

Auditing Procedures Report

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

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Saginaw	County Saginaw
Fiscal Year End June 30, 2007	Opinion Date December 21, 2007	Date Audit Report Submitted to State December 26, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

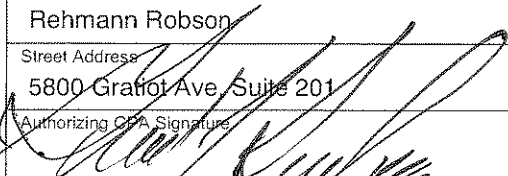
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

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

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

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

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)
Financial Statements	<input checked="" type="checkbox"/>	
The letter of Comments and Recommendations	<input type="checkbox"/>	To be forwarded
Other (Describe)	<input type="checkbox"/>	

Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number 989 799-9580	
Street Address 5800 Grafot Ave, Suite 201		City Saginaw	State Zip MI 48605
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA	License Number 1101007126



Michigan

Annual Financial Report

**For the Fiscal Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

ANNUAL FINANCIAL REPORT
OF THE
CITY OF SAGINAW, MICHIGAN

For the Fiscal Year Ended June 30, 2007
As Prepared by the Fiscal Services Department

CITY COUNCIL

Carol B. Cottrell, Mayor
Wilmer J. Ham
Greg Branch
Larry Coulouris
William Federspiel
Willie Haynes
Amanda Kitterman-Miller
Amos O'Neal
Andrew Wendt

CITY MANAGER

Darnell Earley

DEPARTMENT OF FISCAL SERVICES

Dale Stanton
Finance Director / City Treasurer

CONTROLLER DIVISION

Patricia Mindykowski
City Controller

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FINANCIAL



REHMANN ROBSON

Certified Public Accountants

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An Independent Member of Baker Tilly International

INDEPENDENT AUDITORS' REPORT

December 21, 2007

Honorable Mayor and
Members of City Council
City of Saginaw
Saginaw, Michigan 48601

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Saginaw, 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 Saginaw, Michigan's*** management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

As described in Note IV.H., the City has retroactively reported major general infrastructure assets, as allowed by the provisions of GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, as amended and interpreted, as of June 30, 2007.

In accordance with *Government Auditing Standards*, we have also separately issued our report dated December 21, 2007, on our consideration of the *City of Saginaw, Michigan's* internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis as listed on pages 3 through 10 in the table of contents and the Pension Analysis of Funding Progress on page 61 are not required parts of the basic financial statements but is supplementary 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 supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the *City of Saginaw, Michigan's* basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.

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

CITY OF SAGINAW, MICHIGAN
MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the **City of Saginaw, Michigan**, we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the accompanying basic financial statements.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net assets* presents information on all of the City's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected special assessments and accrued interest expense).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, public safety, general services, and community and economic development. The business-type activities of the City include the Water services, Sewer services, and the Parking System operations.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also a Tax Increment Finance Authority, Downtown Development Authority, Economic Development Corporation, Local Development Finance Authority, and a Brownfield Redevelopment Authority. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains 20 individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General Fund and Community Development Fund, both of which are considered to be major funds.

Data from the other 18 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 13-21 of this report.

Proprietary funds. The City maintains two different types of proprietary funds: enterprise funds and internal service funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its Water, Sewer, and Parking services operations. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City of Saginaw uses internal service funds to account for its Information Systems operations, Radio Revolving activities, Mailing Services, Motor Pool operations, Risk Management program, and Employee Benefits.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Water Fund, and Sewer Fund, each of which are considered to be major funds. Data from the other proprietary funds are combined and presented separately. Individual fund data for each of these nonmajor enterprise funds and internal service funds are provided in the form of *combining statements* elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 22-25 of this report.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 26-27 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 30-60 of this report.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information*. This includes the combining and individual fund financial statements and schedules. Combining and individual fund statements and schedules can be found on pages 62-100 of this report.

Government-wide Financial Analysis

Net assets: The City of Saginaw has combined net assets of \$159,458,236. Business type activities comprise \$101,683,555 and governmental activities make up \$57,774,681 of the total net assets. The table below shows, in a condensed format, a comparison of the net assets as for the current date to the prior year.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Current and other assets	\$ 24,895,865	\$ 21,556,050	\$ 32,006,330	\$ 32,868,786	\$ 56,902,195	\$ 54,424,836
Capital assets	47,173,678	34,177,523	123,377,193	121,965,009	170,550,871	156,142,532
Total assets	<u>72,069,543</u>	<u>55,733,573</u>	<u>155,383,523</u>	<u>154,833,795</u>	<u>227,453,066</u>	<u>210,567,368</u>
Current liabilities	4,360,330	4,250,865	5,026,620	3,324,372	9,386,950	7,575,237
Long-term liabilities	9,934,532	10,199,302	48,673,348	53,325,686	58,607,880	63,524,988
Total liabilities	<u>14,294,862</u>	<u>14,450,167</u>	<u>53,699,968</u>	<u>56,650,058</u>	<u>67,994,830</u>	<u>71,100,225</u>
Net assets:						
Invested in capital assets, net of related Debt	45,625,909	32,184,625	75,854,872	69,779,191	121,480,781	101,963,816
Restricted	3,308,444	3,141,661	8,616,819	7,550,734	11,925,263	10,692,395
Unrestricted	<u>8,840,328</u>	<u>5,957,120</u>	<u>17,211,864</u>	<u>20,853,812</u>	<u>26,052,192</u>	<u>26,810,932</u>
Total net assets	<u>\$ 57,774,681</u>	<u>\$ 41,283,406</u>	<u>\$ 101,683,555</u>	<u>\$ 98,183,737</u>	<u>\$ 159,458,236</u>	<u>\$ 139,467,143</u>

Net assets increased by \$19,656,341 during the year. The primary cause of the change is due to an increase related to the reporting of infrastructure assets as prescribed by GASB 34.

Change in net assets: Information in the following table is extracted from the Statement of Activities, and shows the revenue and expense components of changes in net assets for the year ended June 30, 2007.

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Revenues:						
Program revenues:						
Charges for services	\$ 7,549,861	\$ 5,870,294	\$ 31,101,822	\$ 31,003,865	\$ 38,651,683	\$ 36,874,159
Operating grants and Contributions	10,162,202	10,007,712	-	-	10,162,202	10,007,712
Capital grants and Contributions	64,815	407,721	2,506,790	240,382	2,571,605	648,103
General revenues:						
Property taxes	9,927,518	6,375,531	-	-	9,927,518	6,375,531
Income taxes	13,526,132	13,549,513	-	-	13,526,132	13,549,513
Grants and contribution not restricted to specific programs	9,885,030	10,167,880	-	-	9,885,030	10,167,880
Unrestricted investment earnings	783,619	641,208	351,193	222,223	1,134,812	863,431
Miscellaneous	83,147	145,890	-	4,080	83,147	149,970
Gain (loss) on disposal of capital assets	43,995	(4,517)	-	-	43,995	(4,517)
Total revenues	<u>52,026,319</u>	<u>47,161,232</u>	<u>33,959,805</u>	<u>31,470,550</u>	<u>85,986,124</u>	<u>78,631,782</u>
Expenses:						
General government	6,602,243	6,231,068	-	-	6,602,243	6,231,068
Public safety	25,320,789	23,553,581	-	-	25,320,789	23,553,581
Highway/streets	7,368,662	6,044,300	-	-	7,368,662	6,044,300
Garbage, rubbish and Recycling	3,548,904	3,188,863	-	-	3,548,904	3,188,863
Other general services	3,000,796	2,944,612	-	-	3,000,796	2,944,612
Community services	1,401,210	1,135,891	-	-	1,401,210	1,135,891
Contributions to other Organizations	1,000	5,000	-	-	1,000	5,000
Demolitions	596,512	733,634	-	-	596,512	733,634
Economic development	3,263,095	3,205,416	-	-	3,263,095	3,205,416
Interest on long-term Debt	66,425	107,231	-	-	66,425	107,231
Water	-	-	11,637,124	10,532,120	11,637,124	10,532,120
Sewer	-	-	17,203,229	16,138,058	17,203,229	16,138,058
Parking	-	-	358,957	392,963	358,957	392,963
Wave pool	-	-	926,810	141,771	926,810	141,771
Total expenses	<u>51,169,636</u>	<u>47,149,596</u>	<u>30,126,120</u>	<u>27,204,912</u>	<u>81,295,756</u>	<u>74,354,508</u>
Transfers	-	(21,034)	-	21,034	-	-
Increase (decrease) in net assets	856,683	(9,398)	3,833,685	4,286,672	4,690,368	4,277,274
Net assets, beginning	56,917,998	41,292,804	97,849,870	93,897,065	154,767,868	135,189,869
Total net assets	<u>\$ 57,774,681</u>	<u>\$ 41,283,406</u>	<u>\$ 101,683,555</u>	<u>\$ 98,183,737</u>	<u>\$ 159,458,236</u>	<u>\$ 139,467,143</u>

Governmental Activities

General revenues for governmental activities totaled approximately \$34 million for the year ended June 30, 2007. A total of approximately \$9.9 million was in the form of property tax collections and related revenues that reflected a decrease in the tax rate for general operations from 5.4185 (\$5.4185 per \$1,000 of taxable value) to 5.2598 mills, and a 0.48% increase in the overall taxable value of property located within the City. In addition, there was a new public safety millage (6.0000 mills) collected in the year ended June 30, 2007. Income tax generated approximately \$13.5 million from residents and non-residents who live or work in the City respectively. Intergovernmental revenues, in the form of state shared revenues, continue to be of concern. While they provided \$9.9 million, it is uncertain what will happen in the next several years, given the State of Michigan's financial difficulties.

Business-type Activities

Business-type activities operated by the City include the water and sewer system, and parking system. Program revenues from business-type activities were approximately \$33.6 million. Significant items include sewer service - \$18.2 million, water supply - \$15.1 million, parking - \$309 thousand.

Raw water from Lake Huron is provided via the Saginaw-Midland Municipal Water Supply Corporation, a joint venture between the City of Saginaw and the City of Midland. The SMMWSC pipeline supplies the City's water treatment plant as well as Midland's large industrial customers. The City owns and operates its own sanitary sewer collection and treatment system. In accordance with regulations promulgated by the Michigan Department of Environmental Quality, the sewer treatment system is operated by the City of Saginaw. The City also owns and operates several parking surface lots and a parking ramp.

Current Economic Events

As of the date of this analysis, several issues are worth noting in evaluating the financial condition of the City of Saginaw.

Property Tax Cap: In 1979, the citizens of Saginaw froze the maximum dollar levy to that of the previous year, which stands to date at \$3,828,788. Therefore the corporate millage rate must be adjusted annually with each change in taxable value to ensure adherence to the imposed dollar levy cap or 7.5 mills, whichever is lower.

Renaissance Zones: Development in Renaissance Zones has increased and allows for residents of the zone to be assessed immaterial property taxes, and no local or state income taxes. Businesses located in the Renaissance Zone are exempt from local and state corporate taxes. Recent medical activity in zones has resulted in job movement from inside and outside of the City into the zones. Property ownership and tax filing status may impact income taxes because some of the higher paying jobs may be exempt from income taxes.

Economic growth: The City continues to experience moderate economic growth. The Saginaw Housing Commission and Habitat for Humanity continue to provide scattered public housing and building blitz within the City of Saginaw.

Future State of Michigan Public Act 425 Agreements or corresponding service agreements are being negotiated with other communities as they increase business and residential development. These agreements will provide a direct revenue flow to the General Fund. The most promising 425 Agreement revenue stream is local income tax.

Local income tax: The City of Saginaw receives 40.1% of its General Fund revenue from local income tax. Economic conditions continue to have a negative impact on this revenue source. For the 2007-2008 budget, the revenue from income taxes is expected to remain steady.

State shared revenues: The City of Saginaw receives 29.1% of its General Fund revenue from state revenue sharing. The State of Michigan is experiencing significant budget problems, which it is attempting to partially remedy by cutting payments to shared sales tax revenues to local units of government. The City's 2007-2008 budgeted State shared revenue was expected to remain approximately the same. It is our belief that any additional and continued cuts in state shared revenue will severely impact the City's ability to provide services.

Financial Analysis of City Funds and Budgets

The General Fund ended 2006-2007 with a fund balance of \$7.7 million, of which the following amounts were unreserved but designated:

- \$2.2 million for budget stabilization
- \$0.3 million for parking funds deficit

Of the remaining \$5,130,012 of fund balance, \$1,540 is reserved for encumbrances, \$43,000 is reserved long-term advances and \$500,000 is designated for use in the 2007-2008 fiscal year. The unreserved, undesignated fund balance is \$4,585,472 as of June 30, 2007. The budget stabilization reserve and the unreserved and undesignated amount (\$6,804,729) represented 21.77% of the June 30, 2007 General Fund expenditures and other financing uses. That same number represents 20.45% of the fiscal year 2007-2008 budget (prior to 2007-2008 budget amendments).

Several factors affected General Fund operating results:

- Local income tax collections held steady for the year due to collection efforts
- State shared revenue was down by \$286,907 due to the State reductions
- Investment income was up by \$97,654 due to higher yields
- The passage of a public safety millage helped avert service reductions

The General Fund budget is amended throughout the year, and resulted in \$2,950,167 in revenues over expenditures. Revenues were \$990,031 over budget while expenditures were \$2,682,129 under budget. All of the City's seven (7) collective bargaining units did not have ratified agreements in place as of the end of the fiscal year ending June 30, 2007.

The Local Streets fund continues to struggle with a minimal fund balance for the fourth time in over 16 years, approximately \$23,000.

The Rubbish Fund has a June 30, 2007 fund balance of \$621,275.

Paid Time Off (PTO) Liability Fund had a fund balance of \$0.3 million and \$0.3 million as of June 30, 2007 and June 30, 2006, respectively. The projected unfunded liability was approximately \$5 million as of June 30, 2007 and June 30, 2006. The PTO liability is less than 5% funded.

The City's June 30, 2001 \$115 million in unfunded health care liability impacts all funds. Prior to the 2003-2004 fiscal year, General Fund was the single contributing fund to this liability. After receiving the June 30, 2001 actuary report, other funds are budgeted to contribute. A plan to fund 50% of the \$115 million liability is being developed and requires a \$400,000, annual contribution to the Public Employee Healthcare fund.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business-type activities as of June 30, 2007 amounted to \$170,550,871 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, land improvements, buildings, leasehold improvements, machinery and equipment, office furniture and fixtures, and vehicles.

The total increase in the City's investment in capital assets for the current fiscal year was 3.3 percent (a 6.6 percent increase for governmental activities and a 1.9 percent decrease for business-type activities).

Major capital asset events during the current fiscal year included the following

- Wastewater Treatment Plant improvement project, Phase B – approximately \$650,000
- Johnson Street construction project – approximately \$150,000
- Hemlock Semi-Conductor/Gratiot Road construction project – approximately \$3.7 million
- Hoyt Street construction project – approximately \$800,000

Additional information on the City's capital assets can be found on pages 41-43 of this report.

Long Term Debt

At the end of the current fiscal year, the City of Saginaw had total bonded debt outstanding of \$47.8 million in principal and \$5.8 million in interest. Of this amount, \$1.4 million in principal comprises debt backed by the full faith and credit of the government. The remainder of the City of Saginaw's debt represents bonds secured solely by specified revenue sources (i.e. revenue bonds).

City of Saginaw's Outstanding Debt General Obligation and Revenue Bonds

	Governmental		Business-type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
General obligation bonds	\$347,769	\$28,380	\$ 1,050,000	\$ 513,681	\$ 1,397,769	\$ 542,061
Revenue Bonds	-	-	46,444,794	5,272,205	46,444,794	5,272,205
Total	\$347,769	\$28,380	\$47,494,794	\$5,785,886	\$47,842,563	\$ 5,814,266

The City's total debt decreased by \$4,835,685 (9.2 percent) during the fiscal year.

The City maintains an "A-" bond rating with Standard & Poor's for its general obligation debt.

State statutes (Article 7, Section II, Michigan Constitution of 1963) limit the amount of general obligation debt a governmental entity may issue to 10 percent of its total state equalized valuation. The current debt limitation for the City is \$79,573,438, which is significantly higher than the City's outstanding general obligation debt.

Additional information on the City's long-term debt can be found on pages 45-48 of this report

Economic Factors and Next Year's Budget

The following factors were considered in preparing the City's budget for the 2008 fiscal year:

Union contracts – As of June 30, 2007, the City of Saginaw had seven expired collective bargaining agreements. No wage increase was built into the 2007-08 budget for City employees.

Public Safety millage – In May 2007, the City passed a Public Safety millage. This millage allowed the City to retain 46 public safety officers (26 police and 20 firefighters) that would have otherwise been laid off. It also allowed the City to bring back five additional police officers that had been laid off at that time. The millage is accounted for in a Public Safety Fund, where wage and wage-related costs such as health insurance, disability insurance, and employer taxes are tracked for the 51 public safety officers covered by the millage.

Contacting the City of Saginaw

This report is intended to aid our residents and other interested parties in understanding the City of Saginaw's financial condition. Questions and comments should be directed to the Fiscal Services Department at the Saginaw City Hall, 1315 South Washington Avenue, Saginaw, Michigan 48601. Fiscal Services staff can be reached at 989-759-1443 or at saginaw-mi@domino.com.

**BASIC
FINANCIAL
STATEMENTS**

CITY OF SAGINAW
STATEMENT OF NET ASSETS
June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 5,497,034	\$ 7,740,897	\$ 13,237,931	\$ 4,378,608
Investments	2,914,159	3,993,233	6,907,392	-
Receivables	11,440,720	8,317,860	19,758,580	1,305,371
Internal balances	(305,843)	305,843	-	-
Prepaid items and other assets	37,616	-	37,616	33,182
Inventory	553,555	701,067	1,254,622	-
Other assets	-	9,157,057	9,157,057	-
Restricted cash and cash equivalents	2,426,018	1,790,373	4,216,391	-
Restricted investments	2,332,606	-	2,332,606	-
Nondepreciable capital assets	14,939,657	11,670,503	26,610,160	-
Depreciable capital assets, net	32,234,021	111,706,690	143,940,711	-
TOTAL ASSETS	72,069,543	155,383,523	227,453,066	5,717,161
LIABILITIES				
Accounts payable and accrued expenses	3,299,885	4,484,579	7,784,464	92,852
Unearned revenue	1,060,445	542,041	1,602,486	-
Noncurrent liabilities:				
Due within one year	2,078,510	6,532,439	8,610,949	-
Due in more than one year	7,856,022	42,140,909	49,996,931	-
TOTAL LIABILITIES	14,294,862	53,699,968	67,994,830	92,852
NET ASSETS				
Invested in capital assets, net of related debt	45,625,909	75,854,872	121,480,781	-
Restricted for:				
Capital projects	101,466	-	101,466	-
Endowments:				
Expendable	219,592	-	219,592	-
Nonexpendable	2,332,606	-	2,332,606	-
Specific projects	654,780	-	654,780	-
Bond and interest redemption	-	1,227,910	1,227,910	-
Operation and maintenance	-	765,579	765,579	-
Repairs and replacements	-	1,760,843	1,760,843	-
Surplus fund	-	4,330,833	4,330,833	-
Bond construction projects	-	531,654	531,654	-
Unrestricted	8,840,328	17,211,864	26,052,192	5,624,309
TOTAL NET ASSETS	\$ 57,774,681	\$ 101,683,555	\$ 159,458,236	\$ 5,624,309

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

CITY OF SAGINAW
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007

Functions / Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government:					
Other general government	\$ 4,270,024	\$ 1,077,317	\$ 283,632	\$ -	\$ (2,909,075)
Administration:					
Fiscal services	2,332,219	2,351,376	-	-	19,157
Public safety:					
Fire protection	10,264,921	2,985	-	-	(10,261,936)
Police protection	14,376,212	195,447	228,126	-	(13,952,639)
Police grants	679,656	6,225	280,111	-	(393,320)
Other public safety	-	57,453	110,439	-	167,892
General services:					
Highways and streets	7,368,662	55,382	5,180,057	64,815	(2,068,408)
Garbage, rubbish and recycling	3,548,904	1,961,966	-	-	(1,586,938)
Other general services	3,000,796	767,767	-	-	(2,233,029)
Community services:					
Demolitions	596,512	228,002	-	-	(368,510)
Contributions to other organizations	1,000	-	-	-	(1,000)
Other community services	1,401,210	626,282	105,363	-	(669,565)
Economic development	3,263,095	219,659	3,974,474	-	931,038
Interest on long-term debt	66,425	-	-	-	(66,425)
Total governmental activities	<u>51,169,636</u>	<u>7,549,861</u>	<u>10,162,202</u>	<u>64,815</u>	<u>(33,392,758)</u>
Business-type activities:					
Sewer	17,203,229	18,239,166	-	572	1,036,509
Water	11,637,124	12,553,439	-	2,506,218	3,422,533
Parking	358,957	309,217	-	-	(49,740)
Wave Pool	926,810	-	-	-	(926,810)
Total business-type activities	<u>30,126,120</u>	<u>31,101,822</u>	<u>-</u>	<u>2,506,790</u>	<u>3,482,492</u>
Total primary government	<u>\$ 81,295,756</u>	<u>\$ 38,651,683</u>	<u>\$ 10,162,202</u>	<u>\$ 2,571,605</u>	<u>\$ (29,910,266)</u>
Component units	<u>\$ 19,806</u>	<u>\$ 1,500</u>	<u>\$ 676</u>	<u>\$ -</u>	<u>\$ (17,630)</u>

continued...

