members hired on or after January 1, 2005
- Public works (AFSCME Local 1590) members hired on or after July 1, 2003

In a defined contribution plan, investments are managed by a third party, and investment decisions are made by the individual employees. As established by the City of Riverview through collective bargaining agreements for the employees listed above, the employee is ineligible for participation in the City’s retirement system. Instead, the employee has the option of enrolling in the defined contribution plan and receiving a matching contribution by the City. The employees’ contributions are limited to the maximum as per the IRS, with the City matching up to 5 percent of their qualified earnings.

The City’s contributions for each employee (plus interest allocated to the employee’s account) are fully vested after five years of service.

In addition, the City has had in place a separate plan for their administrators and tech/pros, in which the City contributes a percentage of the employee’s qualified earnings regardless of whether the employee contributes. The range of contributions is from 2.5 percent to 7.5 percent, and is based on years of service.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. In accordance with the requirements, the City expended \$97,186 during the current year.

Employees are permitted, but not required, to make contributions up to the maximum allowed by law. For the year ended June 30, 2007, employee contributions were \$197,331.

Required Supplemental Information

City of Riverview, Michigan

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Fund Balance - Beginning of year	\$ 523,287	\$ 523,287	\$ 523,287	\$ -
Revenues				
Property taxes	4,906,281	4,906,281	4,942,891	36,610
Federal sources	96,287	207,094	370,424	163,330
State sources	1,316,838	1,286,929	1,272,462	(14,467)
Charges to other funds	679,231	679,231	647,302	(31,929)
Investment income	100,000	100,000	101,629	1,629
Other revenues:				
Business licenses	135,688	135,688	99,653	(36,035)
Nonbusiness licenses and permits	103,500	103,500	93,193	(10,307)
Operating transfers in	2,326,098	2,326,098	1,892,927	(433,171)
Court fines (net of costs)	66,824	112,500	118,909	6,409
Recreation	171,322	180,420	132,615	(47,805)
Reimbursements	-	49,894	49,894	-
Ambulance fees	225,000	325,000	281,356	(43,644)
Miscellaneous	18,557	68,557	72,827	4,270
Total other revenues	<u>3,046,989</u>	<u>3,301,657</u>	<u>2,741,374</u>	<u>(560,283)</u>
Total revenues	10,145,626	10,481,192	10,076,082	(405,110)
Expenditures				
General government:				
City Council	57,601	57,601	47,508	10,093
City manager	267,882	264,218	264,860	(642)
Assessor and purchasing agent	235,250	233,775	212,939	20,836
Attorney	285,500	290,500	276,769	13,731
Clerk	304,361	305,737	236,353	69,384
Finance	350,546	367,149	335,531	31,618
Total general government	<u>1,501,140</u>	<u>1,518,980</u>	<u>1,373,960</u>	<u>145,020</u>
Public safety:				
Police	3,266,684	3,311,300	3,242,695	68,605
Fire	1,268,805	1,400,018	1,373,913	26,105
Total public safety	<u>4,535,489</u>	<u>4,711,318</u>	<u>4,616,608</u>	<u>94,710</u>
Public works:				
Department of Public Works	944,361	956,371	857,658	98,713
Building maintenance	453,249	464,371	412,077	52,294
City hall and ground	108,461	125,405	125,668	(263)
Engineering and building	270,110	262,460	221,997	40,463
Motor vehicle pool	404,970	405,320	384,404	20,916
Total public works	<u>2,181,151</u>	<u>2,213,927</u>	<u>2,001,804</u>	<u>212,123</u>

City of Riverview, Michigan

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

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
Expenditures (Continued)				
Community and Economic Development - Community development	\$ 144,698	\$ 170,547	\$ 128,987	\$ 41,560
Recreation and culture:				
Recreation	473,432	492,411	415,773	76,638
Pheasant Run pool	34,451	34,451	25,187	9,264
Parks	73,485	73,485	55,931	17,554
Total recreation and culture	581,368	600,347	496,891	103,456
Employee benefits and other:				
Employee benefits	810,294	921,957	927,532	(5,575)
Information technology	143,938	143,938	130,978	12,960
Insurance and bonds	247,548	247,548	210,989	36,559
Total employee benefits and other	1,201,780	1,313,443	1,269,499	43,944
Total expenditures	10,145,626	10,528,562	9,887,749	640,813
Excess of Revenues Over (Under) Expenditures	-	(47,370)	188,333	235,703
Fund Balance - End of year	\$ 523,287	\$ 475,917	\$ 711,620	\$ 235,703