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Changes in net assets				
Net (expense) revenue	\$ (33,392,758)	\$ 3,482,492	\$ (29,910,266)	\$ (17,630)
General revenues:				
Property taxes	9,927,518	-	9,927,518	298,208
Income taxes	13,526,132	-	13,526,132	-
Grants and contributions not restricted to specific programs	9,885,030	-	9,885,030	-
Unrestricted investment earnings	783,619	351,193	1,134,812	101,856
Miscellaneous	83,147	-	83,147	-
Gain on sale of land and equipment	43,995	-	43,995	-
Total general revenues	34,249,441	351,193	34,600,634	400,064
Change in net assets	856,683	3,833,685	4,690,368	382,434
Net assets, beginning of year, as restated	56,917,998	97,849,870	154,767,868	5,241,875
NET ASSETS, END OF YEAR	\$ 57,774,681	\$ 101,683,555	\$ 159,458,236	\$ 5,624,309

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

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 244,829	\$ 634,234	\$ 1,914,238	\$ 2,793,301
Income taxes receivable	1,320,951	-	-	1,320,951
Accounts receivable, net of allowances	1,161,339	103,462	135,917	1,400,718
Due from other governmental units	3,479,240	565,799	891,160	4,936,199
Prepays	-	630	-	630
Inventory	-	-	521,384	521,384
Property taxes receivable	155,661	-	78,061	233,722
Assessments receivable	287,003	-	573,049	860,052
Investments	1,942,570	-	-	1,942,570
Due from other funds	9,617	-	15,838	25,455
Notes and contracts receivable				
Housing and other	-	1,439,171	-	1,439,171
Restricted assets				
Cash and cash equivalents	2,200,000	84,451	141,567	2,426,018
Accrued interest receivable	19,257	-	-	19,257
Investments	-	-	2,332,606	2,332,606
Advance to other funds	43,000	-	-	43,000
TOTAL ASSETS	\$ 10,863,467	\$ 2,827,747	\$ 6,603,820	\$ 20,295,034

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

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET - GOVERNMENTAL FUNDS
June 30, 2007

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 517,231	\$ 251,863	\$ 464,621	\$ 1,233,715
Accrued wages payable	546,568	20,035	245,456	812,059
Due to other governmental units	81,152	100,084	6,402	187,638
Due to other funds	15,838	3,852	551,470	571,160
Deposits	769,417	-	-	769,417
Deferred revenue	1,262,243	2,408,913	568,481	4,239,637
Long-term advances due to other funds	-	43,000	-	43,000
	<u>3,192,449</u>	<u>2,827,747</u>	<u>1,836,430</u>	<u>7,856,626</u>
Fund balances				
Reserved for:				
Encumbrances	1,540	-	28,528	30,068
Inventory	-	-	440,459	440,459
Long-term advances to other funds	43,000	-	-	43,000
Trusts and endowments	-	-	2,335,413	2,335,413
Specific projects	-	-	654,780	654,780
Unreserved:				
Designated for:				
Parking Fund	321,749	-	-	321,749
Budget stabilization	2,219,257	-	-	2,219,257
Subsequent year's expenditures	500,000	-	-	500,000
Designated, reported in:				
Capital projects	-	-	101,466	101,466
Undesignated, reported in:				
General Fund	4,585,472	-	-	4,585,472
Special Revenue Funds	-	-	989,959	989,959
Permanent Fund	-	-	216,785	216,785
	<u>7,671,018</u>	<u>-</u>	<u>4,767,390</u>	<u>12,438,408</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u><u>\$ 10,863,467</u></u>	<u><u>\$ 2,827,747</u></u>	<u><u>\$ 6,603,820</u></u>	<u><u>\$ 20,295,034</u></u>

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

**CITY OF SAGINAW
RECONCILIATION OF FUND BALANCES ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS TO
NET ASSETS OF GOVERNMENTAL ACTIVITIES ON
THE STATEMENT OF NET ASSETS
June 30, 2007**

Fund balances - total governmental funds	\$ 12,438,408
Amounts reported for <i>governmental activities</i> in the statement of net assets are different because:	
Long-term receivables are not available to pay for current period expenditures and, therefore, are deferred in the funds.	3,179,192
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Add - capital assets	80,623,565
Deduct - accumulated depreciation	(34,750,227)
Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.	
Deduct - Section 108 loans payable	(1,350,000)
Deduct - accumulated compensated absences	(5,424,854)
Deduct - accrued interest payable	(19,254)
Elimination of Internal Service Fund activities	<u>3,077,851</u>
Net assets of governmental activities	<u><u>\$ 57,774,681</u></u>

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007

	General	Community Development	Nonmajor Governmental Funds	Totals Governmental Funds
Revenues				
General operating property taxes	\$ 3,629,319	\$ -	\$ 5,676,065	\$ 9,305,384
Special assessments	45,108	-	-	45,108
City income tax	13,526,132	-	-	13,526,132
State shared revenues	9,836,221	-	4,961,141	14,797,362
Licenses, permits and fees	1,697,074	42,620	1,709,999	3,449,693
Fines, penalties and forfeitures	314,090	-	41,610	355,700
Grants, donations and contributions	2,697,859	3,993,529	904,522	7,595,910
Interest on loans and investments	589,333	41,193	50,937	681,463
Rents and privileges	500	-	-	500
Sale of materials and services	1,412,823	4,851	122,645	1,540,319
Loan repayments	-	159,303	-	159,303
Total Revenues	33,748,459	4,241,496	13,466,919	51,456,874
Expenditures				
Current expenditures				
General government	3,901,176	-	-	3,901,176
Administration	2,345,603	853,100	-	3,198,703
Public safety	20,062,361	-	4,771,772	24,834,133
Highways and streets	-	-	5,930,059	5,930,059
General services	3,001,384	-	3,588,618	6,590,002
Community services	1,329,350	-	182,497	1,511,847
Economic development	-	1,771,024	258,086	2,029,110
Capital outlay	-	843,282	-	843,282
Debt service				
Principal	156,046	420,000	-	576,046
Interest	2,372	56,090	-	58,462
Total Expenditures	30,798,292	3,943,496	14,731,032	49,472,820
Revenues over (under) expenditures	2,950,167	298,000	(1,264,113)	1,984,054
Other financing sources (uses)				
Transfers in	-	-	1,685,991	1,685,991
Transfers out	(463,216)	(298,000)	(924,775)	(1,685,991)
Total Other Financing Sources (Uses)	(463,216)	(298,000)	761,216	-
Net change in fund balances	2,486,951	-	(502,897)	1,984,054
Fund balances at beginning of year	5,184,067	-	5,270,287	10,454,354
FUND BALANCES AT END OF YEAR	\$ 7,671,018	\$ -	\$ 4,767,390	\$ 12,438,408

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

**CITY OF SAGINAW
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Net change in fund balances - total governmental funds	\$ 1,984,054
Amounts reported for <i>governmental activities</i> in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	129,788
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Add - capital additions	459,073
Deduct - net value of capital assets sold	(124,935)
Deduct - depreciation expense	(2,663,854)
Bond proceeds provide current financial resources to governmental funds in the period issued, but issuing bonds increases long-term liabilities in the statement of net assets. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Add - principal payments on long-term liabilities	591,962
Deduct - decrease in accrued compensated absences	(101,862)
Add - decrease in accrued interest payable	10,092
Elimination of Internal Service Fund activities	<u>572,365</u>
Change in net assets of governmental activities	<u><u>\$ 856,683</u></u>

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCES - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
General operating property taxes	\$ 3,768,736	\$ 3,626,754	\$ 3,629,319	\$ 2,565
Special assessments	140,000	100,000	45,108	(54,892)
City income tax	12,700,000	13,500,000	13,526,132	26,132
State shared revenues	10,317,572	10,215,601	9,836,221	(379,380)
Licenses, permits and fees	1,642,448	1,392,283	1,697,074	304,791
Fines, penalties and forfeitures	297,960	203,000	314,090	111,090
Grants, donations and contributions	2,216,683	2,384,372	2,697,859	313,487
Interest on loans and investments	291,126	349,000	589,333	240,333
Rents and privileges	82,000	50,000	500	(49,500)
Sale of materials and services	1,434,777	937,250	1,412,823	475,573
Total Revenues	32,891,302	32,758,260	33,748,459	990,199
Expenditures				
Current expenditures				
General government	4,375,980	4,375,980	3,901,176	(474,804)
Administration	2,504,114	2,504,114	2,345,603	(158,511)
Public safety	21,723,378	21,729,363	20,062,361	(1,667,002)
General services	3,511,993	3,534,293	3,001,384	(532,909)
Community services	1,178,253	1,178,253	1,329,350	151,097
Debt Service				
Principal	156,046	156,046	156,046	-
Interest	2,372	2,372	2,372	-
Total Expenditures	33,452,136	33,480,421	30,798,292	(2,682,129)
Revenues over (under) expenditures	(560,834)	(722,161)	2,950,167	3,672,328
Other financing sources (uses)				
Transfers in	406,250	150,000	-	(150,000)
Transfers out	(180,236)	(611,817)	(463,216)	148,601
Total Other Financing Sources (Uses)	226,014	(461,817)	(463,216)	(1,399)
Net change in fund balances	\$ (334,820)	\$ (1,183,978)	2,486,951	\$ 3,670,929
Fund balance at beginning of year			5,184,067	
FUND BALANCE AT END OF YEAR			\$ 7,671,018	

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

CITY OF SAGINAW, MICHIGAN
COMMUNITY DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance Over (Under)
Revenues				
Fees	\$ 54,048	\$ -	\$ 42,620	\$ 42,620
Grants and entitlements	3,671,785	4,156,444	3,993,529	(162,915)
Interest on deposits and investments	-	15,500	420	(15,080)
Sale of materials and services	-	-	4,851	4,851
Interest on loans	75,000	55,000	40,773	(14,227)
Loan repayments	365,000	165,000	159,303	(5,697)
Total Revenues	<u>4,165,833</u>	<u>4,391,944</u>	<u>4,241,496</u>	<u>(150,448)</u>
Expenditures				
Current expenditures				
Administration	947,293	947,953	853,100	(94,853)
Program support services	927,469	1,552,942	1,120,609	(432,333)
Loan disbursements	160,000	160,000	4,932	(155,068)
Grant expenditures	488,182	699,187	645,483	(53,704)
Capital outlay				
Public improvements	565,353	633,913	843,282	209,369
Debt service				
Principal	420,000	420,000	420,000	-
Interest	56,090	56,090	56,090	-
Total Expenditures	<u>3,564,387</u>	<u>4,470,085</u>	<u>3,943,496</u>	<u>(526,589)</u>
Revenues over (under) expenditures	601,446	(78,141)	298,000	376,141
Other financing sources (uses)				
Transfers out	(566,000)	(159,438)	(298,000)	138,562
Net change in fund balances	<u>\$ 35,446</u>	<u>\$ (237,579)</u>	-	<u>\$ 237,579</u>
Fund balance at beginning of year			-	
FUND BALANCE AT END OF YEAR			<u>\$ -</u>	

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
ASSETS					
Current assets					
Cash and cash equivalents	\$ 1,698,006	\$ 5,948,932	\$ 93,959	\$ 7,740,897	\$ 2,703,733
Accounts receivable, net of allowances	4,280,054	3,052,968	580,121	7,913,143	1,230,553
Accrued interest receivable	-	-	-	-	97
Due from other governments	-	350,104	-	350,104	-
Inventories	701,067	-	-	701,067	32,171
Prepaid expenses	-	-	-	-	36,986
Investments	2,959,855	1,032,273	1,105	3,993,233	971,589
Assessments receivable	19,690	34,923	-	54,613	-
Due from other funds	-	-	-	-	1,272,364
Restricted current assets					
Cash and cash equivalents	1,258,719	-	-	1,258,719	-
Cash - bond proceeds	531,654	-	-	531,654	-
Total Current Assets	11,449,045	10,419,200	675,185	22,543,430	6,247,493
Noncurrent Assets					
Investment in Saginaw-Midland Water Supply Corporation	9,148,140	-	-	9,148,140	-
Unamortized bond discount	8,917	-	-	8,917	-
Capital assets					
Land	438,255	982,374	201,203	1,621,832	-
Buildings and improvements	64,418,925	59,487,451	11,637,716	135,544,092	182,829
Combined sewer overflow facilities	-	103,185,476	-	103,185,476	-
Plant and office equipment	3,365,979	4,027,774	610,552	8,004,305	555,031
Vehicular and radio equipment	-	-	-	-	7,321,373
Construction in progress	3,914,132	6,134,539	-	10,048,671	-
Less allowances for depreciation	(37,492,518)	(85,407,721)	(12,126,944)	(135,027,183)	(6,758,893)
Net Capital Assets	34,644,773	88,409,893	322,527	123,377,193	1,300,340
Total Noncurrent Assets	43,801,830	88,409,893	322,527	132,534,250	1,300,340
TOTAL ASSETS	55,250,875	98,829,093	997,712	155,077,680	7,547,833

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
LIABILITIES					
Current liabilities payable from current assets					
Accounts payable	\$ 317,590	\$ 257,483	\$ 1,114	\$ 576,187	\$ 238,765
Accrued wages payable	91,543	131,835	3,415	226,793	39,037
Unearned revenue	-	-	542,041	542,041	-
Due to other governmental units	18,656	11,083	-	29,739	-
Due to other funds	2,882	2,883	340,869	346,634	380,025
Current portion of accrued sick and vacation/PTO payable	224,280	329,157	-	553,437	-
Current portion of long-term debt	-	240,000	-	240,000	145,327
Total Current Liabilities					
Payable From Current Assets	<u>654,951</u>	<u>972,441</u>	<u>887,439</u>	<u>2,514,831</u>	<u>803,154</u>
Payable from restricted assets					
Accounts payable	2,211,344	366,334	-	2,577,678	-
Customer deposits	821,943	-	-	821,943	-
Accrued interest	-	252,239	-	252,239	-
Current portion of long-term debt	1,192,526	4,546,476	-	5,739,002	-
Total Current Liabilities					
Payable From Restricted Assets	<u>4,225,813</u>	<u>5,165,049</u>	<u>-</u>	<u>9,390,862</u>	<u>-</u>
Total Current Liabilities	<u>4,880,764</u>	<u>6,137,490</u>	<u>887,439</u>	<u>11,905,693</u>	<u>803,154</u>
Long-term liabilities					
Workers' comp claims payable	-	-	-	-	2,057,897
Insurance claims payable	-	-	-	-	568,465
Accrued sick and vacation/PTO payable	378,112	205,047	14,431	597,590	185,547
Long-term debt, exclusive of current portion					
CSO construction projects	-	36,946,767	-	36,946,767	-
General obligation bonds and contracts	-	4,596,552	-	4,596,552	202,442
Total Long-term liabilities, exclusive of current portion	<u>378,112</u>	<u>41,748,366</u>	<u>14,431</u>	<u>42,140,909</u>	<u>3,014,351</u>
TOTAL LIABILITIES	<u>5,258,876</u>	<u>47,885,856</u>	<u>901,870</u>	<u>54,046,602</u>	<u>3,817,505</u>
NET ASSETS					
Investment in capital assets, net of related debt	33,452,247	42,080,098	322,527	75,854,872	1,102,571
Restricted for:					
Sick and vacation	-	-	-	-	283,255
Bond and interest redemption	1,227,910	-	-	1,227,910	-
Operation and maintenance	765,579	-	-	765,579	-
Repairs and replacements	1,760,843	-	-	1,760,843	-
Surplus fund	4,330,833	-	-	4,330,833	-
Bond construction projects	531,654	-	-	531,654	-
Unrestricted (deficit)	7,922,933	8,863,139	(226,685)	16,559,387	2,344,502
TOTAL NET ASSETS	<u>\$ 49,991,999</u>	<u>\$ 50,943,237</u>	<u>\$ 95,842</u>	<u>\$ 101,031,078</u>	<u>\$ 3,730,328</u>

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

**CITY OF SAGINAW
RECONCILIATION OF NET ASSETS ON THE
STATEMENT OF NET ASSETS FOR ENTERPRISE
FUNDS TO NET ASSETS OF BUSINESS-TYPE
ACTIVITIES ON THE STATEMENT OF NET ASSETS
June 30, 2007**

Net assets - total enterprise funds	\$ 101,031,078
Amounts reported for <i>business-type activities</i> in the statement of net assets are different because:	
Elimination of Internal Service Fund activities	<u>652,477</u>
Net assets of business-type activities	<u><u>\$ 101,683,555</u></u>

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

**CITY OF SAGINAW, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - PROPRIETARY FUNDS
For the Year Ended June 30, 2007**