City of Riverview, Michigan

	Major Streets			Variance with Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Fund Balance - Beginning of year	\$ 1,548,052	\$ 1,548,052	\$ 1,548,052	\$ -
Revenues				
Property taxes	-	-	-	-
Federal sources	-	-	42,917	42,917
State sources	483,383	483,383	452,796	(30,587)
Investment income	32,575	32,575	46,575	14,000
Transfers in	-	-	-	-
Total revenues	<u>515,958</u>	<u>515,958</u>	<u>542,288</u>	<u>26,330</u>
Expenditures				
Public works	316,811	353,138	196,401	156,737
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Transfers out	<u>174,091</u>	<u>174,091</u>	<u>159,586</u>	<u>14,505</u>
Total expenditures	<u>490,902</u>	<u>527,229</u>	<u>355,987</u>	<u>171,242</u>
Excess of Revenues Over (Under) Expenditures	<u>25,056</u>	<u>(11,271)</u>	<u>186,301</u>	<u>197,572</u>
Fund Balance - End of year	<u>\$ 1,573,108</u>	<u>\$ 1,536,781</u>	<u>\$ 1,734,353</u>	<u>\$ 197,572</u>

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

Local Streets			
Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
\$ 887,062	\$ 887,062	\$ 887,062	\$ -
285,229	285,229	286,496	1,267
-	-	-	-
243,914	243,914	226,714	(17,200)
67,165	67,165	30,715	(36,450)
<u>620,845</u>	<u>945,697</u>	<u>938,051</u>	<u>(7,646)</u>
<u>1,217,153</u>	<u>1,542,005</u>	<u>1,481,976</u>	<u>(60,029)</u>
356,765	1,364,021	1,145,494	218,527
710,000	710,000	710,000	-
150,388	150,388	150,388	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,217,153</u>	<u>2,224,409</u>	<u>2,005,882</u>	<u>218,527</u>
<u>-</u>	<u>(682,404)</u>	<u>(523,906)</u>	<u>158,498</u>
<u>\$ 887,062</u>	<u>\$ 204,658</u>	<u>\$ 363,156</u>	<u>\$ 158,498</u>

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions June 30, 2007

The schedule of funding progress is as follows:

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
06/30/01	\$ 22,328,838	\$ 20,427,736	\$ (1,901,102)	109.3	\$ 4,754,414	-
06/30/02	21,549,980	21,301,907	(248,073)	101.2	4,976,624	-
06/30/03	21,077,951	22,297,515	1,219,564	94.5	5,025,115	24.3
06/30/04	21,885,428	23,292,715	1,407,287	94.0	5,064,717	27.8
06/30/05	21,807,937	24,972,621	3,164,684	87.3	5,292,595	59.8
06/30/06	21,611,224	26,358,737	4,747,513	82.0	4,866,039	97.6

City of Riverview, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress and Employer Contributions (Continued) June 30, 2007

The schedule of employer contributions is as follows:

Year Ended June 30	Annual Required Contribution	Percentage Contributed
2002	\$ 43,016	100
2003	433,341	100
2004	552,179	100
2005	610,663	100
2006	801,016	100
2007	975,555	100

Additional information as of June 30, 2006, the latest actuarial valuation date, follows:

Actuarial cost method	Entry age
Amortization method	Level percent of pay, closed (police) Level dollar, closed (general)
Remaining amortization period	17 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases*	5%-9%
Cost of living adjustments	None

City of Riverview, Michigan

Note to Required Supplemental Information June 30, 2007

Note - 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		Major Special Revenue Funds			
	Total Revenue	Total Expenditures	Major Streets		Local Streets	
			Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 8,183,155	\$ 9,887,749	\$ 542,288	\$ 196,401	\$ 543,925	\$ 2,005,882
Operating transfers budgeted as revenue and expenditures	<u>1,892,927</u>	<u>-</u>	<u>-</u>	<u>159,586</u>	<u>938,051</u>	<u>-</u>
Amounts per budget statement	<u>\$ 10,076,082</u>	<u>\$ 9,887,749</u>	<u>\$ 542,288</u>	<u>\$ 355,987</u>	<u>\$ 1,481,976</u>	<u>\$ 2,005,882</u>

Other Supplemental Information

City of Riverview, Michigan

	Nonmajor Special Revenue Funds			
	Community Development			
	Block Grant	Rubbish	Cable TV	Library
Assets				
Cash and investments	\$ 73,357	\$ 123,279	\$ 445,595	\$ 288,987
Receivables:				
Property taxes	-	-	-	29,853
Other	-	-	806	17,450
Due from other funds	50,644	-	-	-
Due from other governmental units	50,423	-	-	5,225
Total assets	<u>\$ 174,424</u>	<u>\$ 123,279</u>	<u>\$ 446,401</u>	<u>\$ 341,515</u>
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 20,871	\$ 72,649	\$ 5,725	\$ 7,502
Due to other funds	34,020	-	6,250	-
Accrued and other liabilities	-	-	4,610	11,611
Deferred revenue	106,583	-	-	-
Total liabilities	161,474	72,649	16,585	19,113
Fund Balances - Unreserved	<u>12,950</u>	<u>50,630</u>	<u>429,816</u>	<u>322,402</u>
Total liabilities and fund balances	<u>\$ 174,424</u>	<u>\$ 123,279</u>	<u>\$ 446,401</u>	<u>\$ 341,515</u>

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

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds			Total Nonmajor Governmental Funds
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	
\$ 50,858	\$ 139,576	\$ 13,463	\$ 1,341,767	\$ 16,398	\$ 2,493,280
532	-	-	-	-	30,385
-	-	-	-	-	18,256
-	-	-	-	-	50,644
-	-	-	19,375	-	75,023
<u>\$ 51,390</u>	<u>\$ 139,576</u>	<u>\$ 13,463</u>	<u>\$ 1,361,142</u>	<u>\$ 16,398</u>	<u>\$ 2,667,588</u>
\$ -	\$ -	\$ -	\$ 10,785	\$ -	\$ 117,532
-	-	-	-	-	40,270
-	-	-	-	-	16,221
-	-	-	-	-	106,583
-	-	-	10,785	-	280,606
51,390	139,576	13,463	1,350,357	16,398	2,386,982
<u>\$ 51,390</u>	<u>\$ 139,576</u>	<u>\$ 13,463</u>	<u>\$ 1,361,142</u>	<u>\$ 16,398</u>	<u>\$ 2,667,588</u>

City of Riverview, Michigan

	Nonmajor Special Revenue Funds			
	Community Development Block Grant	Rubbish	Cable TV	Library
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ 477,493
Federal sources	90,185	-	-	-
State sources	-	-	-	10,000
Investment income	-	-	13,168	13,185
Other	-	1,925	250,495	49,347
Total revenue	90,185	1,925	263,663	550,025
Expenditures				
General government	-	-	147,868	-
Public works	-	394,196	-	-
Community and economic development	103,218	-	-	-
Recreation and culture	-	-	-	419,271
Debt service:				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	103,218	394,196	147,868	419,271
Excess of Revenue Over (Under) Expenditures	(13,033)	(392,271)	115,795	130,754
Other Financing Sources (Uses)				
Operating transfers in	-	392,275	-	-
Operating transfers out	(8,900)	-	(84,000)	(119,993)
Total other financing sources (uses)	(8,900)	392,275	(84,000)	(119,993)
Net Change in Fund Balances	(21,933)	4	31,795	10,761
Fund Balances - Beginning of year	34,883	50,626	398,021	311,641
Fund Balances - End of year	<u>\$ 12,950</u>	<u>\$ 50,630</u>	<u>\$ 429,816</u>	<u>\$ 322,402</u>

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

Nonmajor Debt Service Funds		Nonmajor Capital Projects Funds				
General Obligation	Building Authority	Parks and Recreation Construction	Capital Improvements and Equipment	Development Revolving	Total Nonmajor Governmental Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 477,493	
-	-	-	-	-	90,185	
-	-	-	-	-	10,000	
1,974	1,305	480	50,603	17	80,732	
-	-	-	118,978	-	420,745	
1,974	1,305	480	169,581	17	1,079,155	
-	225	-	-	-	148,093	
-	-	-	262,183	-	656,379	
-	-	-	-	-	103,218	
-	-	-	-	-	419,271	
-	90,000	-	-	-	90,000	
-	29,718	-	-	-	29,718	
-	119,943	-	262,183	-	1,446,679	
1,974	(118,638)	480	(92,602)	17	(367,524)	
-	119,993	-	246,387	-	758,655	
-	-	-	-	-	(212,893)	
-	119,993	-	246,387	-	545,762	
1,974	1,355	480	153,785	17	178,238	
49,416	138,221	12,983	1,196,572	16,381	2,208,744	
\$ 51,390	\$ 139,576	\$ 13,463	\$ 1,350,357	\$ 16,398	\$ 2,386,982	

City of Riverview, Michigan

NOTE: HAVE TO LEAVE THIS PAGE IN FOR PAGINATION PURPOSES; IF THIS PAGE IS REMOVED, CANNOT GET THE HEADER ON THE NEXT PAGE!!!!