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service Funds
Operating revenues					
User charges	\$ 11,969,614	\$ 17,687,697	\$ 309,994	\$ 29,967,305	\$ 7,544,770
Sale of materials and services	458,929	57,709	-	516,638	34,404
Penalties for delinquencies	124,896	493,760	-	618,656	-
Total Operating Revenues	12,553,439	18,239,166	309,994	31,102,599	7,579,174
Operating expenses					
Costs of goods sold	-	-	-	-	66,987
Salaries	-	-	68,686	68,686	999,592
Employee benefits	-	-	140,068	140,068	855,658
Contractual services	-	-	13,178	13,178	1,025,734
Internal user charges	-	-	25,529	25,529	362,387
Insurance	-	-	24,243	24,243	1,319,684
Utilities	-	-	35,858	35,858	219,373
Supplies and materials	-	-	5,126	5,126	255,507
Administration	1,564,247	1,872,518	-	3,436,765	-
Customer accounting	410,750	546,615	-	957,365	-
Meter maintenance and service	306,781	327,172	-	633,953	-
System maintenance and service	1,757,875	1,808,548	-	3,566,423	-
Treatment, disposal and pumping	4,023,770	5,214,855	-	9,238,625	-
Remote facilities	-	1,213,750	-	1,213,750	-
Raw water operations	1,123,530	-	-	1,123,530	-
Claims and judgements	-	-	-	-	1,289,456
Depreciation	1,194,833	5,281,017	971,621	7,447,471	431,468
Other	-	-	6,134	6,134	145,716
Total Operating Expenses	10,381,786	16,264,475	1,290,443	27,936,704	6,971,562
Operating Income (Loss)	2,171,653	1,974,691	(980,449)	3,165,895	607,612
Nonoperating revenues (expenses)					
Interest on investments	275,332	38,307	4,476	318,115	142,923
Interest expense on bonded indebtedness	(143,963)	(1,027,266)	-	(1,171,229)	(16,067)
Amortization on bond discount	(8,917)	-	-	(8,917)	-
Amortization of gain on bond refunding	27,526	-	-	27,526	-
Gain on sale of investments	14,038	19,040	-	33,078	-
Loss on disposal of capital assets	(48,098)	(22,587)	(777)	(71,462)	(7,848)
Grants and entitlements	554	572	-	1,126	47,519
Contractual obligations to Saginaw-Midland Water Supply Corporation	(1,380,987)	-	-	(1,380,987)	-
Increase in Investment in Saginaw-Midland Water Supply Corporation	213,102	-	-	213,102	-
Total Nonoperating Revenues (Expenses)	(1,051,413)	(991,934)	3,699	(2,039,648)	166,527
Net Income (Loss) Before Capital Contributions and Transfers	1,120,240	982,757	(976,750)	1,126,247	774,139
Capital Contributions	2,505,664	-	-	2,505,664	-
Transfers					
Transfers in	-	-	232,191	232,191	-
Transfers out	-	(232,191)	-	(232,191)	-
Net Transfers	-	(232,191)	232,191	-	-
Change in Net Assets	3,625,904	750,566	(744,559)	3,631,911	774,139
Net assets at beginning of year, as restated	46,366,095	50,192,671	840,401	97,399,167	2,956,189
NET ASSETS AT END OF YEAR	\$ 49,991,999	\$ 50,943,237	\$ 95,842	\$ 101,031,078	\$ 3,730,328

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

**CITY OF SAGINAW
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENSES AND CHANGES IN FUND NET ASSETS OF
ENTERPRISE FUNDS TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2007**

Net change in fund net assets - total enterprise funds	\$ 3,631,911
Elimination of Internal Service Fund activities	<u>201,774</u>
Change in net assets of business-type activities	<u>\$ 3,833,685</u>

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2007

	Water	Sewer	Nonmajor Enterprise Funds	Totals	Internal Service
Cash flows from operating activities:					
Receipts from interfund services provided	\$ 2,882	\$ 235,074	\$ -	\$ 237,956	\$ 7,408,937
Receipts from customers	9,846,463	18,608,965	308,506	28,763,934	-
Payments to suppliers	(3,578,104)	(6,304,786)	(86,997)	(9,969,887)	(3,868,177)
Payments to employees	(3,693,384)	(5,575,539)	(207,577)	(9,476,500)	(1,832,505)
Payments for interfund services used	-	-	(246,123)	(246,123)	(1,627,069)
Net Cash Provided By (Used For) Operating Activities	2,577,857	6,963,714	(232,191)	9,309,380	81,186
Cash flows from noncapital financing activities:					
Grants and entitlements	-	-	-	-	47,519
Transfers in	-	-	232,191	232,191	-
Transfers out	-	(232,191)	-	(232,191)	-
Net Cash Provided By (Used For) Noncapital Financing Activities	-	(232,191)	232,191	-	47,519
Cash flows from capital and related financing activities:					
Purchases of capital assets	(5,081,337)	(3,894,144)	-	(8,975,481)	(130,595)
Proceeds from sale of capital assets	44,364	-	-	44,364	-
Capital contributions	2,505,664	-	-	2,505,664	-
Proceeds from installment contracts payable	-	-	-	-	93,184
Grants and entitlements	554	572	-	1,126	-
Bond / installment contract proceeds	-	1,537,759	-	1,537,759	-
Principal paid on long-term debt	(1,515,000)	(4,658,730)	-	(6,173,730)	(120,935)
Interest paid on long-term debt	(143,963)	(1,061,139)	-	(1,205,102)	(16,067)
Contractual obligations to Saginaw-Midland Supply Corporation	(1,380,987)	-	-	(1,380,987)	-
Net Cash (Used For) Capital and Related Financing Activities	(5,570,705)	(8,075,682)	-	(13,646,387)	(174,413)
Cash flows from investing activities:					
Purchase of investment securities	(137,245)	(57,213)	(5)	(194,463)	(1,357)
Interest on investments	291,456	57,347	4,476	353,279	142,923
Net Cash Provided By (Used For) Investing Activities	154,211	134	4,471	158,816	141,566
Increase (Decrease) in cash and cash equivalents	(2,838,637)	(1,344,025)	4,471	(4,178,191)	95,858
Cash and cash equivalents at beginning of year	6,327,016	7,292,957	89,488	13,709,461	2,607,875
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 3,488,379	\$ 5,948,932	\$ 93,959	\$ 9,531,270	\$ 2,703,733
Cash flows from operating activities:					
Operating income (loss)	\$ 2,171,653	\$ 1,974,691	\$ (980,449)	\$ 3,165,895	\$ 607,612
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:					
Depreciation	1,194,833	5,281,017	971,621	7,447,471	431,468
Change in assets and liabilities:					
Accounts receivable	(2,720,458)	(236,252)	(209,668)	(3,166,378)	(1,227,452)
Due from other governmental units	-	587,654	-	587,654	(173,338)
Inventories	(156,353)	-	-	(156,353)	122,685
Assessments receivable	(15,996)	18,397	-	2,401	(667)
Due from other funds	-	232,191	-	232,191	-
Accounts payable	2,024,407	(885,624)	(2,458)	1,136,325	101,077
Accrued wages payable	9,546	14,694	927	25,167	1,144
Due to other governments	10,615	(9,590)	-	1,025	(295)
Due to other funds	2,882	2,883	(220,594)	(214,829)	(34,129)
Unearned revenue	-	-	208,180	208,180	-
Customer deposits	29,478	-	-	29,478	-
Claims payable	-	-	-	-	231,185
Accrued sick and vacation/PTO payable	27,250	(16,347)	250	11,153	21,896
Net Cash Provided By (Used For) Operating Activities	\$ 2,577,857	\$ 6,963,714	\$ (232,191)	\$ 9,309,380	\$ 81,186

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2007

	Pension and Other Employee Benefits Trust Funds	Agency
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 629,234
Accounts receivable	-	1,267,071
Prepaid Insurance	-	1,070,806
Taxes receivable for the account of other governmental units	-	1,284,458
Restricted assets		
Cash and cash equivalents	452,014	-
Accrued interest receivable	425,699	-
Investments, at market value		
Money market funds	1,915,245	-
U.S. Government agencies	17,302,594	-
Corporate and foreign bonds	14,594,783	-
Common equity securities	62,108,206	-
Equity mutual funds	37,711,456	-
Other	4,150,415	-
	<u>138,660,412</u>	<u>\$ 4,251,569</u>
 Total Assets	 <u>138,660,412</u>	 <u>\$ 4,251,569</u>
<u>LIABILITIES</u>		
Accounts payable	110,810	887,894
Accrued wages payable	498,942	-
Due to other governmental units	-	2,612,698
Claims payable	-	744,767
Other current liabilities	-	6,210
	<u>609,752</u>	<u>\$ 4,251,569</u>
 Total Liabilities	 <u>609,752</u>	 <u>\$ 4,251,569</u>
Net Assets		
Held in trust for pension benefits	<u>\$ 138,050,660</u>	

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

CITY OF SAGINAW, MICHIGAN
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION AND OTHER EMPLOYEE BENEFITS TRUST FUNDS
For the Year Ended June 30, 2007

Additions

Contributions:

Employer	\$ 5,242,384
Plan members	1,220,903
	<hr/>
Total contributions	6,463,287

Investment income (loss):

Interest	1,943,870
Dividends	1,722,692
Mutual fund rebates	158,110
Net appreciation in fair value of investments	15,581,069
Investment expenses	(411,908)
	<hr/>
Total investment income	18,993,833
	<hr/>
Total Additions	25,457,120

Deductions

Police pension benefits	6,347,818
Fire pension benefits	5,434,880
Administrative expenses	374,548
Refunds of member contributions	163,194
	<hr/>
Total Deductions	12,320,440

Net increase for the year 13,136,680

Net Assets Held in Trust for Pension Benefits

Beginning of year	<hr/> 124,913,980
End of year	<hr/> <hr/> \$ 138,050,660

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

**CITY OF SAGINAW
 COMPONENT UNITS
 STATEMENT OF NET ASSETS
 June 30, 2007**

	<u>TIFA Activities</u>	<u>DDA Activities</u>	<u>LDFA Activities</u>	<u>Saginaw Economic Development Corporation</u>	<u>Brownfield Activities</u>	<u>Total</u>
ASSETS						
Cash and cash equivalents	\$ 31,305	\$ 195,728	\$ 3,198,304	\$ 843,086	\$ 110,185	\$ 4,378,608
Receivables	13	31,033	78,089	1,191,653	4,583	1,305,371
Land held for resale	<u>-</u>	<u>33,182</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>33,182</u>
TOTAL ASSETS	31,318	259,943	3,276,393	2,034,739	114,768	5,717,161
LIABILITIES						
Accounts payable	<u>-</u>	<u>669</u>	<u>230</u>	<u>91,953</u>	<u>-</u>	<u>92,852</u>
NET ASSETS	<u>\$ 31,318</u>	<u>\$ 259,274</u>	<u>\$ 3,276,163</u>	<u>\$ 1,942,786</u>	<u>\$ 114,768</u>	<u>\$ 5,624,309</u>

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

**CITY OF SAGINAW
 COMPONENT UNITS
 STATEMENT OF ACTIVITIES
 For the Year Ended June 30, 2007**

Functions / Programs	Program Revenues			Net (Expense) Revenue
	Expenses	Charges for Services	Operating Grants and Contributions	
TIFA Activities	\$ -	\$ -	\$ -	\$ -
DDA Activities	41,323	1,500	-	(39,823)
LDFA Activities	23,209	-	-	(23,209)
Saginaw Economic Development Corporation	(53,740)	-	-	53,740
Brownfield Activities	9,014	-	676	(8,338)
Total component unit activities	<u>\$ 19,806</u>	<u>\$ 1,500</u>	<u>\$ 676</u>	<u>\$ (17,630)</u>

	Component Units					Total
	TIFA Activities	DDA Activities	LDFA Activities	Saginaw Economic Development Corporation	Brownfield Activities	
Changes in net assets						
Net (expense) revenue	\$ -	\$ (39,823)	\$ (23,209)	\$ 53,740	\$ (8,338)	\$ (17,630)
General revenues:						
Property taxes	(1)	43,405	228,662	-	26,142	298,208
Unrestricted investment earnings	-	2,457	23,103	76,296	-	101,856
Total general revenues	<u>(1)</u>	<u>45,862</u>	<u>251,765</u>	<u>76,296</u>	<u>26,142</u>	<u>400,064</u>
Change in net assets	(1)	6,039	228,556	130,036	17,804	382,434
Net assets, beginning of year	<u>31,319</u>	<u>253,235</u>	<u>3,047,607</u>	<u>1,812,750</u>	<u>96,964</u>	<u>5,241,875</u>
NET ASSETS, END OF YEAR	<u>\$ 31,318</u>	<u>\$ 259,274</u>	<u>\$ 3,276,163</u>	<u>\$ 1,942,786</u>	<u>\$ 114,768</u>	<u>\$ 5,624,309</u>

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

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

I. Summary of significant accounting policies

The accounting policies of the City of Saginaw, Michigan (the "City") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies used by the City of Saginaw:

A. Reporting entity

As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the City of Saginaw, Michigan (the primary government) and its component units. The component units discussed below are included in the City's reporting entity as they are entities for which the government is considered to be financially accountable.

Discrete Component Units

The component units columns in the government-wide financial statements include the financial data of the City's thirteen component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

Tax Increment Finance Authority (TIFA) - Two component units - City Council established TIFA districts pursuant to Act 450 of the public Acts of 1980 for the Saginaw Division Tower and Morley Building projects. Property tax revenues received from the "captured" portion of these properties are restricted to pay project expenditures or set aside for future development within the districts depending on the development plan adopted for each project. The members of the governing board of the TIFA are appointed by City Council and development agreements of the TIFA districts are also approved by City Council. The City has the ability to significantly influence the operations of the TIFA.

Downtown Development Authority (DDA) - Three component units - The members of the governing board of the DDA are appointed by City Council and development agreements of the DDA districts are also approved by City Council. Districts were established for the Commerce Center, Sils Island and the DDA. The City has the ability to significantly influence the operations of the DDA.

Local Development Finance Authority (LDFA) - Six component units - When legislation expired for TIFA projects (above), City Council established LDFA districts pursuant to Act 281 of the Public Acts of 1986 for the following economic development projects: Thomson Saginaw Ball Screw Company, Sexton, Baker Perkins, Treasure Island, Saginaw Machine Systems and Saginaw Tool and Die. Property tax revenues received from the "captured" portion of these properties are restricted to pay project expenditures or set aside for future development within the districts depending on the development plan adopted for each project. The members of the governing board of the LDFA are appointed by City Council and development agreements of the LDFA districts are also approved by City Council. The City has the ability to significantly influence the operations of the LDFA.

Saginaw Economic Development Corporation (SEDC) - One component unit – The members of the governing board of the SEDC are appointed by City Council and they review and approve loans to businesses located within the City limits. The City has the ability to significantly influence the operations of the SEDC. Complete financial statements of the SEDC can be obtained at the City of Saginaw, 1315 S. Washington Avenue, Saginaw, Michigan, 48601.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Brownfield Redevelopment Authority SRRF - One component unit - Property tax revenues received from the "captured" portion of these properties are restricted to pay site clean up expenditures and future development depending on the development plan adopted for each project. The members of the governing board of the Authority are appointed by City Council and they review and approve development plans for businesses relocating within designated areas of the City where property was once contaminated. The City has the ability to significantly influence the operations of the Brownfield Redevelopment Authority.

Joint Venture - Saginaw-Midland Municipal Water Supply Corporation

The City of Saginaw purchases raw water from the Saginaw-Midland Municipal Water Supply Corporation. This corporation brings water from Lake Huron, beginning at Whitestone Point, through a joint supply line, to Junction Station, at which point it is pumped through separate lines to Midland and Saginaw. The joint line is operated and maintained by the Corporation, which is an inter-governmental body composed of six members. Three members each are appointed by the Saginaw and Midland City Councils. The City of Saginaw owns 23/43rds of the Saginaw-Midland Municipal Water Supply Corporation and the City of Midland owns 20/43rds.

This joint venture is accounted for in the Water Fund using the equity method. The City reported an increase in equity of \$213,102 as nonoperating revenues. At June 30, 2007, total outstanding bonded debt of the Saginaw-Midland Municipal Water Supply Corporation was \$21,525,064. The City was obligated for \$11,513,406 of this total. During fiscal year 2007, the City paid the Corporation \$1,380,987 to finance its share of the contractual obligations. The City's equity of \$9,148,140 in the Saginaw-Midland Municipal Water Supply Corporation is recorded as an Investment within the Noncurrent Assets section on the statement of net assets of the Water Fund.

The financial information for the year ended June 30, 2007 for the Saginaw-Midland Municipal Water Supply Corporation follows:

Total Assets	\$ 39,219,630	Total Revenues	\$ 5,245,090
Total Liabilities	22,116,585	Total Expenses	4,197,540
Net Assets	\$ 17,103,045	Net Income	1,047,540
Net Assets:		Net Assets at	
City of Saginaw	\$ 9,148,140	Beginning of Year	16,704,637
City of Midland	7,954,905	Transfer of Project	(649,132)
Total Net Assets	\$ 17,103,045	Total Net Assets	\$ 17,103,045

Complete financial statements can be obtained at the Saginaw-Midland Municipal Water Supply Corporation, 4678 Three Mile Road, Bay City, Michigan, 48706.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of the interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financial accountable.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

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

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are 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 revenues 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 as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period and one year for reimbursement based grants. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

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

The *community development fund* accounts for the grant revenues and related community development projects under the grants.

The government reports the following major proprietary funds:

The *water fund* accounts for the activities of the government's water distribution and treatment system.

The *sewer fund* accounts for the activities of the government's sewage disposal and treatment system.

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Additionally, the City reports the following fund types:

Internal service funds account for fringe benefit and fleet management services provided to other departments or agencies of the government on a cost reimbursement basis.

The *pension and other employee benefit trust funds* account for the activities of the Policemen and Firemen Pension Fund and Public Employee Healthcare Fund, which accumulate resources for pension and health benefit payments for qualified employees.

Agency funds are use to account for assets held for other governments in an agency capacity, including tax collections.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

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

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

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the sewer and water enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, liabilities, and net assets or equity

1. Deposits and investments

For purposes of the statement of cash flows, the City considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Investments that do not have an established market are reported at estimated fair value.

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2. Receivables and payables

All receivables are recorded at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Activity between funds that are representative of lending / borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to / from other funds" (i.e., the current portion of interfund loans) or "advances to / from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to / from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

3. Inventories and prepaid items

Inventories are valued at cost using either the first-in, first-out (Special Revenue Funds) or average cost (Enterprise and Internal Service Funds) methods. The costs of inventories are recorded as assets when purchased and charged to expenditures when used, which is the consumption method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements

4. Restricted assets

Restricted assets result from revenue bond ordinance reserve requirements and proceeds of bond issues stipulated for construction of capital assets. They also result from other legal or contractual requirements which restrict the use of resources.

5. 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 columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows: streets system infrastructure (7-50 years), buildings and improvements (50 years); combined sewer overflow facilities (25 years); wave pool complex (25 years); plant equipment (15 years); radio equipment (8 years); office and data processing equipment (5 years); and vehicles (5 years).

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6. Compensated absences

The liability for unused sick and vacation/PTO hours as earned by employees at various rates has been recorded as long-term liabilities in the governmental and business-type activities. AFSCME, SEIU and non-union management employees are paid for all of their accumulated PTO days, up to a maximum of 1,312 hours, upon death, termination or retirement. Fire fighters are paid for all of their accumulated PTO days, up to a maximum of 2,148 hours, upon death, termination or retirement. POAM union employees are paid for one-half of their accumulated unused sick days upon death or retirement up to a maximum of 1,312 hours in addition to their unused vacation hours. Certain employee groups are allowed to accumulate overtime hours and later use these accumulated hours as time off in lieu of a cash payment.

7. Long-term obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In fund financial statements, governmental fund types recognize bond premium 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Fund equity

Reservations of fund balance are established to identify (1) claims against resources of the entity that have not materialized as liabilities at the balance sheet date, or (2) the existence of assets that, because of their non-monetary nature or lack of liquidity, represent financial resources not available for current appropriation or expenditure, for example: encumbrances, prepaid items, inventories, specific projects and long-term advances to other funds. Such reserves are not intended as valuation allowances, but merely demonstrate the current unavailability of the subject assets to pay current expenditures. Designations of fund balance have been made for Capital Projects, Self Insurance Fund, Workers Compensation, Parking Fund and Budget Stabilization. These portions of fund balance are intended to be used for these purposes and are not available for appropriation or expenditure. Restrictions of net assets in the Enterprise Funds represent amounts that are required to be segregated in accordance with City ordinances. These portions of net assets are intended to be used for these purposes and are not available for appropriation or expense.

Encumbrances are commitments under purchase orders or contracts. Outstanding encumbrances at year-end are not recorded as expenditures until the goods or services are received. Only those encumbrances that are recorded as payables at June 30 are included as expenditures for budgetary presentations. Fund balance has been reserved for all outstanding encumbrances in the governmental fund types and will be recorded as expenditures in the subsequent fiscal year.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

II. Stewardship, compliance and accountability

A. Budgetary information

The City Charter requires the City Council, by resolution, to determine and adopt the budget and make the appropriations for the next fiscal year and to provide, by resolution, for a tax levy of the amount necessary to be raised by taxation at least 30 days prior to the first day of the upcoming fiscal year. Budgetary control is exercised at the department (appropriation center) level in the General Fund and at the fund level for all other budgeted funds. General Fund line item budget transfers from one account to another within the same appropriation center can be made without City Council approval. All budget transfers from one appropriation center to another or from the General Fund Contingent Appropriation account must be approved by City Council. In all other funds, line item budget transfers from one account to another within the same department and fund can be made without City Council approval.

All unencumbered appropriations lapse at the end of the fiscal year unless specific requests to reserve funds for capital items are made by the departments and approved by the City Controller. The subsequent fiscal year's budget is then amended when these expenditures are recorded. Encumbrances outstanding at June 30 do not lapse but are brought forward to the new fiscal year.

The General Fund, Community Development, Major Streets, Local Streets, Public Safety Millage, Rubbish Collection, Police Grants, Drug Forfeiture, Andersen Center Operation, Boat Launch Operation and Economic Development Special Revenue Funds are under formal budgetary control as is required by Michigan Public Act 621. Budgets shown in the financial statements were prepared on the modified accrual basis. This is the same basis used to reflect actual results and consists only of those amounts contained in the formal budget approved by City Council. Special Revenue Funds are considered to be departments for budgetary purposes. All Enterprise and Internal Service Funds are budgeted annually for internal control purposes only. Budgetary information for these funds is not required in the financial statements. Budgetary control for the Capital Projects Fund is on a project basis because most exceed one fiscal year. Any funds not expended during the current fiscal year are carried forward until spent or reallocated. City Council does not formally adopt budgets for the Municipal Streets, Marina Grant, Urban Development Action Grant, and Carl H. Ibershoff Trust Special Revenue Funds or the Trust and Agency Funds.

B. Excess of expenditures over appropriations

The following funds had excess of expenditures over appropriation at the legal level of budgetary control:

	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
GENERAL FUND:			
General Government			
City Clerk	\$ 344,508	\$ 368,656	\$ 24,148
Elections	161,879	175,382	13,503
Fiscal Services			
Bad debt expense	-	183,900	183,900
Public Safety – Fire Department			
Administration	429,759	489,083	59,324
General Services			
Public Works and Engineering	114,844	120,662	5,818
Street Lighting	593,746	687,735	93,989
Abatement of Nuisances	63,252	111,029	47,777
Cemeteries Operation and Maintenance	560,266	608,510	48,244
Parks Administration	25,000	31,042	6,042

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	<u>Appropriations</u>	<u>Actual</u>	<u>Budget Variance</u>
Community Services			
Demolitions	-	162,993	162,993
Planning and Economic Development	423,634	450,354	26,720
Transfers out			
Transfers to Streets Funds	\$ -	\$ 25,000	\$ 25,000
Transfers to Drug Forfeiture Fund	-	12,398	12,398
SPECIAL REVENUE FUNDS:			
Community Development			
Capital outlay – public improvements	633,913	843,282	209,369
Transfers out	159,438	298,000	138,562

C. Deficit fund equity

In the Nonmajor Enterprise Funds, the Parking Fund had an unrestricted net assets deficit at the fiscal year ended June 30, 2007 in the amount of \$321,749. A deficit Elimination Plan will be prepared for Council approval and then filed with the Local Audit and Finance Division of the State of Michigan.

D. State construction code act

The City oversees building construction, in accordance with the State's Construction Code Act, including inspection on building construction renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, 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 follows:

Shortfall at July 1, 2006	\$ (566,860)
Current year building permit revenue	299,107
Related expenditures	<u>(443,391)</u>
Cumulative shortfall at June 30, 2007	<u>\$ (711,144)</u>

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

III. Detailed notes on all funds

A. Deposits and investments

A reconciliation of cash and investments as shown in the basic financial statement for the City's deposits and investments is as follows:

	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Financial statement caption:			
Primary Government:			
Cash and cash equivalents	\$ 13,237,931	\$ -	\$ 13,237,931
Investments	494,725	6,412,667	6,907,392
Restricted cash and cash equivalents	2,426,018	1,790,373	4,216,391
Restricted investments	-	2,332,606	2,332,606
Component Units:			
Cash and cash equivalents	4,378,608	-	4,378,608
Fiduciary Funds:			
Cash and cash equivalents	629,234	-	629,234
Restricted cash and cash equivalents	452,014	-	452,014
Investments	-	137,782,699	137,782,699
	<u>\$ 21,123,805</u>	<u>\$ 148,318,345</u>	<u>\$ 169,936,875</u>

Michigan Compiled Laws, Section 129.91, authorizes local governmental units to make deposits and invest in the accounts of federally insured banks and credit unions that have offices in Michigan. The local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The Policemen and Firemen Retirement System is also authorized to invest a portion of its assets in stocks that are registered on a national securities exchange that have paid dividends for five of the last seven years and mutual funds of diversified investment companies having assets greater than \$100 million.

CITY OF SAGINAW, MICHIGAN

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As of June 30, 2007, the maturities and credit quality rating of debt securities are as follows:

	<u>Fair Value</u>	<u>Investment Maturities (In Years)</u>				<u>S&P Rating</u>
		<u>Less Than 1</u>	<u>1 - 5</u>	<u>6 - 10</u>	<u>More Than 10</u>	
Primary Government						
Bank Inv. Pooled Funds	\$ 1,577,765					Not Rated
Money Market Funds	5,169,760					Not Rated
MI Class Pooled Funds	2,793,746					Not Rated
U.S. Govt. Agencies	<u>994,375</u>		\$ 994,375			AAA
Total Primary Government	<u>10,535,646</u>					
Pension and Other Employee Benefits Funds						
Mutual Funds	37,568,902					Not Rated
US Government	8,539,842		3,138,047	\$2,413,217	\$ 2,988,579	AAA
Taxable Municipal	1,174,231		790,883	114,618	268,730	AAA - A
Mortgage Backed Securities	16,843,003	\$ 77,224	7,658,769	9,107,010		AAA – AA+
Corporate Bonds	7,529,197		5,074,607	2,350,938	103,652	AAA - BBB-
Asset Backed	906,924	423,108	285,860	197,956		AAA
Common Stocks	63,643,172					N/A
Money Market and Other Funds	<u>1,577,428</u>					Not Rated
Total Police & Firemen Fund	<u>137,782,699</u>					
Total Investments	<u>\$ 148,318,345</u>					

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified above. The City's investment policy does not have specific limits in excess of state law on investment credit risk. The ratings for each investment are identified above for investments held at year end.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end \$20,981,517 of the City's bank balance of \$21,388,666 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. However, while uninsured and unregistered, the City's funds are not exposed to custodial credit risk since the securities are held in the counterparty's trust department in the City's name.

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Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified above. The City's investment policy does not have specific limits in excess of state law on concentration of credit. All investments held at year end are reported above.

B. Receivables

Receivables as of year end for the City's governmental and business-type activities in the aggregate, are as follows:

	Governmental Activities	Business Type Activities	Component Units
Income Taxes	\$ 1,320,951	\$ -	-
Accounts	2,795,806	8,011,384	4,614
Accrued Interest	19,354	-	7,421
Intergovernmental	4,936,199	350,104	-
Property Taxes Assessments	233,722	-	106,297
Due within one year	685,428	54,613	-
Due after one year	174,624	-	-
Notes			
Due within one year	159,000	-	200,000
Due after one year	1,280,171	-	1,094,589
Reserve for uncollectible accounts	(164,532)	(98,241)	(107,550)
Total receivables	\$ 11,440,720	\$ 8,317,860	\$ 1,305,371

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

	Unavailable	Unearned
Property taxes receivable (General Fund)	\$ 155,661	\$ -
Property taxes receivable (Non-major Governmental fund types)	78,061	-
Accounts receivable (General Fund)	1,005,121	-
Accounts receivable (Community Development)	114,759	-
Accounts receivable (Non-major Governmental fund types)	36,017	-
Assessments receivable (General Fund)	99,902	-
Assessments receivable (Non-major Governmental fund types)	409,500	-
Notes receivable	1,280,171	-
Grant drawdowns prior to meeting all eligibility requirements	-	1,060,445
	\$ 3,179,192	\$ 1,060,445

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

C. Capital assets

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

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending</u> <u>Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 14,762,888	\$ -	(23,614)	\$ 14,739,274
Construction in progress	<u>71,756</u>	<u>200,383</u>	<u>(71,756)</u>	<u>200,383</u>
Total capital assets not being depreciated	<u>14,834,644</u>	<u>200,383</u>	<u>(95,370)</u>	<u>14,939,657</u>
Capital assets being depreciated:				
Infrastructure	40,163,896	71,756	-	40,235,652
Building	15,772,806	6,250	(72,383)	15,706,673
Equipment	7,487,746	198,708	(395,068)	7,291,386
Vehicular and radio equipment	<u>10,356,718</u>	<u>184,327</u>	<u>(31,615)</u>	<u>10,509,430</u>
Total capital assets being depreciated	<u>73,781,166</u>	<u>461,041</u>	<u>(499,066)</u>	<u>73,743,141</u>
Less accumulated depreciation:				
Infrastructure	(17,089,975)	(1,714,429)	-	(18,804,404)
Building	(8,606,891)	(305,506)	71,797	(8,840,600)
Equipment	(5,928,665)	(565,466)	360,154	(6,133,977)
Vehicular and radio equipment	<u>(7,249,919)</u>	<u>(509,922)</u>	<u>29,702</u>	<u>(7,730,139)</u>
Total accumulated depreciation	<u>(38,875,450)</u>	<u>(3,095,322)</u>	<u>461,653</u>	<u>(41,509,120)</u>
Total capital assets being depreciated, net	<u>34,905,716</u>	<u>(2,634,281)</u>	<u>(37,413)</u>	<u>32,234,021</u>
Governmental activities capital assets, net	<u>\$ 49,740,360</u>	<u>\$(2,433,898)</u>	<u>\$ (132,783)</u>	<u>\$ 47,173,678</u>

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated:				
Land	\$ 1,610,838	\$ 10,994	\$ -	\$ 1,621,832
Construction in progress	<u>2,780,244</u>	<u>7,268,427</u>	<u>-</u>	<u>10,048,671</u>
Total capital assets not being depreciated	<u>4,391,082</u>	<u>7,279,421</u>	<u>-</u>	<u>11,670,503</u>
Capital assets being depreciated:				
Building and Improvements	134,312,194	1,318,314	(86,416)	135,544,092
CSO facilities	103,188,901	-	(3,425)	103,185,476
Equipment	<u>7,819,388</u>	<u>377,746</u>	<u>(192,829)</u>	<u>8,004,305</u>
Total capital assets being depreciated	<u>245,320,483</u>	<u>1,696,060</u>	<u>(282,670)</u>	<u>246,733,873</u>
Less accumulated depreciation				
Building and improvements	(80,236,387)	(3,232,102)	36,344	(83,432,145)
CSO facilities	(41,847,671)	(3,962,693)	3,905	(45,806,459)
Equipment	<u>(5,662,498)</u>	<u>(252,676)</u>	<u>126,595</u>	<u>(5,788,579)</u>
Total accumulated depreciation	<u>(127,746,556)</u>	<u>(7,447,471)</u>	<u>166,844</u>	<u>(135,027,183)</u>
Total capital assets being depreciated, net	<u>117,573,927</u>	<u>(5,751,411)</u>	<u>(115,826)</u>	<u>111,706,690</u>
Business-type activities capital assets, net				
	<u>\$121,965,009</u>	<u>\$ 1,528,010</u>	<u>\$ (115,826)</u>	<u>\$ 123,377,193</u>

The Wave Pool Enterprise Fund assets were idle for the year ended June 30, 2007. At June 30 they were fully depreciated.

CITY OF SAGINAW, MICHIGAN

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

Governmental activities:	
General government	\$ 399,238
Fiscal Services Administration	12,890
Fire	180,591
Police	125,479
General services	191,833
Community services	39,394
Highways and streets	1,714,429
Internal service funds	<u>431,468</u>
Total depreciation expense – governmental activities	<u>\$3,095,322</u>
Business-type activities:	
Water	\$1,194,833
Sewer	5,281,017
Parking	44,811
Wave Pool	<u>926,810</u>
Total depreciation expense – business-type activities	<u>\$7,447,471</u>

Construction Commitments

The City has active construction projects as of June 30, 2007. The City entered into a construction commitment for the wastewater treatment improvement project (phases A and B) in the amount of \$5,185,299. As of June 30, 2007, \$4,628,186 has been spent on these projects. An additional \$557,113 remains on the construction commitment with the contractors. The City has also issued \$4,990,000 in General Obligation Bonds through the State of Michigan Drinking Water Revolving Fund to complete the construction phases. As of June 30, 2007, \$3,790,917 has been drawn from this fund.

D. Payables

Accounts payable and accrued liabilities in the primary government are as follows:

	Governmental Activities	Business-type Activities
Accounts	\$ 1,472,480	\$ 3,153,865
Accrued liabilities	851,096	226,793
Intergovernmental	187,638	29,739
Deposits	769,417	821,943
Accrued interest	<u>19,254</u>	<u>252,239</u>
Total payables	<u>\$ 3,299,885</u>	<u>\$ 4,484,579</u>

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

E. Interfund receivables, payables and transfers

Interfund receivable and payable balances at June 30, 2007 consisted of the following:

	Due From							Total
	General Fund	Community Development	Nonmajor Governmental	Water	Sewer	Nonmajor Enterprise	Internal Service	
Due to:								
General Fund	\$ -	\$ 3,852	\$ -	\$ 2,882	\$ 2,883	\$ -	\$ -	\$ 9,617
Nonmajor governmental	15,838	-	-	-	-	-	-	15,838
Internal Service	-	-	551,470	-	-	340,869	380,025	1,272,364
Total	\$ 15,838	\$ 3,852	\$ 551,470	\$ 2,882	\$ 2,883	\$ 340,869	\$ 380,025	\$1,297,819

The balances due to the Internal Services funds from the nonmajor governmental and enterprise funds resulted from short-term advances provided by the Internal Services funds for cash flow requirements. The entire balance of these interfund receivables is scheduled to be collected in the subsequent year. The remaining balances also resulted from short-term advances for cash flow requirements or from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund advances:

The long-term advance of \$43,000 from the General Fund to the Community Development Fund resulted from loans made in the Community Development Fund for the use of residential rehabilitation known as the Russell Street Homes. As these loans are paid back to the Community Development Fund, the money is transferred to the General Fund to reduce the interfund receivable.

Interfund transfers for the year ended June 30, 2007, consisted of the following amounts:

	Transfers from:				
	General Fund	Community Development	Nonmajor Governmental	Sewer	Total
Transfers to:					
Nonmajor governmental	\$ 463,216	\$ 298,000	\$ 924,775	\$ -	\$ 1,685,991
Nonmajor enterprise	-	-	-	232,191	232,191
	\$ 463,216	\$ 298,000	\$ 924,775	\$ 232,191	\$ 1,918,182

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them and (2) use unrestricted revenues collected into the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

F. Long-term obligations

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. City contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Long-term debt obligation activity can be summarized as follows:

	Balance <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	Balance <u>June 30, 2007</u>	<u>Due Within One Year</u>
<u>Business-type activities:</u>					
4.70% to 6.00% 2000 water revenue bonds	\$ 2,680,000	\$ -	\$(1,515,000)	\$ 1,165,000	\$ 1,165,000
2.00% State of Michigan sewage disposal system bonds	27,140,126	-	(3,270,870)	23,869,256	3,295,646
2.25% State of Michigan sewage disposal system bonds	6,932,198	-	(497,860)	6,434,338	510,830
2.50% State of Michigan sewage disposal system bonds	11,909,648	-	(720,000)	11,189,648	740,000
3.60% to 5.50% Drake/Douglas sewage general obligation bonds	1,075,000	-	(25,000)	1,050,000	25,000
1.625% State of Michigan wastewater treatment improvement bonds	2,393,794	1,537,759	(145,000)	3,786,553	215,000
Accrued sick and vacation/PTO payable	1,139,868	564,596	(553,437)	1,151,027	553,437
Plus: Deferred gain on refunding	<u>55,052</u>	<u>-</u>	<u>(27,526)</u>	<u>27,526</u>	<u>27,526</u>
Total business-type activities	<u>\$ 53,325,686</u>	<u>\$ 2,102,355</u>	<u>\$(6,754,693)</u>	<u>\$ 48,673,348</u>	<u>\$ 6,532,439</u>

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

	<u>Balance</u> <u>June 30, 2006</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2007</u>	<u>Due Within</u> <u>One Year</u>
<u>Governmental activities:</u>					
Workers' compensation					
claims payable	\$ 1,873,087	\$ 184,810	\$ -	\$ 2,057,897	\$ -
Insurance claims payable	522,090	46,375	-	568,465	-
5.10% to 5.90% 1994 general					
obligation judgment bonds	220,000	-	(70,000)	150,000	75,000
Installment contracts payable:					
Compost Screener	15,917	-	(15,917)	-	-
Pierce fire pumpers	156,045	-	(156,045)	-	-
Komatsu wheel loader	83,511	-	(27,837)	55,674	27,837
Morbark wood chipper	22,979	-	(12,896)	10,083	10,083
Bobcat skid loader	49,030	-	(10,202)	38,828	10,707
Fire vehicles	-	93,184	-	93,184	21,700
Accrued sick, vacation /PTO, compensatory time payable	5,486,643	1,626,941	(1,503,183)	5,610,401	1,503,183
Section 108 loans payable to Department of Housing and Urban Development (DHUD)	<u>1,770,000</u>	<u>-</u>	<u>(420,000)</u>	<u>1,350,000</u>	<u>430,000</u>
 Total governmental activities	 <u>\$ 10,199,302</u>	 <u>\$ 1,951,310</u>	 <u>\$(2,216,080)</u>	 <u>\$ 9,934,532</u>	 <u>\$ 2,078,510</u>

Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for those funds are included as part of the above totals for governmental activities.