City of Riverview, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Fiduciary Funds June 30, 2007

	Agency Funds		
	Special Tax	Inspection	Total
Assets			
Cash and investments	\$ 72,625	\$ 84,281	\$ 156,906
Taxes receivable	<u>610,723</u>	<u>-</u>	<u>610,723</u>
Total assets	<u>\$ 683,348</u>	<u>\$ 84,281</u>	<u>\$ 767,629</u>
Liabilities			
Escrow	\$ -	\$ 84,281	\$ 84,281
Due to other governmental units	<u>683,348</u>	<u>-</u>	<u>683,348</u>
Total liabilities	<u>\$ 683,348</u>	<u>\$ 84,281</u>	<u>\$ 767,629</u>

December 6, 2007

To the Honorable Mayor and
Members of the City Council
City of Riverview
14100 Civic Park Drive
Riverview, MI 48192

Dear Mayor and Council Members:

We recently completed the audit of the basic financial statements of the City of Riverview, Michigan (the "City") for the year ended June 30, 2007. In addition to the audit report, we offer the following comments and recommendations for your review and consideration.

Overview of City Finances

The fund balance of the General Fund increased by approximately \$188,000 during the year, bringing the fund balance to \$711,620. However, it is important to note that the increase in the General Fund was due mainly to an audit adjustment that was recorded in the current fiscal year to correctly account for drug forfeiture revenues. These drug forfeiture funds are legally reserved in the General Fund and are not available for everyday City expenditures. Also, the current level of fund balance was achieved as a result of transferring approximately \$1,825,000 from the Landfill Preserve Fund. The unreserved, undesignated portion of General Fund fund balance represents only 3.6 percent of General Fund expenditures. We typically suggest a fund balance of between 10 percent to 20 percent of expenditures to guard against budget shortfalls and to ensure appropriate cash flow. As noted last year, the City will most likely continue to experience pressure on its fund balance for the following reasons:

- Property tax limitations impacting mature communities
- State-shared revenue decreases
- Limitations on other types of fees
- Larger pension contributions
- Increases in healthcare costs
- Required prefunding of retiree health care

During our audit, we also noted that the Water and Sewer Fund continues to operate at a net loss. The net operating loss in the current year was \$927,000, net of \$1,380,000 of depreciation expense. The loss is greater than the loss incurred in the prior year, which was \$601,000. This loss is based strictly on operating expenses in excess of operating revenues. We encourage the City to examine water and sewer rates in order to cover operating expenses to reduce the gap between operating revenues and expenses in this fund.

In addition, the land preserve experienced a net decrease in net assets of approximately \$3,600,000, or more than 12 percent, due to an increase in the postclosure liability of \$5,140,000. We encourage the City to continue to study the long-term financial impact of the landfill.

Statement on Auditing Standards No. 112

New auditing rules effective December 31, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we 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 financial statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a "significant deficiency."

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

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

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

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

- **Drug Forfeitures** - During the audit, we noted that the City does have a procedure in place to track drug forfeiture funds by recording the net activity in a liability account. In accordance with generally accepted accounting principles, these funds should be recorded as a revenue when received and as expenditures when subsequently spent. As a result, an audit entry was proposed by Plante & Moran, PLLC and posted by the City. Prior to the recording of this entry, revenue and expenses were understated and liabilities were overstated in the General Fund. We recommend that the City consider moving this activity into a separate Drug Law Enforcement Fund. This recommendation is supported by the State in numbered Letter 1999-5 Drug Forfeiture Funds that indicates the State of Michigan would prefer that funds for property seized under MCL 333.7521 through 333.7524a be accounted for in a separate fund, Fund 265 - Drug Law Enforcement Fund. Also, with the expected increase in federal expenditures in fiscal year 2008 and beyond and the potential for the amount of those dollars to result in an audit of the City's federal awards, accounting for these funds in a separate Special Revenue Fund would allow for more accurate accounting of these federal funds.

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. We believe that the following deficiencies constitute as material weaknesses:

- **DynaGrind Lawsuit** - In the prior year, the City recorded a liability for a \$1.6 million lawsuit with DynaGrind. In the current year, when the settlement was paid, the liability was not reversed. As a result, an audit entry was proposed by Plante & Moran, PLLC and posted by the City. Prior to the recording of this entry, expenses and liabilities were overstated in the Land Preserve Fund. The City does not have an adequate system in place to ensure the proper recording of nonroutine liabilities.
- **Capital Assets** - In the current year, the City's staff undertook the large task of updating its capital asset listings. During Plante & Moran, PLLC's review of these listings, we noted that land improvements were not being depreciated. After discussion with the City, an audit entry was proposed and posted by the City to adjust beginning fund balance and accumulated depreciation in the Golf Practice and Land Preserve Funds. The City should continue to review its depreciation schedules every year to ensure the appropriate depreciation is being calculated.