For the governmental activities, workers' compensation and insurance claims payable are liquidated by the internal service funds and accrued sick and vacation/PTO payable and compensatory time payable are generally liquidated by the general fund and certain special revenue funds.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

The annual requirements to pay principal and interest on long-term obligations outstanding at June 30, 2007, excluding accrued sick and vacation/PTO payable, workers' compensation payable, insurance claims payable, and compensatory time payable are as follows:

<u>Due In</u>	<u>Business-type Activities</u>		<u>Governmental Activities</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2008	\$5,951,476	\$1,037,323	\$575,327	\$55,338	\$6,526,803	\$1,092,661
2009	4,780,737	877,071	586,807	34,907	5,367,544	911,978
2010	4,826,755	776,510	505,607	11,852	5,332,362	788,362
2011	4,922,266	674,381	30,028	1,247	4,952,294	675,628
2012	5,045,954	569,572	-	-	5,045,954	569,572
2013	5,121,915	462,353	-	-	5,121,915	462,353
2014	3,846,080	366,974	-	-	3,846,080	366,974
2015	3,538,082	286,405	-	-	3,538,082	286,405
2016	1,821,620	225,670	-	-	1,821,620	225,670
2017	1,863,539	182,068	-	-	1,863,539	182,068
2018	1,738,972	139,194	-	-	1,738,972	139,194
2019	1,637,975	97,186	-	-	1,637,975	97,186
2020	1,407,872	56,873	-	-	1,407,872	56,873
2021	365,000	21,452	-	-	365,000	21,452
2022	337,674	12,146	-	-	337,674	12,146
2023	185,000	3,284	-	-	185,000	3,284
2024	90,000	(597)	-	-	90,000	(597)
2025	13,878	(1,979)	-	-	13,878	(1,979)
	<u>\$47,494,795</u>	<u>\$5,785,886</u>	<u>\$1,697,769</u>	<u>\$103,344</u>	<u>\$49,192,564</u>	<u>\$5,889,230</u>

The total requirements of principal and interest on long-term obligations at June 30, 2007 for business-type activity obligations are summarized as follows:

<u>Business-type activities obligations:</u>	<u>Principal</u>	<u>Interest</u>
Water Revenue Bonds	\$ 1,165,000	\$ 62,910
State of Michigan Sewage Disposal System Bonds (2.00%)	23,869,256	1,756,076
State of Michigan Sewage Disposal System Bonds (2.25%)	6,434,338	913,468
State of Michigan Sewage Disposal System Bonds (2.50%)	11,189,648	2,051,211
Drake/Douglas General Obligation Bonds	1,050,000	513,681
State of Michigan Sewage Treatment Improvement Bonds (1.625%)	3,786,553	488,541
Total Enterprise Obligations	<u>\$ 47,494,795</u>	<u>\$ 5,785,885</u>

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

The total requirements of principal and interest on long-term obligations at June 30, 2007 for governmental activities obligations are summarized as follows:

<u>Governmental Activities Obligations:</u>	<u>Principal</u>	<u>Interest</u>
1994 Debt Service Judgment		
Bonds	\$ 150,000	\$ 8,813
Pierce Fire Pumps	55,674	4,662
Compost Screener	10,083	199
Komatsu Wheel Loader	38,828	3,384
Morbark Wood Chippers		
Bobcat Skid Loader	93,184	11,322
	<u>1,350,000</u>	<u>74,963</u>
 Total General Obligations	 <u>1,697,769</u>	 <u>103,343</u>
 Total Future Debt Service Requirements	 <u>\$ 49,192,564</u>	 <u>\$ 5,889,230</u>

State law and the City's revenue bond ordinances require that the City maintain such user charges and fees for service as may be required to meet all operating, reserve and debt service requirements. These ordinances also require various accounts be maintained to cover operation and maintenance; improvements and extension; repairs and replacements; and a reserve for bond and interest redemption. Annual contributions are made to these accounts as required and to the reserve for bond and interest redemption to maintain it at a level equal to the largest annual debt service payment outstanding. Any funds remaining after meeting these requirements may be placed in a surplus fund to be used to meet future debt or reserve requirements or to provide a means of financing further improvements and extensions to the water system.

G. Operating leases

The City leases their telephone system, several vehicles, and various IBM computer equipment under noncancelable operating leases. Total costs for such leases were \$237,718 for the year ended June 30, 2007. The future minimum lease payments for these leases are as follows:

<u>Fiscal Year</u>	<u>Telephone System</u>	<u>GMAC Vehicles</u>	<u>IBM Equipment</u>	<u>Total</u>
2008	\$ 25,548	\$ 32,170	\$ 180,000	\$ 237,718
2009	19,161	3,010	180,000	202,171
2010	-	752	180,000	180,752
2011	-	-	180,000	180,000
2012	-	-	180,000	180,000
	<u>\$ 44,709</u>	<u>\$ 35,932</u>	<u>\$ 900,000</u>	<u>\$ 980,641</u>

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

IV. Other information

A. Risk management

The City is a defendant in various civil and administrative legal actions arising during the normal course of its activities. In accordance with FASB Statement 5, *Accounting for Contingencies*, the City accrues for loss contingencies when it is probable that a liability has been incurred and the amount of the loss can be reasonably estimated.

The City Attorney protects the legal interests of the City by vigorously defending these actions and believes these actions will either be favorably resolved or that it is too early to estimate any possible loss upon the outcome of such cases. Often, the City Attorney negotiates expedient settlements on behalf of the City in amounts substantially less than the amount sought by the claimants. The City does not admit liability, however, in any of the cases settled.

The City is self-insured for workers' compensation. Over the past few years, the number of workers' compensation claims has greatly decreased. In accordance with GASB Statement No. 10, an estimate of the City's workers' compensation liability has been recorded in an Internal Service Fund.

B. Self insurance

General Liability

The City's insurance carriers are Genesis Insurance Company for general liability and automobile coverage and Amerisure Insurance for automobile physical damage. The City is insured up to \$21 million with a \$250,000 deductible per occurrence for general and automobile liability and a \$1,000 deductible for automobile physical damage. There were no reductions of insurance coverage from the prior year.

The self-insurance program for general liability is accounted for in the Self Insurance Internal Service Fund. The revenues for this fund's operation are reimbursements from various funds and a transfer from the General Fund. Funds are charged for general liability insurance based on total budget. Losses, deductibles, legal and administrative fees are paid from this fund. The liability for known claims is estimated by ASC, a third-party claims administrator.

The changes in the claims liability for the fiscal years ended June 30, 2006 and 2007 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/06	\$ 603,651	\$ (14,644)	\$ (66,917)	\$ 522,090
6/30/07	522,090	250,847	204,472	568,465

Other types of risk are covered by commercial insurance. There were no insurance settlements that exceeded coverage in the last three years.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Health Insurance

The self-insurance program for health insurance is accounted for in the Employee Benefits Agency Fund, with any claims charged to the applicable departments within the City's other funds, and the Public Employee Healthcare Fund (trust fund). An independent administrator (Blue Cross) is hired to process the daily claims. The City is responsible for individual claims up to \$50,000 and Blue Cross is responsible for paying the claims above this amount. There were no reductions of insurance coverage from the prior year. The City is also responsible for paying administrative charges and for actual prescription claims. The additions to this Fund's operation are reimbursements from various funds. The liability of the end of the year is based on claims already incurred and reported and on estimates of incurred but not reported claims as provided by Blue Cross.

The changes in the claims liability for the fiscal years ended June 30, 2006 and 2007 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/06	\$ -	\$ 609,223	\$ -	\$ 609,223
6/30/07	609,223	(6,323,762)	6,459,306	744,767

Workers' Compensation

The self-insurance program for workers' compensation is accounted for in the Workers' Compensation Internal Service Fund. Cambridge, Inc. administers this program. They are responsible for processing incident reports, claims investigation, payment of claims and coordinating workers' compensation cases with the City's Employee Services Division. The revenues for this fund's operation are reimbursements from various funds and a transfer from the General Fund. Funds are charged for workers' compensation insurance on a percentage of actual salaries. The percentages vary depending on the payroll classification of each employee and are a composite of the rates of several insurance companies. Deposits for claims and administrative expenses are paid from this fund. The liability for known claims is estimated by Cambridge, Inc. Incurred But Not Reported claims are judged to be immaterial by Management.

The City also carries Excess Workers' Compensation coverage for claims exceeding \$600,000 and Employers' Liability coverage in the amount of \$1,000,000 through Safety National Insurance Company. These coverages will provide financial protection for the City in the event of a major employment-related catastrophe. The City currently has ten workers' compensation claims that exceed \$300,000.

The changes in the claims liability for the fiscal years ended June 30, 2006 and 2007 are as follows:

	Beginning Claims Liability	Current Year Claims and Changes in Reserves	Claims Paid	Ending Claims Liability
6/30/06	\$ 2,390,339	\$ (87,162)	\$ 430,090	\$ 1,873,087
6/30/07	1,873,087	763,458	578,648	2,057,897

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

C. Retirement systems

The City participates in three pension plans: the City of Saginaw Policemen and Firemen Retirement System, a single-employer defined benefit system, the Michigan Municipal Employees Retirement System (MERS), a State administered agent multi-employer defined benefit public retirement system that acts as a common investment and administrative agent for virtually all Michigan municipal employees, and a defined contribution system through MERS and ICMA. Permanent, full time employees not covered under the Policemen and Firemen Retirement System are covered under MERS if employed before June 30, 2000. After June 30, 2000, new permanent, full time employees not covered by the Policemen and Firemen Retirement System are covered under the defined contribution system that is held in trust by ICMA for the sole benefit of the participating employees. The Policemen and Firemen pension plan is maintained as a Pension Trust Fund and is reported on herein as part of the City's reporting entity. The required supplemental 6-year historical trend information provides information about the progress made in accumulating sufficient assets to pay benefits when due.

DEFINED CONTRIBUTION PENSION PLAN

The City of Saginaw Employees Defined Contribution Pension Plan (the "Plan") is a single employer defined contribution pension plan, established by the City and administered by an outside third-party administrator. All City employees hired after July 1, 2000, with the exception of certain bargaining units, are required to participate in the Plan. As the union contracts of the non-participating bargaining units are renegotiated, new employees of these units are added to the Plan. All other City employees that are not vested in the City's Defined Benefit Plan have the option of becoming a participant in the Defined Contribution Plan.

Employees vest in the City's contributions according to years of service completed. Employees with 3 years of service are 20% vested. The vesting schedule increases 20% for each additional year of service, with the employee becoming fully vested upon 7 years of completed service.

At June 30, 2007, there were 120 plan members. The City is required to contribute 10% of the employees' gross wages and the eligible employee is required to contribute 5% of their gross wages. The contribution requirements of plan members and the City are established and may be amended by the City Council.

Employer contributions to the Plan for the year ended June 30, 2007 amounted to \$437,486 and employee contributions were \$218,703.

A stand-alone pension plan report has not been issued for the defined contribution plan.

MICHIGAN MUNICIPAL EMPLOYEES RETIREMENT SYSTEM

Plan Description

The City's defined benefit pension plan, the City of Saginaw Employees Retirement Plan, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. The City participates in the Municipal Employees Retirement System of Michigan (MERS), an agent multiple-employer plan administered by the MERS Retirement Board. Act No. 427 of the Public Acts of 1984, as amended, establishes and amends the benefit provisions of the participants in MERS. The Municipal Employees Retirement System of Michigan issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to the Municipal Employees Retirement System of Michigan, 1134 Municipal Way, Lansing, Michigan, 48917 or by calling (800) 767-6377.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Funding Policy

The City is required to contribute an amount equal to a percentage of covered payroll which is determined based on union negotiated rates and actuarially determined rates; the current rate to cover normal costs ranges from 25.47% to 69.9% of annual covered payroll. Under the plan, eligible employees are required to contribute 4.7% of earned wages to the MERS plan. The contribution requirements of the City are established and may be amended by the Retirement Board of MERS. The contribution requirements of plan members are established and may be amended by the City, depending on the MERS contribution program adopted by the City.

Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost of \$4,273,124 for MERS was equal to the City's required and actual contributions. The required contribution was determined as part of the actuarial valuation using the entry age normal cost method. The actuarial assumptions included (a) a rate of return on the investment of present and future assets of 8.0%, (b) projected salary increases of 4.5% per year compounded annually, attributable to inflation, and (c) additional projected salary increases of 0.0% to 4.16% per year, depending on age, attributable to seniority/merit. The actuarial value of MERS assets was determined on the basis of a valuation method that assumes the fund earns the expected rate of return, and includes an adjustment to reflect fair value. The City's unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2005, the date of the latest actuarial valuation, was 22 years.

Three-Year Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage Of APC Contributed	Net Pension Obligation
06/30/05	\$ 3,056,773	100%	\$ 0
06/30/06	3,335,932	100%	0
06/30/07	4,273,124	100%	0

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/03	\$ 77,584,618	\$ 124,739,715	\$ 47,155,097	69%	\$ 10,357,413	455%
12/31/04	76,412,097	134,160,873	57,748,776	57%	9,837,556	587%
12/31/05	76,032,977	135,876,876	59,843,899	56%	9,005,017	665%

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Plan Description and Contribution Information

The City has a single-employer defined benefit contributory pension plan which provides retirement, death and disability benefits covering all Police and Fire personnel of the City, subject to certain eligibility requirements. Membership of the plan consisted of the following at June 30, 2005 the date of the latest actuarial valuation:

Retirees and beneficiaries receiving benefits	378
Active plan members	<u>169</u>
Total	<u>547</u>

Eligible members of the Plan are required to contribute eight percent (8%) for police, with an additional 3.5% for patrol and command members, and eight percent (8%) for fire of their annual compensation to the Plan with the City contributing such additional amounts as are necessary to provide assets sufficient to meet the benefits to be paid to Plan members. The current rate paid by the City is 42.47 % of annual covered payroll for police patrol and command and 42.66% for all other members.

The City of Saginaw is the Administrator of the Plan. Administrative costs of the Plan are financed through investment earnings. The Plan is included as a pension trust fund in the City's financial statements and a stand alone financial report of the Plan has not been issued.

Plan amendments are under the authority of Ordinance D One, Chapter 5, Article One, of the Saginaw General Code which states all amendments are to be approved by City Council. Changes in required contributions are approved by the Policemen and Firemen Pension Board.

Significant Accounting Policies

Basis of Accounting - The Plan's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which they are due. The City's contributions to the Plan are recognized when due and the employer has made a formal commitment to provide them. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan.

Investments - Investments are reported at fair value which is determined using selected bases as follows: short-term investments are reported at cost, which approximates fair value; securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates; investments that do not have established fair values are reported at estimated fair value; and cash deposits are reported at carrying amounts which reasonably estimates fair value.

No single investment comprised more than five percent of the total investments for the Police and Fire Retirement System at June 30.

The Plan's annual pension cost of \$4,842,384 was equal to the Plan's required and actual contributions for the current year.

The annual required contribution for the current year was determined as part of a June 30, 2004 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses) and (b) projected salary increases ranging from 4.75% to 17.75% per year. Both (a) and (b) included an inflation component of 4.75%. The assumptions did not include post-retirement benefits. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility in the fair value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2005 was 30 years.

GASB Statement No. 25 Required Supplementary Information is presented after the notes to the Financial Statements.

CITY OF SAGINAW, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Following are the financial statements for the Policemen and Firemen Pension Trust Fund for the year ended June 30, 2007.

Statement of Plan Net Assets

ASSETS

Investments, at market value

Money market funds	\$ 1,915,245
U.S. Government agencies	17,302,594
Corporate and foreign bonds	14,594,783
Common equity securities	62,108,206
Equity mutual funds	37,711,456
Other	<u>2,448,097</u>

Total Investments 136,080,381

Accrued interest receivable 425,699

Total Assets 136,506,080

LIABILITIES

Accounts payable	110,810
Accrued wages payable	<u>498,942</u>

Total Liabilities 609,752

Net Assets Held In Trust for Pension Benefits \$135,896,328

CITY OF SAGINAW, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Statement of Changes in Plan Net Assets

<u>Additions</u>	
Contributions:	
Employer	\$ 4,842,384
Plan members	<u>1,220,903</u>
 Total contributions	 <u>6,063,287</u>
 Investment income (loss):	
Interest	1,896,808
Dividends	1,722,692
Mutual fund rebates	158,110
Net appreciation in fair value of investments	15,298,030
Investment expenses	<u>(411,908)</u>
 Total investment income	 <u>18,663,732</u>
 Total Additions	 <u>24,727,019</u>
 <u>Deductions</u>	
Police pension benefits	6,347,818
Fire pension benefits	5,434,880
Administrative expenses	243,100
Refunds of member contributions	<u>163,194</u>
 Total Deductions	 <u>12,188,992</u>
 Net increase for the year	 12,538,027
 Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>123,358,301</u>
 End of year	 <u><u>\$135,896,328</u></u>

D. Employee benefits

In addition to contributing to the Michigan Municipal Employees Retirement System described in Note IV.C., all full time City employees, except sworn Police and Fire personnel, contribute to Social Security (6.20%), up to a maximum of \$4,984.80, and Medicare (1.45%). All sworn Police and Fire personnel hired after April 1, 1986 contribute 1.45% to Medicare. All regular part time employees, those who work between twenty and thirty-two hours per week, contribute 1.45% to Medicare and 3.75% to a deferred compensation account in lieu of Social Security. The City contributes a matching 3.75%.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

The City paid or accrued premiums, claims and administrative fees to third party administrators for its full time employees totaling \$4,713,404, an increase of 0.06% from the prior fiscal year, as follows:

	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>	<u>Increase (Decrease)</u>
Health Insurance	\$ 3,884,347	\$ 3,929,434	\$ (45,087)
Dental Insurance	352,481	323,287	29,194
Life Insurance	102,301	148,173	(45,872)
Short/Long term disability	290,209	225,841	64,368
Vision Care	<u>84,066</u>	<u>84,021</u>	<u>45</u>
Total Payments	<u>\$ 4,713,404</u>	<u>\$ 4,710,756</u>	<u>\$ 2,648</u>

The cost of these premiums is charged to City funds based on the actual cost for each employee.

E. Other postemployment benefits

In addition to the pension benefits described in Note I.V.C, the City of Saginaw continues health insurance coverage to all employees upon retirement according to Union contracts negotiated with the various employee bargaining groups. Life insurance is also provided upon retirement as follows: \$6,000 for the Fire fighters employee group; \$7,000 for the Police Command employee group; and \$10,000 for the non-union Management, Supervisory, Police Patrol, Salaried and Hourly employee groups. Dental insurance is continued upon retirement only to the Fire fighters covered by Delta Dental. Dental insurance for all other employee groups is terminated upon retirement.

In addition to the health care expenditures for full time employees above, expenditures in the amount of \$6,675,349 were recognized for postretirement health care benefits, a decrease of 6.23%, from the prior fiscal year, as follows:

	<u>No. of Retirees</u>	<u>Fiscal Year 2007</u>	<u>Fiscal Year 2006</u>
Health Insurance	676	\$ 6,623,423	\$ 7,062,242
Dental Insurance	55	36,402	40,914
Life Insurance	521	<u>15,524</u>	<u>15,755</u>
Total Payments		<u>\$ 6,675,349</u>	<u>\$ 7,118,911</u>

The cost of these premiums is charged to City funds based on the actual cost for each retiree.

The City has obtained an actuarial valuation as of June 30, 2001, that indicates that the City has a \$115 million liability for unfunded postretirement health care benefits that has not been recorded in the City's financial statements.

Net assets available to fund this Plan amount to \$2,154,332 at June 30, 2007.

CITY OF SAGINAW, MICHIGAN
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Following are the financial statements for the Public Employee Healthcare Trust Fund for the year ended June 30, 2007.

Statement of Plan Net Assets	
<u>ASSETS</u>	
Cash and cash equivalents	\$ 452,014
Investments, at market value	
Other	1,702,318
Total Assets	2,154,332
Net Assets Held In Trust for Pension Benefits	\$ 2,154,332

Statement of Changes in Plan Net Assets	
<u>Additions</u>	
Contributions:	
Employer	\$ 400,000
Investment income (loss):	
Interest	47,062
Net appreciation in fair value of investments	283,039
Total investment income	330,101
Total Additions	730,101
<u>Deductions</u>	
Administrative expenses	131,448
Net increase for the year	598,653
Net Assets Held in Trust for Pension Benefits	
Beginning of year	1,555,679
End of year	\$ 2,154,332

F. Property taxes

City property taxes are levied each July 1 on the taxable value of property located in the City as of the preceding December 31, tax day and the lien date. In accordance with the provisions of Proposal A (see below), taxable value is the lower of the following three computations: 1) assessed/state equalized value; 2) the prior year's taxable value multiplied by the increase in the consumer price index or five percent (5%), whichever is less; or 3) the multiplier value. Proposal A requires the City Assessor to annually establish the assessed values and the equalization of said assessed values by the State of Michigan at 50 percent of current market value, prior to the application of formulas to determine the taxable value. Real property taxable value for the July 1, 2006 levy was assessed at \$605,226,624 and personal property taxable value was assessed at \$122,699,437.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

The City of Saginaw's operating tax rate for the fiscal year ended June 30, 2007 was 5.2598 mills (limited to 7.50 mills) with an additional 2.9532 mills for rubbish collection. Additionally, the City levied 6.0000 mills for public safety. The City did not levy for debt service.

On March 15, 1994, voters in the State of Michigan approved Proposal A, a property tax reform proposal, which shifted the funding of education from property taxes to a combination of property taxes, higher sales tax and a real estate transfer tax. Property taxes were reduced to a maximum of six mills for homestead property and eighteen mills for non-homestead property; the State Sales Tax was increased from four cents to six cents; and a new real estate transfer tax of \$7.50 per thousand dollars was added. In addition, Proposal A restricted the growth of assessments on individual properties to the increase in the consumer price index or five percent (5%), whichever is less, until ownership of the property is transferred. The citizens of Saginaw subsequently approved an additional four mills for public libraries when Proposal A eliminated their millage from the school's millage and another three mills to operate a public transportation system.

Taxes are due and payable on July 1 at the City Treasurer's Office and become delinquent after 30 days. To all real and personal taxes paid on or after August 1, there shall be added interest at the rate of ½ of 1 percent for every month, or fraction thereof, from August 1 until the date of payment. A penalty of ½ of 1 percent is also added after July 31. From March 1 and thereafter, real taxes are collected by the Treasurer of Saginaw County, who adds and keeps a collection fee of four percent (4%) on the unpaid balance, and in addition, adds interest at the rate of one percent (1%) per month from March 1 until the date of payment. Unpaid taxes, together with all charges thereon, become a continuing lien on the property assessed. The general tax law provides that real estate with delinquent taxes shall be sold at a state land sale.

Tax Limitation

By general law, property taxes for City purposes are limited to two percent (2%) of the assessed valuation of all real and personal property in the municipality, provided that no such restriction shall prevent the levy of taxes required for the payment of general debt obligations.

The charter of the City of Saginaw provided that City taxes shall be subject to the overall limitation (City, School and County) imposed by Section 21, Article X, of the Michigan State Constitution, which is 1-1/2 percent of assessed value exclusive of debt incurred prior to December 8, 1932. Act No. 44, Public Acts of 1948, effective August 20, 1948, amended all Michigan city charters nullifying charter limitations and authorized that the levy for city purposes shall not exceed one percent (1%) of assessed valuation in any one year, unless and until a different tax rate limitation is provided by charter. State equalized valuations have been used in place of local assessed valuations.

On November 6, 1979, pursuant to an initiatory referendum, the City Charter was amended by the electors of the City of Saginaw to reduce the maximum property tax, which may be levied by the City in any year from 10 mills to 7.50 mills. The amendment further provided that if in subsequent years the assessed value of all property within the City is increased for any reason, this maximum 7.50 mill rate would have to be permanently reduced so as to yield the same gross dollar revenue as the fiscal year 1979 property tax revenue yield (\$3,828,778). The amendment further provided for up to a 3 mill emergency levy if a specific emergency is declared by the Mayor and concurred in by a 3/4ths vote of the full Council.

G. Economic development projects

Baker Perkins Project

The City purchased a large industrial complex located in the southern area of the City at the end of 1987 and leased the office portion of the site to the seller. In February 1988, the City sold the office portion to Krauss Portfolio, Ltd. (KPL) and they assumed the lease with the former owner of the property. The balance of the site was retained by the Local Development Finance Authority (LDFA) for future development.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

The LDFA leased the majority of the balance of the property comprising the Baker Perkins Project and the use of the property and certain equipment to Saginaw Industrial Machining, Inc. (SIM) to operate an industrial machining business. The business is financed with a line of credit from LaSalle Bank, secured by the assignment by the City (and the LDFA through private developers) of a portion of an income stream obtained from payments of tax increments made by the Tax Increment Finance Authority (TIFA) to the City from the Saginaw Division Tower Project.

In November 1989, the LDFA approved the sale of the Baker Perkins complex to the Saginaw Industrial Center (SIC). SIC agreed to remodel the facility, lease space and personal property to tenants and market it as an inner-city industrial park. The LDFA would act as an optional lessee and would lease space, if necessary, in the facility to provide an ongoing cash stream for debt service. The developer secured a \$1.1 million loan from a local bank to purchase the option from KPL, exercise the option and purchase the balance of the site from the LDFA and to make improvements to the facility. The bank's security would be the optional lease from the LDFA. The TIFA and LDFA pledged a portion of the cash stream from the Saginaw Division Tower Project to make the lease payments, if necessary. The payments assigned by the City to LaSalle Bank would be made by the developer, but still backed by the LDFA. The LDFA would have a first mortgage on the Baker Perkins real estate and personal property and a secured personal guarantee from an independent individual to make the LDFA whole in case of a loss.

On August 20, 1990, the TIFA and LDFA approved a Comprehensive Development Agreement with Saginaw Plastic Molding, Inc. (SPM). This project established SPM as an operating tenant at the SIC property and secured an additional \$825,000 loan from Citizens Bank primarily for the purchase of machinery and equipment which will be leased by SIC to SIM and SPM for its use. This loan is secured by an amendment to the existing Master Lease and amendments to the assignments of the income streams not already committed. The LDFA used the income stream to pay debt service payments on the new bank loan. SPM agreed to repay the LDFA all sums advanced, with interest, amortized over the then remaining term of the General Motors lease.

On April 17, 1996, the LDFA deferred the repayment of Interim Rental Advances made to SPM until the earlier of: 1) the date SPM completes the lease obligations for its blow molding machine under the Equipment Lease; or 2) the date the Equipment Lease is otherwise terminated for any reason including default of SPM. The LDFA also waived the payment of interest on the Interim Rental Advances provided SPM does not default in any of its obligations. No payments were made by SPM during the fiscal year.

Brownfield Authority Site Remediation Revolving Fund (SRRF)

The City received funding from the U.S. Environmental Protection Agency for a Brownfields Assessment Demonstration Pilot. Peerless Environmental Services, Inc. was selected to prepare an inventory of contaminated sites, prioritize the sites and perform environmental assessments. Businesses must prepare a Redevelopment Plan to clean up the site and make improvements. The eligible costs can be reimbursed from property taxes that are captured from the increase in the taxable value established at the date the City Council approves the Plan and the taxable value after improvements are completed. School taxes are excluded from captured taxes unless the project receives special review from the Michigan Department of Environmental Quality.

CITY OF SAGINAW, MICHIGAN

NOTES TO FINANCIAL STATEMENTS

June 30, 2007

H. Restatements

An adjustment was made in the governmental activities to properly record the value of the infrastructure (streets, bridges, etc) capital assets at June 30, 2006. The assets and net assets were understated in 2006. The adjustment had the following effect on the beginning net assets:

Net assets, as previously stated	\$ 41,283,406
Prior period adjustment to capital assets	<u>15,634,592</u>
Net assets, as restated	<u>\$ 56,917,998</u>

An adjustment was made in the Parking Enterprise Fund to properly record the value of the unearned revenue at June 30, 2006. The liabilities were understated and net assets were overstated in 2006. The adjustment had the following effect on the beginning net assets:

Net assets, as previously stated	\$ 156,870
Prior period adjustment to unearned revenue	<u>(333,867)</u>
Net assets, as restated	<u>\$ (176,997)</u>

This prior period adjust had the same effect on the beginning net assets of the business type activities.

An adjustment was made in the Saginaw Economic Development component unit to write off the value of the long-term debt at June 30, 2006 (SEDC will no longer be required by the grantor to repay the loan). The liabilities were overstated and net assets were understated in 2006. The adjustment had the following effect on the beginning net assets:

Net assets, as previously stated	\$ 1,701,210
Prior period adjustment to receivables	<u>111,540</u>
Net assets, as restated	<u>\$ 1,812,750</u>

I. Subsequent events

In July 2007, the City approved the Woodbridge Street reconstruction project loan contract with the Michigan Department of Transportation. The City's estimated share of the project is \$3,096,700.

Also, in July 2007, the City approved the authorization of bonds in an amount not to exceed \$5,010,000 for capital improvements at the City's wastewater treatment plant.

Finally, in July 2007, the City approved the contract with Gerace Construction in the amount of \$4,825,000 for the wastewater improvements being funded through the Michigan State Revolving Fund.

In December 2007, the City approved the authorization of Water Supply System Revenue and Revenue Refunding bonds in an amount not to exceed \$11,100,000.

**REQUIRED
SUPPLEMENTARY
INFORMATION**

CITY OF SAGINAW

GASB STATEMENT NO. 25 REQUIRED SUPPLEMENTARY INFORMATION

POLICEMEN AND FIREMEN RETIREMENT SYSTEM

Six-Year Trend Information

<u>Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
6/30/02	\$ 3,117,085	100%	\$ 0
6/30/03	2,938,416	100%	0
6/30/04	3,429,637	100%	0
6/30/05	3,369,291	100%	0
6/30/06	3,626,717	100%	0
6/30/07	4,842,384	100%	0

Schedule of Funding Progress

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL) Entry Age</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/00	\$129,367,787	\$133,634,986	\$ 4,267,199	97%	\$12,487,533	34%
6/30/01	135,682,004	140,839,430	5,157,246	96%	11,489,493	45%
6/30/02	135,026,633	148,878,425	13,851,792	91%	11,732,914	118%
6/30/03	128,401,451	148,989,436	20,587,985	86%	10,208,281	202%
6/30/04	120,251,339	157,533,568	37,282,229	76%	9,903,748	376%
6/30/05	122,782,274	160,541,137	37,758,863	77%	9,561,886	395%

**SUPPLEMENTARY
INFORMATION**

MAJOR GOVERNMENTAL FUNDS

GENERAL FUND

This fund is the general operating fund of the City. All general tax revenues, state revenue sharing, income tax and other receipts that are not allocated by law or contractual agreement to another fund are accounted for here. This fund accounts for the general operating expenditures of the City, such as Police and Fire, Recreation, Cemeteries, Employee Services, Inspections, Fiscal Services, Public Works and Engineering and all other expenditures not recorded elsewhere.

CITY OF SAGINAW, MICHIGAN
BALANCE SHEET
GENERAL FUND
June 30, 2007
(With Comparative Actual Amounts for June 30, 2006)

	<u>2007</u>	<u>2006</u>
ASSETS		
Cash and cash equivalents	\$ 244,829	\$ -
Income taxes receivable	1,320,951	1,342,882
Accounts receivable, net of allowances	1,161,339	1,269,011
Accrued interest receivable	19,257	14,492
Due from other governmental units	3,479,240	3,404,742
Property taxes receivable	155,661	138,029
Assessments receivable	287,003	80,693
Investments	1,942,570	1,844,918
Due from other funds	9,617	-
Restricted assets		
Cash and cash equivalents	2,200,000	200,000
Long-term advances to other funds	<u>43,000</u>	<u>43,000</u>
TOTAL ASSETS	<u>\$ 10,863,467</u>	<u>\$ 8,337,767</u>
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	\$ 517,231	\$ 411,463
Accrued wages payable	546,568	533,981
Due to other governmental units	81,152	134,509
Due to other funds	15,838	172,306
Customer deposits	769,417	683,199
Deferred revenue	<u>1,262,243</u>	<u>1,218,242</u>
Total Liabilities	<u>3,192,449</u>	<u>3,153,700</u>
Fund balances		
Reserved for:		
Encumbrances	1,540	14,644
Long-term advances to other funds	43,000	43,000
Unreserved:		
Designated for:		
Self Insurance Fund	-	176,362
Workers' Compensation Fund	-	206,059
Parking Fund	321,479	211,245
Budget stabilization	2,219,257	214,492
Subsequent year's expenditures	500,000	724,111
Undesignated, reported in:		
General Fund	<u>4,585,742</u>	<u>3,594,154</u>
Total Fund Balances	<u>7,671,018</u>	<u>5,184,067</u>
TOTAL LIABILITIES AND FUND EQUITIES	<u>\$ 10,863,467</u>	<u>\$ 8,337,767</u>

**CITY OF SAGINAW, MICHIGAN
GENERAL FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL**

For the Year Ended June 30, 2007

(With Comparative Actual Amounts for the Year ended June 30, 2006)

	For the Year Ended June 30, 2007			Variance Over (Under)	Year Ended June 30, 2006 Actual
	Original Budget	Amended Budget	Actual		
REVENUES					
General operating property taxes	\$ 3,768,736	\$ 3,626,754	\$ 3,629,319	\$ 2,565	\$ 3,787,630
Special assessments	140,000	100,000	45,108	(54,892)	67,076
City income tax	12,700,000	13,500,000	13,526,132	26,132	13,549,513
State shared revenues					
Sales tax	10,232,572	10,130,601	9,793,064	(337,537)	10,079,971
Race track	60,000	60,000	-	(60,000)	16,964
Liquor licenses	25,000	25,000	43,157	18,157	46,495
Total State Shared Revenues	<u>10,317,572</u>	<u>10,215,601</u>	<u>9,836,221</u>	<u>(379,380)</u>	<u>10,143,430</u>
Departmental and miscellaneous					
Housing and business licenses	530,000	270,600	276,534	5,934	398,386
Construction and other permits	217,810	218,250	306,168	87,918	274,443
Fees	894,638	903,433	1,114,372	210,939	865,618
Fines, penalties and forfeitures	297,960	203,000	314,090	111,090	294,540
Grants, donations and contributions	2,216,683	2,384,372	2,697,859	313,487	2,385,433
Interest	291,126	349,000	589,333	240,333	491,679
Rents and privileges	82,000	50,000	500	(49,500)	51,500
Sale of materials and services	<u>1,434,777</u>	<u>937,250</u>	<u>1,412,823</u>	<u>475,573</u>	<u>933,534</u>
Total Departmental and Miscellaneous Revenues	<u>5,964,994</u>	<u>5,315,905</u>	<u>6,711,679</u>	<u>1,395,774</u>	<u>5,695,133</u>
TOTAL REVENUES	<u>32,891,302</u>	<u>32,758,260</u>	<u>33,748,459</u>	<u>990,199</u>	<u>33,242,782</u>
EXPENDITURES					
General Government	4,375,980	4,375,980	3,901,176	(474,804)	3,596,652
Fiscal Services (Administration)	2,504,114	2,504,114	2,345,603	(158,511)	2,194,405
Public Safety	21,723,378	21,729,363	20,062,361	(1,667,002)	22,992,670
General Services	3,511,993	3,534,293	3,001,384	(532,909)	2,818,023
Community Services	1,178,253	1,178,253	1,329,350	151,097	1,050,383
Debt Service	158,418	158,418	158,418	-	316,836
TOTAL EXPENDITURES	<u>33,452,136</u>	<u>33,480,421</u>	<u>30,798,292</u>	<u>(2,682,129)</u>	<u>32,968,969</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>(560,834)</u>	<u>(722,161)</u>	<u>2,950,167</u>	<u>3,672,328</u>	<u>273,813</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	406,250	150,000	-	(150,000)	405,186
Transfers out	<u>(180,236)</u>	<u>(611,817)</u>	<u>(463,216)</u>	<u>148,601</u>	<u>(473,193)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>226,014</u>	<u>(461,817)</u>	<u>(463,216)</u>	<u>(1,399)</u>	<u>(68,007)</u>
Net change in fund balances	<u>\$ (334,820)</u>	<u>\$ (1,183,978)</u>	<u>2,486,951</u>	<u>\$ 3,670,929</u>	<u>205,806</u>
Fund balances at beginning of year			<u>5,184,067</u>		<u>4,978,261</u>
FUND BALANCES AT END OF YEAR			<u><u>\$ 7,671,018</u></u>		<u><u>\$ 5,184,067</u></u>

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF DEPARTMENTAL AND MISCELLANEOUS REVENUES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual Revenues	Variance Over (Under)
LICENSES				
Business and occupational	\$ 230,000	\$ 95,600	\$ 100,019	\$ 4,419
Rental housing	300,000	175,000	176,515	1,515
TOTAL LICENSES	530,000	270,600	276,534	5,934
CONSTRUCTION AND OTHER PERMITS	217,810	218,250	306,168	87,918
FEES				
Property tax administration	302,588	336,433	373,999	37,566
Gun registration	1,000	1,000	1,505	505
Zoning code	15,000	10,000	10,780	780
Witness	15,000	10,000	7,467	(2,533)
Japanese Tea House	10,000	10,000	5,441	(4,559)
Vehicle storage	30,000	30,000	-	(30,000)
Hazmat clean up	6,000	6,000	5,581	(419)
Fire Department	50	-	50	50
Cable television	515,000	500,000	709,549	209,549
TOTAL FEES	894,638	903,433	1,114,372	210,939
FINES, PENALTIES AND FORFEITURES				
Traffic violations (except parking)	115,000	75,000	97,861	22,861
Traffic violations - parking	24,750	-	68	68
Penalties on property taxes	81,210	72,000	148,916	76,916
Transfer affidavit fines	77,000	56,000	67,245	11,245
TOTAL FINES, PENALTIES AND FORFEITURES	297,960	203,000	314,090	111,090
GRANTS, DONATIONS AND CONTRIBUTIONS				
City/County/School Liaison	10,000	10,000	10,000	-
Indirect costs	2,188,683	2,351,372	2,351,376	4
Reimbursement for Police overtime	18,000	18,000	110,439	92,439
Other grants	-	5,000	226,044	221,044
TOTAL GRANTS, DONATIONS AND CONTRIBUTIONS	2,216,683	2,384,372	2,697,859	313,487

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF DEPARTMENTAL AND MISCELLANEOUS REVENUES
AND OPERATING TRANSFERS IN
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual Revenues	Variance Over (Under)
INTEREST				
Investments	140,000	\$ 160,000	\$ 340,927	\$ 180,927
Cemetery endowments	40,000	50,000	-	(50,000)
Deferred special assessments	13,376	9,000	2,840	(6,160)
City income taxes	97,750	130,000	245,566	115,566
TOTAL INTEREST	291,126	349,000	589,333	240,333
RENTS AND PRIVILEGES				
Land and buildings	82,000	50,000	500	(49,500)
SALE OF MATERIALS AND SERVICES				
Cemetery services and markers	386,000	321,200	448,150	126,950
Cemetery grave spaces	100,000	100,000	146,268	46,268
Police Department services	30,000	30,000	43,586	13,586
Abandoned vehicle auction proceeds (net)	100,000	100,000	13,800	(86,200)
Fire Department services	11,000	2,000	1,885	(115)
Engineering plans and specifications	2,000	500	2,476	1,976
Sale of land	60,000	60,000	51,843	(8,157)
Insurance proceeds	-	-	16,088	16,088
Surplus receipts	179,100	33,000	82,053	49,053
Other	566,677	290,550	606,674	316,124
TOTAL SALE OF MATERIALS AND SERVICES	1,434,777	937,250	1,412,823	475,573
TRANSFERS IN				
Sick and Vacation Fund	406,250	150,000	-	(150,000)
TOTAL DEPARTMENTAL AND MISCELLANEOUS REVENUES AND TRANSFERS IN	\$ 6,371,244	\$ 5,465,905	\$ 6,711,679	\$ 1,245,774