In addition to the above, we have identified additional matters that we would like to communicate as a result of our audit. These matters are not considered to be significant deficiencies or material weaknesses.

- **Investments** - During testing of investments, we noted the City currently records changes to investment values only at year end. Investment activity should be recorded at least on a quarterly basis to allow for proper and timely maintenance of investment accounts and more accurate accounting records during the year.
- **CDBG Reconciliation** - The City's finance department is in the process of completely reconciling all grant activity related to CDBG. Although the dollars are not material, we encourage the City to ensure it is reconciling this fund at least quarterly. This will become increasingly important as the City continues to receive additional federal funds and may be subject to an annual federal awards audit in upcoming years.
- **State Construction Code Act** - Construction code expenses continue to exceed revenues generated in the current year. In the current year, the cumulative shortfall has increased from \$978,711 at July 30, 2006 to \$1,129,715 at June 30, 2007. The City should consider reviewing its building permit fees structure to ensure it is appropriately charging users for the cost of running that department. The City should consider increasing its building fees to match the increasing costs or look for ways to cut expenses related to this service.

State-shared Revenue

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent - raising more than \$750 million) and to enact a new 6 percent tax on certain services (raising approximately \$700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. The outcome of other matters will also impact revenue sharing and those matters include the following:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties 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 Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond. However, given that revenue sharing to communities was included in the continuation budget, it appears that revenue sharing will continue at least through September 2008.
- **Changes to Michigan's Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007, which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State's fiscal year 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State. The following is a history of revenue sharing for the City:

City Fiscal Year Ended June 30	Statutory Revenue Sharing	Constitutional Revenue Sharing	Total Revenue Sharing Received	Cumulative Change in Revenue Sharing from 2002
2002	\$ 681,000	\$ 870,000	\$ 1,551,000	\$ -
2003	597,000	885,000	1,482,000	(69,000)
2004	457,000	875,000	1,332,000	(288,000)
2005	422,000	897,000	1,319,000	(520,000)
2006	392,000	911,000	1,303,000	(768,000)
2007	372,000	892,000	1,264,000	(1,055,000)

We will continue to update the City as developments occur.

New Auditing Standards

Major and comprehensive changes were recently made to auditing rules that will impact the City's audits beginning next year. These new auditing standards require significant changes in how audits are done and how the results of the auditor's work are communicated to clients, bringing auditing rules governmental units into closer alignment with the standards imposed on audits of public companies under Sarbanes-Oxley.

These new rules, which are known collectively as the Risk Assessment Standards, require auditors to:

- More thoroughly examine and evaluate clients' accounting processes and controls, including the overall control environment, key controls over significant transactions, and the quality of internal oversight of the financial reporting process
- More thoroughly assess and document conditions in clients' systems and processes that create oversight of the financial reporting process 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, auditors will need to make more detailed and specific requests for information from clients, particularly about processes and controls, and clients will need to do more work to be well prepared for their audits. The new rules also will require increased audit testing and more thorough auditing procedures, and will increase the amount of related documentation that auditors must prepare and maintain.

Plante & Moran, PLLC began analyzing these new standards and incorporating the necessary changes into our audit process and tools more than a year ago. It is clear that the new rules will require us to perform more audit procedures than we have in the past. Our firm has invested heavily to implement our new audit methodology and train our staff on these changes and will continue to do so over the next several months. Our goal is to have our staff trained and working with our clients to prepare for the transition to these new rules well in advance of the required implementation date.

As we move forward, we will be communicating more specifically about how these matters will affect the City's next financial statement audit. In addition, we plan to begin to work with the City's staff during the upcoming year in a number of areas, including review and documentation of internal accounting procedures and controls, to ensure a smooth transition to these new standards.

The primary objective of these new rules is to strengthen and enhance the independent audit of financial statements, including more thorough evaluation and information about the City's internal accounting and financial reporting processes and controls. We believe that these new rules, and the additional communications the board will receive from us about the results of our audit work, will enhance the value received from the financial statement audit.

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

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December 6, 2007

We would like to thank the mayor and 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. If there are any questions about your financial report or the above comments and recommendations, we would be happy to discuss them at your convenience.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Beth Bialy". The signature is written in a cursive, flowing style.

Beth A. Bialy

A handwritten signature in black ink that reads "Pamela L. Hill". The signature is written in a cursive, flowing style.

Pamela L. Hill