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
GENERAL GOVERNMENT				
City Council	\$ 82,866	\$ 92,866	\$ 75,369	\$ (17,497)
City/County/School Liason	15,000	15,000	13,939	(1,061)
City Manager	336,629	336,629	304,815	(31,814)
Cable Television Operation	47,101	47,101	33,376	(13,725)
Employee Services	591,286	581,248	576,411	(4,837)
City Clerk	344,508	344,508	368,656	24,148
Elections	161,879	161,879	175,382	13,503
City Attorney	664,595	664,633	525,459	(139,174)
Unemployment Compensation	125,000	125,000	-	(125,000)
Retiree Health Insurance	1,972,879	1,972,879	1,793,533	(179,346)
Geographical Information System Charges	34,237	34,237	34,236	(1)
TOTAL GENERAL GOVERNMENT	4,375,980	4,375,980	3,901,176	(474,804)
FISCAL SERVICES (Administration)				
Administration	371,974	371,974	271,012	(100,962)
Controller	571,241	571,041	523,119	(47,922)
Treasurer/Income Tax	925,074	925,074	823,531	(101,543)
Assessor	476,728	476,728	399,561	(77,167)
Purchasing	159,097	159,297	144,480	(14,817)
Bad debt expense	-	-	183,900	183,900
TOTAL FISCAL SERVICES (Administration)	2,504,114	2,504,114	2,345,603	(158,511)
PUBLIC SAFETY				
Police Department				
Administration	447,782	447,782	434,606	(13,176)
Patrol	8,050,498	8,050,498	6,941,078	(1,109,420)
Administrative Services	460,011	443,836	415,518	(28,318)
Investigation	1,728,271	1,751,271	1,689,665	(61,606)
Building and Property Management	1,219,589	1,216,590	1,170,944	(45,646)
Technical Services	536,229	536,229	474,593	(61,636)
Total Police Department	12,442,380	12,446,206	11,126,404	(1,319,802)

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
PUBLIC SAFETY (CONTINUED)				
Fire Department				
Administration	\$ 427,759	\$ 429,759	\$ 489,083	\$ 59,324
Suppression	8,054,578	8,043,963	7,784,732	(259,231)
Training	238,693	238,693	137,198	(101,495)
Prevention	190,192	190,192	175,372	(14,820)
Apparatus Operation and Maintenance	369,776	380,550	349,572	(30,978)
	<u>9,280,998</u>	<u>9,283,157</u>	<u>8,935,957</u>	<u>(347,200)</u>
Total Fire Department				
	<u>9,280,998</u>	<u>9,283,157</u>	<u>8,935,957</u>	<u>(347,200)</u>
TOTAL PUBLIC SAFETY	<u>21,723,378</u>	<u>21,729,363</u>	<u>20,062,361</u>	<u>(1,667,002)</u>
GENERAL SERVICES				
Public Works and Engineering	114,844	114,844	120,662	5,818
Street Lighting	586,912	593,746	687,735	93,989
Public Improvements	509,381	517,989	423,366	(94,623)
Traffic Engineering	577,451	581,986	26	(581,960)
Abatement of Nuisances	59,752	63,252	111,029	47,777
Cemeteries Operation and Maintenance	560,266	560,266	608,510	48,244
Japanese Tea House and Cultural Center	44,212	44,212	24,453	(19,759)
Parks Administration	25,000	25,000	31,042	6,042
Building and Grounds Maintenance	1,034,175	1,032,998	994,561	(38,437)
	<u>3,511,993</u>	<u>3,534,293</u>	<u>3,001,384</u>	<u>(532,909)</u>
TOTAL GENERAL SERVICES	<u>3,511,993</u>	<u>3,534,293</u>	<u>3,001,384</u>	<u>(532,909)</u>
COMMUNITY SERVICES				
Inspections and Zoning	733,638	733,638	715,003	(18,635)
Demolitions	-	-	162,993	162,993
Planning and Economic Development	423,634	423,634	450,354	26,720
Contributions to Other Organizations	20,981	20,981	1,000	(19,981)
	<u>1,178,253</u>	<u>1,178,253</u>	<u>1,329,350</u>	<u>151,097</u>
TOTAL COMMUNITY SERVICES	<u>1,178,253</u>	<u>1,178,253</u>	<u>1,329,350</u>	<u>151,097</u>

Continued

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF APPROPRIATIONS AND EXPENDITURES
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual Expenditures	Variance Over (Under)
DEBT SERVICE				
Principal	\$ 156,046	\$ 156,046	\$ 156,046	\$ -
Interest	2,372	2,372	2,372	-
TOTAL DEBT SERVICE	<u>158,418</u>	<u>158,418</u>	<u>158,418</u>	<u>-</u>
TRANSFERS OUT				
Transfers to Special Revenue Funds:				
Streets Funds	-	-	25,000	25,000
Public Safety Fund	-	350,000	350,000	-
Drug Forfeiture Fund	-	-	12,398	12,398
Police Grant Funds	180,236	261,817	75,818	(185,999)
TOTAL TRANSFERS OUT	<u>180,236</u>	<u>611,817</u>	<u>463,216</u>	<u>(148,601)</u>
TOTAL APPROPRIATIONS, EXPENDITURES AND TRANSFERS OUT	<u><u>\$ 33,632,372</u></u>	<u><u>\$ 34,092,238</u></u>	<u><u>\$ 31,261,508</u></u>	<u><u>\$ (2,830,730)</u></u>

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

MAJOR, LOCAL AND MUNICIPAL STREETS FUNDS

The Major and Local Streets Funds receive allocations of State collected gasoline taxes and license fees to be used for the maintenance, repair and construction of streets and bridges within the City. The Municipal Street Fund functions as an inventory account for street maintenance materials. These materials are reallocated to the Major and Local Streets Funds upon completion of construction.

PUBLIC SAFETY MILLAGE FUND

The City levies a special property tax earmarked to support the cost of police and firefighters. This fund accounts for the tax levy proceeds and other reimbursements. It also records the expenditures for the payroll and related costs of the police officers and firefighters assigned to this fund.

RUBBISH COLLECTION FUND

Under authority of State law, the City levies a special property tax earmarked to support the cost of operating a weekly rubbish collection and disposal service. This fund accounts for the tax levy proceeds, household rubbish fees and composting fees. It also records the expenditures for rubbish collection, hauling and disposal, recycling, composting and trash cleanup.

MARINA GRANT FUND

This fund accounts for the revenues and expenditures of grant funds received from the Michigan Department of Natural Resources. Funds will be used for land acquisition, development and construction of a marina.

COMMUNITY POLICING FUND

This fund accounts for the revenues and expenditures of Police officers assigned to various City neighborhoods. This program provides the residents with a greater sense of protection and gives them the responsibility for developing and implementing problem solving strategies for their neighborhoods.

AUTO THEFT PREVENTION GRANT FUND

This fund accounts for grant funds received from the State of Michigan pursuant to Act 10 of the Public Acts of 1986. These funds are used by the Saginaw Police Department and Saginaw Township Police Department for the prevention and investigation of automobile thefts in Saginaw County.

POLICE TRAINING FUND

The fund accounts for allocations received from the State of Michigan pursuant to Act 302 of the Public Acts of 1982. Distributions are made twice annually based on the number of sworn Police officers. These funds can only be expended for direct costs of criminal justice training of Police officers.

YOUTH INITIATIVE GRANT FUND

This fund accounts for grant funds received from the U.S. Department of Justice. The funds will be used to engage youths and their families in programs that will enhance their self-awareness, self esteem and reduce their use of substances through participation in substance abuse programs.

NONMAJOR GOVERNMENTAL FUNDS

(continued)

SPECIAL REVENUE FUNDS

DRUG FORFEITURE FUND

This fund accounts for all expenditures and funds received from the forfeiture of cash and property seized during drug raids.

ANDERSEN CENTER OPERATION FUND

This fund accounts for the operation and maintenance expenditures and building rentals for the Andersen Enrichment Center. This fund also accounts for the private donations and individual contributions received by the Saginaw Community Enrichment Commission to provide financial support to cultural and creative arts organizations and to sponsor various social and community events to improve the quality of life in the City.

URBAN DEVELOPMENT ACTION GRANT

This fund accounts for the repaid loans received from the developer of the Saginaw Division Tower building. The developer received a Section 108 Loan and an Urban Development Action Grant from the Department of Housing and Urban Development for the renovation of the building and site clearance.

BOAT LAUNCH OPERATION FUND

This fund accounts for the revenues collected from the Wickes and Rust Avenue boat launches for parking and admission fees. This fund also accounts for the operation and maintenance expenditures of these facilities.

ECONOMIC DEVELOPMENT FUND

This fund was established to provide funds to be used as local match for federal and state grants for riverfront development projects. These funds are proceeds from a loan that was paid off when the Morley Building was sold.

CARL H. IBERSHOFF FUND

This fund accounts for monies received from the Carl H. Ibershoff Trust.

NONMAJOR GOVERNMENTAL FUNDS

(continued)

CAPITAL PROJECTS FUND

The Capital Projects Fund is used to account for the acquisition and construction of major capital facilities other than those financed by Proprietary Funds.

PERMANENT FUND

The Permanent Fund is used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for cemetery care and parks improvements purposes in support of the City's programs.

**CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007**

	<u>Special Revenue Funds</u>			
	<u>Major Streets</u>	<u>Local Streets</u>	<u>Municipal Streets</u>	<u>Public Safety Millage</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 216,584
Accounts receivable, net of allowances	5,151	-	4,392	-
Due from other governmental units	651,777	170,056	-	-
Inventory	440,459	-	80,925	-
Property taxes receivable	-	-	-	-
Assessments receivable	-	15,233	-	-
Due from other funds	-	-	-	-
Restricted assets				
Cash and cash equivalents	-	-	-	-
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 1,097,387</u>	<u>\$ 185,289</u>	<u>\$ 85,317</u>	<u>\$ 216,584</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 50,544	\$ 2,248	\$ 34,808	\$ 140
Accrued wages payable	38,484	16,050	-	157,318
Due to other governmental units	5,027	321	-	-
Due to other funds	336,255	128,407	44,719	-
Deferred revenue	-	15,234	-	-
Total Liabilities	<u>430,310</u>	<u>162,260</u>	<u>79,527</u>	<u>157,458</u>
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Encumbrances	26,183	2,345	-	-
Inventory	440,459	-	-	-
Specific projects	-	-	-	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated	200,435	20,684	5,790	59,126
Total Fund Balances	<u>667,077</u>	<u>23,029</u>	<u>5,790</u>	<u>59,126</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,097,387</u>	<u>\$ 185,289</u>	<u>\$ 85,317</u>	<u>\$ 216,584</u>

Special Revenue Funds

Rubbish Collection	Marina Grant	Police Grants Funds				Youth Initiative Grant
		Community Policing	Auto Theft Prevention Grant	Police Training		
\$ 692,274	\$ -	\$ 10,357	\$ -	\$ 20,673	\$ -	
124,180	472	-	-	-	-	
-	28	-	19,370	-	35,050	
-	-	-	-	-	-	
78,061	-	-	-	-	-	
557,816	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>\$ 1,452,331</u>	<u>\$ 500</u>	<u>\$ 10,357</u>	<u>\$ 19,370</u>	<u>\$ 20,673</u>	<u>\$ 35,050</u>	
\$ 345,169	\$ -	\$ 1,508	\$ 3,138	\$ 810	\$ 1,045	
13,559	-	8,849	3,390	-	5,258	
-	-	-	-	-	-	
-	500	-	12,842	-	28,747	
<u>472,328</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,863</u>	<u>-</u>	
<u>831,056</u>	<u>500</u>	<u>10,357</u>	<u>19,370</u>	<u>20,673</u>	<u>35,050</u>	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>621,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>621,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>\$ 1,452,331</u>	<u>\$ 500</u>	<u>\$ 10,357</u>	<u>\$ 19,370</u>	<u>\$ 20,673</u>	<u>\$ 35,050</u>	

Continued

**CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2007**

	Special Revenue Funds			
	Drug Forfeiture	Andersen Center Operation	Urban Development Action Grant	Boat Launch Operation
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ 69,013	\$ 470,309	\$ 21,169
Accounts receivable, net of allowances	-	1,722	-	-
Due from other governmental units	-	-	-	-
Inventory	-	-	-	-
Property taxes receivable	-	-	-	-
Assessments receivable	-	-	-	-
Due from other funds	15,838	-	-	-
Restricted assets				
Cash and cash equivalents	118,491	23,076	-	-
Investments	-	-	-	-
TOTAL ASSETS	<u>\$ 134,329</u>	<u>\$ 93,811</u>	<u>\$ 470,309</u>	<u>\$ 21,169</u>
<u>LIABILITIES AND FUND BALANCES</u>				
Liabilities				
Accounts payable	\$ 1,369	\$ 3,381	\$ -	\$ 2,272
Accrued wages payable	-	2,548	-	-
Due to other governmental units	-	1,054	-	-
Due to other funds	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>1,369</u>	<u>6,983</u>	<u>-</u>	<u>2,272</u>
Fund balances				
Reserved for:				
Trust and endowments	-	-	-	-
Encumbrances	-	-	-	-
Inventory	-	-	-	-
Specific projects	132,960	23,076	470,309	-
Unreserved:				
Designated for capital projects	-	-	-	-
Undesignated	-	63,752	-	18,897
Total Fund Balances	<u>132,960</u>	<u>86,828</u>	<u>470,309</u>	<u>18,897</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 134,329</u>	<u>\$ 93,811</u>	<u>\$ 470,309</u>	<u>\$ 21,169</u>

Special Revenue Funds					
Economic Development	Carl H. Ibershoff Trust	Total	Capital Projects	Permanent Fund	Totals
\$ 89,490	\$ 2,807	\$ 1,592,676	\$ 101,466	\$ 220,096	\$ 1,914,238
-	-	135,917	-	-	135,917
14,879	-	891,160	-	-	891,160
-	-	521,384	-	-	521,384
-	-	78,061	-	-	78,061
-	-	573,049	-	-	573,049
-	-	15,838	-	-	15,838
-	-	141,567	-	-	141,567
-	-	-	-	2,332,606	2,332,606
<u>\$ 104,369</u>	<u>\$ 2,807</u>	<u>\$ 3,949,652</u>	<u>\$ 101,466</u>	<u>\$ 2,552,702</u>	<u>\$ 6,603,820</u>
\$ 14,878	\$ -	\$ 461,310	\$ -	\$ 3,311	\$ 464,621
-	-	245,456	-	-	245,456
-	-	6,402	-	-	6,402
-	-	551,470	-	-	551,470
61,056	-	568,481	-	-	568,481
<u>75,934</u>	<u>-</u>	<u>1,833,119</u>	<u>-</u>	<u>3,311</u>	<u>1,836,430</u>
-	2,807	2,807	-	2,332,606	2,335,413
-	-	28,528	-	-	28,528
-	-	440,459	-	-	440,459
28,435	-	654,780	-	-	654,780
-	-	-	101,466	-	101,466
-	-	989,959	-	216,785	1,206,744
<u>28,435</u>	<u>2,807</u>	<u>2,116,533</u>	<u>101,466</u>	<u>2,549,391</u>	<u>4,767,390</u>
<u>\$ 104,369</u>	<u>\$ 2,807</u>	<u>\$ 3,949,652</u>	<u>\$ 101,466</u>	<u>\$ 2,552,702</u>	<u>\$ 6,603,820</u>

**CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007**

	Special Revenue Funds			
	Major Streets	Local Streets	Municipal Streets	Public Safety Millage
Revenues				
General operating property taxes	\$ -	\$ -	\$ -	3,644,698
State of Michigan gas and weight taxes	3,699,099	1,035,654	-	-
Trunkline maintenance	226,388	-	-	-
Fees	-	-	-	-
Drug forfeitures	-	-	-	-
Grants and entitlements	283,731	-	-	-
Interest on deposits and investments	4,128	73	-	-
Sale of materials and services	40,175	7,102	5,790	21,813
Total Revenues	4,253,521	1,042,829	5,790	3,666,511
Expenditures				
Current expenditures				
Public safety	-	-	-	3,957,385
Highways and streets	3,944,352	1,985,707	-	-
Garbage and rubbish	-	-	-	-
Community service	-	-	-	-
Economic development	-	-	-	-
Total Expenditures	3,944,352	1,985,707	-	3,957,385
Revenues over (under) expenditures	309,169	(942,878)	5,790	(290,874)
Other financing sources (uses)				
Transfers in	-	949,775	-	350,000
Transfers out	(924,775)	-	-	-
Total Other Financing Sources (Uses)	(924,775)	949,775	-	350,000
Net change in fund balances	(615,606)	6,897	5,790	59,126
Fund balances at beginning of year	1,282,683	16,132	-	-
FUND BALANCES AT END OF YEAR	\$ 667,077	\$ 23,029	\$ 5,790	\$ 59,126

Special Revenue Funds

Special Revenue Funds					
Police Grants Funds					
Rubbish Collection	Marina Grant	Community Policing	Auto Theft Prevention Grant	Police Training	Youth Initiative Grant
\$ 2,031,367	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
1,627,188	-	-	-	-	-
-	-	-	-	-	-
-	-	-	70,604	20,607	188,900
1,388	-	22	-	-	-
-	-	1,397	4,063	40	725
<u>3,659,943</u>	<u>-</u>	<u>1,419</u>	<u>74,667</u>	<u>20,647</u>	<u>189,625</u>
-	-	306,164	123,312	20,647	210,053
-	-	-	-	-	-
3,588,618	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,588,618</u>	<u>-</u>	<u>306,164</u>	<u>123,312</u>	<u>20,647</u>	<u>210,053</u>
<u>71,325</u>	<u>-</u>	<u>(304,745)</u>	<u>(48,645)</u>	<u>-</u>	<u>(20,428)</u>
-	-	304,745	48,645	-	20,428
-	-	-	-	-	-
-	-	304,745	48,645	-	20,428
71,325	-	-	-	-	-
549,950	-	-	-	-	-
<u>\$ 621,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

**CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2007**

	Special Revenue Funds		
	Drug Forfeiture	Andersen Center Operation	Urban Development Action Grant
Revenues			
General operating property taxes	\$ -	\$ -	\$ -
State of Michigan gas and weight taxes	-	-	-
Trunkline maintenance	-	-	-
Fees	-	58,484	-
Drug forfeitures	41,610	-	-
Grants and entitlements	3,372	105,363	-
Interest on deposits and investments	16,813	3,905	24,608
Sale of materials and services	1,450	5,979	-
Total Revenues	63,245	173,731	24,608
Expenditures			
Current expenditures			
Public safety	154,211	-	-
Highways and streets	-	-	-
Garbage and rubbish	-	-	-
Community service	-	178,495	-
Economic development	-	-	-
Total Expenditures	154,211	178,495	-
Revenues over (under) expenditures	(90,966)	(4,764)	24,608
Other financing sources (uses)			
Transfers in	12,398	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	12,398	-	-
Net change in fund balances	(78,568)	(4,764)	24,608
Fund balances at beginning of year	211,528	91,592	445,701
FUND BALANCES AT END OF YEAR	\$ 132,960	\$ 86,828	\$ 470,309

Special Revenue Funds							
Boat Launch Operation	Economic Development	Carl H. Ibershoff Trust	Total	Capital Projects	Permanent Fund	Totals	
\$ -	\$ -	\$ -	\$ 5,676,065	\$ -	\$ -	\$ 5,676,065	
-	-	-	4,734,753	-	-	4,734,753	
-	-	-	226,388	-	-	226,388	
24,327	-	-	1,709,999	-	-	1,709,999	
-	-	-	41,610	-	-	41,610	
-	231,945	-	904,522	-	-	904,522	
-	-	-	50,937	-	-	50,937	
-	-	-	88,534	-	34,111	122,645	
<u>24,327</u>	<u>231,945</u>	<u>-</u>	<u>13,432,808</u>	<u>-</u>	<u>34,111</u>	<u>13,466,919</u>	
-	-	-	4,771,772	-	-	4,771,772	
-	-	-	5,930,059	-	-	5,930,059	
-	-	-	3,588,618	-	-	3,588,618	
-	-	-	178,495	26	3,976	182,497	
<u>26,141</u>	<u>231,945</u>	<u>-</u>	<u>258,086</u>	<u>-</u>	<u>-</u>	<u>258,086</u>	
<u>26,141</u>	<u>231,945</u>	<u>-</u>	<u>14,727,030</u>	<u>26</u>	<u>3,976</u>	<u>14,731,032</u>	
<u>(1,814)</u>	<u>-</u>	<u>-</u>	<u>(1,294,222)</u>	<u>(26)</u>	<u>30,135</u>	<u>(1,264,113)</u>	
-	-	-	1,685,991	-	-	1,685,991	
-	-	-	(924,775)	-	-	(924,775)	
-	-	-	761,216	-	-	761,216	
(1,814)	-	-	(533,006)	(26)	30,135	(502,897)	
<u>20,711</u>	<u>28,435</u>	<u>2,807</u>	<u>2,649,539</u>	<u>101,492</u>	<u>2,519,256</u>	<u>5,270,287</u>	
<u>\$ 18,897</u>	<u>\$ 28,435</u>	<u>\$ 2,807</u>	<u>\$ 2,116,533</u>	<u>\$ 101,466</u>	<u>\$ 2,549,391</u>	<u>\$ 4,767,390</u>	

CITY OF SAGINAW, MICHIGAN
MAJOR STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Amended Budget	Actual	Variance Over (Under)
Revenues			
State of Michigan gas and weight taxes	\$ 4,154,438	\$ 3,699,099	\$ (455,339)
Trunkline maintenance	279,950	226,388	(53,562)
Grants and entitlements	215,000	283,731	68,731
Interest	200	4,128	3,928
Sale of materials and services	100,000	40,175	(59,825)
	<u>4,749,588</u>	<u>4,253,521</u>	<u>(496,067)</u>
Total Revenues			
Expenditures			
Current expenditures			
Routine maintenance of roads and streets	2,218,641	1,674,906	(543,735)
Routine maintenance of bridges	156,796	153,037	(3,759)
Winter maintenance of roads and streets	526,087	480,376	(45,711)
Traffic services maintenance	463,240	984,130	520,890
State trunkline maintenance	230,637	183,319	(47,318)
Administration	957,293	350,162	(607,131)
Capital outlay			
Construction and resurfacing of streets	378,570	111,660	(266,910)
Bridge reconstruction	57,000	6,762	(50,238)
	<u>4,988,264</u>	<u>3,944,352</u>	<u>(1,043,912)</u>
Total Expenditures			
Revenues over (under) expenditures	(238,676)	309,169	547,845
Other financing sources (uses)			
Transfers out	(769,605)	(924,775)	155,170
Net change in fund balances	<u>\$ (1,008,281)</u>	(615,606)	<u>\$ 392,675</u>
Fund balance at beginning of year		<u>1,282,683</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 667,077</u>	

CITY OF SAGINAW, MICHIGAN
LOCAL STREETS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Amended Budget	Actual	Variance Over (Under)
Revenues			
State of Michigan gas and weight taxes	\$ 1,109,506	\$ 1,035,654	\$ (73,852)
Interest on deposits and investments	7,000	73	(6,927)
Sale of materials and services	<u>23,000</u>	<u>7,102</u>	<u>(15,898)</u>
Total Revenues	<u>1,139,506</u>	<u>1,042,829</u>	<u>(96,677)</u>
Expenditures			
Current expenditures			
Routine maintenance of roads and streets	954,255	1,297,458	343,203
Winter maintenance of roads and streets	231,267	377,019	145,752
Traffic services maintenance	255,121	238,660	(16,461)
Administration	<u>473,003</u>	<u>72,570</u>	<u>(400,433)</u>
Total Expenditures	<u>1,913,646</u>	<u>1,985,707</u>	<u>72,061</u>
Revenues over (under) expenditures	(774,140)	(942,878)	(168,738)
Other financing sources (uses)			
Transfers in	<u>769,605</u>	<u>949,775</u>	<u>180,170</u>
Net change in fund balances	<u>\$ (4,535)</u>	6,897	<u>\$ 11,432</u>
Fund balance at beginning of year		<u>16,132</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 23,029</u>	

CITY OF SAGINAW, MICHIGAN
PUBLIC SAFETY MILLAGE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Amended Budget	Actual	Variance Over (Under)
Revenues			
General operating property taxes	\$ 3,631,360	\$ 3,644,698	\$ 13,338
Sale of materials and services	-	21,813	21,813
Total Revenues	<u>3,631,360</u>	<u>3,666,511</u>	<u>35,151</u>
Expenditures			
Current expenditures			
Police patrol	1,822,261	2,025,989	203,728
Police investigation	363,228	384,058	20,830
Fire suppression	1,379,051	1,470,773	91,722
Fire prevention	416,820	76,565	(340,255)
Total Expenditures	<u>3,981,360</u>	<u>3,957,385</u>	<u>(23,975)</u>
Revenues over (under) expenditures	(350,000)	(290,874)	59,126
Other financing sources (uses)			
Transfers in	<u>350,000</u>	<u>350,000</u>	<u>-</u>
Net change in fund balances	<u>\$ -</u>	59,126	<u>\$ 59,126</u>
Fund balance at beginning of year		<u>-</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 59,126</u>	

CITY OF SAGINAW, MICHIGAN
RUBBISH COLLECTION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Amended Budget	Actual	Variance Over (Under)
Revenues			
General operating property taxes	\$ 2,075,490	\$ 2,031,367	\$ (44,123)
Fees	1,586,500	1,627,188	40,688
Interest on deposits and investments	-	1,388	1,388
Sale of materials and services	9,300	-	(9,300)
	<u>3,671,290</u>	<u>3,659,943</u>	<u>(11,347)</u>
Total Revenues			
Expenditures			
Current expenditures			
Administration	624,585	867,025	242,440
Rubbish collection and disposal	2,422,373	2,309,559	(112,814)
Brush collection and disposal	109,830	6,447	(103,383)
Recycling and composting	482,190	389,670	(92,520)
Debt service	15,918	15,917	(1)
	<u>3,654,896</u>	<u>3,588,618</u>	<u>(66,278)</u>
Total Expenditures			
Net change in fund balances	<u>\$ 16,394</u>	71,325	<u>\$ 54,931</u>
Fund balance at beginning of year		<u>549,950</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 621,275</u>	

CITY OF SAGINAW, MICHIGAN
POLICE GRANTS FUNDS SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	\$ 258,332	\$ 280,111	\$ 21,779
Interest on deposits and investments	950	22	(928)
Sale of materials and services	-	6,225	6,225
	<u>259,282</u>	<u>286,358</u>	<u>27,076</u>
Expenditures			
Current expenditures			
Public safety	<u>813,510</u>	<u>660,176</u>	<u>(153,334)</u>
Revenues (under) expenditures	(554,228)	(373,818)	180,410
Other financing sources			
Transfers in	<u>559,817</u>	<u>373,818</u>	<u>(185,999)</u>
Net change in fund balances	<u>\$ 5,589</u>	-	<u>\$ (5,589)</u>
Fund balances at beginning of year		<u>-</u>	
FUND BALANCES AT END OF YEAR		<u>\$ -</u>	

**CITY OF SAGINAW, MICHIGAN
DRUG FORFEITURE SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007**

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Drug forfeitures	\$ 54,471	\$ 41,610	\$ (12,861)
Grants and entitlements	-	3,372	3,372
Interest on deposits and investments	4,000	16,813	12,813
Sale of materials and services	-	1,450	1,450
	<u>58,471</u>	<u>63,245</u>	<u>4,774</u>
Total Revenues			
Expenditures			
Current expenditures			
Public safety	<u>253,068</u>	<u>154,211</u>	<u>(98,857)</u>
Revenues over (under) expenditures	(194,597)	(90,966)	103,631
Other financing sources (uses)			
Transfers in	<u>-</u>	<u>12,398</u>	<u>12,398</u>
Net change in fund balances	<u>\$ (194,597)</u>	(78,568)	<u>\$ 116,029</u>
Fund balance at beginning of year		<u>211,528</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 132,960</u>	

**CITY OF SAGINAW, MICHIGAN
ANDERSEN CENTER OPERATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007**

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	\$ 50,000	\$ 58,484	\$ 8,484
Grants and entitlements	102,800	105,363	2,563
Interest on deposits and investments	-	3,905	3,905
Sale of materials and services	-	5,979	5,979
	<hr/>	<hr/>	<hr/>
Total Revenues	152,800	173,731	20,931
Expenditures			
Current expenditures			
Community service	152,800	178,495	25,695
	<hr/>	<hr/>	<hr/>
Net change in fund balances	<u>\$ -</u>	(4,764)	<u>\$ (4,764)</u>
Fund balance at beginning of year		<hr/> 91,592	
FUND BALANCE AT END OF YEAR		<u>\$ 86,828</u>	

CITY OF SAGINAW, MICHIGAN
BOAT LAUNCH OPERATION SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Fees	\$ 18,000	\$ 24,327	\$ 6,327
Expenditures			
Current expenditures			
Community services	<u>26,602</u>	<u>26,141</u>	<u>(461)</u>
Net change in fund balances	<u>\$ (8,602)</u>	(1,814)	<u>\$ 6,788</u>
Fund balance at beginning of year		<u>20,711</u>	
FUND BALANCE AT END OF YEAR		<u>\$ 18,897</u>	

CITY OF SAGINAW, MICHIGAN
ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended June 30, 2007

	Amended Budget	Actual	Variance Over (Under)
Revenues			
Grants and entitlements	\$ 660,000	\$ 231,945	\$ (428,055)
Expenditures			
Current expenditures			
Economic development	<u>660,000</u>	<u>231,945</u>	<u>(428,055)</u>
Revenues (under) expenditures	-	-	-
Other financing sources			
Transfers in	<u>559,817</u>	<u>-</u>	<u>(559,817)</u>
Net change in fund balances	<u>\$ 559,817</u>	-	<u>\$ (559,817)</u>
Fund balances at beginning of year		<u>28,435</u>	
FUND BALANCES AT END OF YEAR		<u>\$ 28,435</u>	

NONMAJOR ENTERPRISE FUNDS

PARKING FUND

Revenues and expenses relating to the operation of the parking system are recorded in the Parking Fund. Assets of the parking system are also recorded here.

WAVE POOL FUND

The fund accounts for the operation, maintenance and debt service expenses of the wave pool complex.

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
NONMAJOR ENTERPRISE FUNDS
June 30, 2007

	<u>Parking</u>	<u>Wave Pool</u>	<u>Totals</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ -	\$ 93,959	\$ 93,959
Accounts receivable, net of allowances	580,121	-	580,121
Investments	-	1,105	1,105
	<u>580,121</u>	<u>95,064</u>	<u>675,185</u>
Total Current Assets			
Capital Assets			
Land	201,203	-	201,203
Buildings and improvements	8,178,846	3,458,870	11,637,716
Plant and office equipment	541,413	69,139	610,552
Less allowances for depreciation	(8,598,935)	(3,528,009)	(12,126,944)
	<u>322,527</u>	<u>-</u>	<u>322,527</u>
Net Capital Assets			
TOTAL ASSETS	<u>902,648</u>	<u>95,064</u>	<u>997,712</u>
<u>LIABILITIES</u>			
Current liabilities			
Due to other funds	340,869	-	340,869
Accounts payable	1,114	-	1,114
Accrued wages payable	3,415	-	3,415
Unearned revenue	542,041	-	542,041
	<u>887,439</u>	<u>-</u>	<u>887,439</u>
Total Current Liabilities			
Long-term liabilities			
Accrued sick and vacation/PTO payable	14,431	-	14,431
	<u>14,431</u>	<u>-</u>	<u>14,431</u>
TOTAL LIABILITIES	<u>901,870</u>	<u>-</u>	<u>901,870</u>
<u>NET ASSETS</u>			
Investment in capital assets	322,527	-	322,527
Unrestricted (deficit)	(321,749)	95,064	(226,685)
	<u>778</u>	<u>95,064</u>	<u>95,842</u>
TOTAL NET ASSETS	<u>\$ 778</u>	<u>\$ 95,064</u>	<u>\$ 95,842</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS - NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2007

	Parking	Wave Pool	Totals
Operating revenues			
Parking ramps	\$ 37,438	\$ -	\$ 37,438
Parking lots	131,779	-	131,779
Parking fines and tickets	140,777	-	140,777
	<u>309,994</u>	<u>-</u>	<u>309,994</u>
Total Operating Revenues			
Operating expenses			
Salaries	68,686	-	68,686
Employee benefits	140,068	-	140,068
Contractual services	13,178	-	13,178
Internal user charges	25,529	-	25,529
Insurance	24,243	-	24,243
Utilities	35,858	-	35,858
Supplies and materials	5,126	-	5,126
Depreciation	44,811	926,810	971,621
Other	6,134	-	6,134
	<u>363,633</u>	<u>926,810</u>	<u>1,290,443</u>
Total Operating Expenses			
Operating Income (Loss)	<u>(53,639)</u>	<u>(926,810)</u>	<u>(980,449)</u>
Nonoperating revenues (expenses)			
Interest on investments	-	4,476	4,476
Gain (loss) on disposal of equipment	(777)	-	(777)
	<u>(777)</u>	<u>4,476</u>	<u>3,699</u>
Total nonoperating revenues (expenses)			
Net Income (Loss) Before Transfers	(54,416)	(922,334)	(976,750)
Transfers			
Transfers in	232,191	-	232,191
	<u>232,191</u>	<u>-</u>	<u>232,191</u>
Change in Net Assets	177,775	(922,334)	(744,559)
Net assets (deficit) at beginning of year, as restated	<u>(176,997)</u>	<u>1,017,398</u>	<u>840,401</u>
NET ASSETS AT END OF YEAR	<u>\$ 778</u>	<u>\$ 95,064</u>	<u>\$ 95,842</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
For the Year Ended June 30, 2007

	Parking	Wave Pool	Totals
Cash flows from operating activities:			
Receipts from customers	\$ 308,506	\$ -	\$ 308,506
Payments to suppliers	(86,997)	-	(86,997)
Payments to employees	(207,577)	-	(207,577)
Payments for interfund services used	(246,123)	-	(246,123)
Net Cash Provided By (Used For) Operating Activities	<u>(232,191)</u>	<u>-</u>	<u>(232,191)</u>
Cash flows from noncapital financing activities:			
Transfers in	<u>232,191</u>	<u>-</u>	<u>232,191</u>
Cash flows from investing activities:			
Purchase of investment securities	-	(5)	(5)
Interest on investments	<u>-</u>	<u>4,476</u>	<u>4,476</u>
Net Cash Provided By Investing Activities	<u>-</u>	<u>4,471</u>	<u>4,471</u>
Increase (Decrease) in cash and cash equivalents	-	4,471	4,471
Cash and cash equivalents at beginning of year	<u>-</u>	<u>89,488</u>	<u>89,488</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ -</u>	<u>\$ 93,959</u>	<u>\$ 93,959</u>
Cash flows from operating activities:			
Operating income (loss)	\$ (53,639)	\$ (926,810)	\$ (980,449)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation	44,811	926,810	971,621
(Increase) Decrease in assets:			
Accounts receivable	(209,668)	-	(209,668)
Increase (Decrease) in liabilities:			
Due to other funds	(220,594)	-	(220,594)
Accounts payable	(2,458)	-	(2,458)
Accrued wages payable	927	-	927
Unearned revenue	208,180	-	208,180
Accrued sick and vacation/PTO payable	<u>250</u>	<u>-</u>	<u>250</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ (232,191)</u>	<u>\$ -</u>	<u>\$ (232,191)</u>

INTERNAL SERVICE FUNDS

INFORMATION SERVICES FUND

Computer and information services are provided to City operating departments through this fund. The operation is financed by service charges levied against user departments and service contracts with other governmental agencies.

GIS FUND

This fund is used to account for the development and operations of a City-wide geographic information system. Money for the operation of this fund is supplied from contributions from other City funds.

MOTOR POOL FUND

This fund is responsible for acquiring and maintaining vehicles and other motorized equipment for use in general City operations. The costs of maintenance and replacement are recovered through rental rates charged to City operations using the vehicles and equipment.

CENTRAL STORES FUND

This operation inventories and supplies to operating departments office supplies, postage, small hand tools, parts and other products needed in everyday operations. All incoming, outgoing and inter-departmental mail is processed by this operation. Offset printing and other duplicating services are also provided to City departments. Costs are recovered through user charges.

RADIO FUND

This fund acquires, installs and maintains two-way radio equipment for use by City operating departments. Rental fees are charged to using departments to recover the cost of maintaining and replacing equipment.

SELF INSURANCE FUND

This fund was established by City Council to serve as a general insurance reserve for liabilities and claims not covered by commercial carriers or to pay deductibles. This fund accounts for the payment of insurance premiums, the distribution of insurance costs to other City funds and records the insurance claims liability.

WORKERS' COMPENSATION FUND

This fund accounts for all expenses, revenues and claims liability relating to the City's self-insured workers' compensation program. Premiums are charged to other City funds based on budgeted salaries.

PTO LIABILITY FUND

This fund was established to start funding the unfunded sick and vacation liability that has accrued to City employees over the years. Payoffs upon retirement for unused days will continue to be charged to other funds until this fund has sufficient dollars accumulated. Amounts are charged to other City funds based on the actual value of accrued sick and vacation/PTO days for each employee.

PUBLIC WORKS BUILDING FUND

This fund was established to account for all operating and capital expenses required to maintain the Public Works Service Center. Rent is charged to the departments occupying the building based on square footage.

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
June 30, 2007

	Information Services	GIS	Motor Pool	Central Stores
ASSETS				
Current assets				
Cash and cash equivalents	\$ 230,530	\$ 173,264	\$ 402,160	\$ 21,417
Investments	-	-	-	-
Due from other funds	-	-	-	-
Accounts receivable	-	-	-	-
Accrued interest receivable	-	-	-	-
Inventories	-	-	26,611	5,560
Prepaid insurance	-	-	-	-
Total Current Assets	230,530	173,264	428,771	26,977
Capital assets				
Buildings and improvements	-	-	182,829	-
Plant and office equipment	293,286	99,937	81,419	76,954
Vehicular and radio equipment	-	-	6,171,969	-
Less allowances for depreciation	(272,768)	(77,282)	(5,256,686)	(76,954)
Net capital assets	20,518	22,655	1,179,531	-
TOTAL ASSETS	251,048	195,919	1,608,302	26,977
LIABILITIES				
Current liabilities				
Due to other funds	-	-	-	-
Accounts payable	14,338	6,451	20,891	348
Accrued wages payable	15,856	7,030	12,328	-
Current portion of long-term debt	-	-	70,327	-
Total Current Liabilities	30,194	13,481	103,546	348
Long-term liabilities				
Workers' comp claims payable	-	-	-	-
Insurance claims payable	-	-	-	-
Accrued sick and vacation/PTO payable	94,543	19,779	60,894	-
Bonds and contracts payable	-	-	127,442	-
Total Long-term Liabilities	94,543	19,779	188,336	-
TOTAL LIABILITIES	124,737	33,260	291,882	348
NET ASSETS				
Investment in capital assets, net of related debt	20,518	22,655	981,762	-
Restricted for:				
Sick and vacation	-	-	-	-
Insurance and other claims	-	-	-	-
Unrestricted	105,793	140,004	334,658	26,629
TOTAL NET ASSETS	\$ 126,311	\$ 162,659	\$ 1,316,420	\$ 26,629

Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
\$ -	\$ 698,097	\$ 1,120,295	\$ -	\$ 57,970	\$ 2,703,733
-	308,406	-	663,183	-	971,589
217,069	-	1,055,295	-	-	1,272,364
1,230,553	-	-	-	-	1,230,553
-	-	-	97	-	97
-	-	-	-	-	32,171
-	36,986	-	-	-	36,986
<u>1,447,622</u>	<u>1,043,489</u>	<u>2,175,590</u>	<u>663,280</u>	<u>57,970</u>	<u>6,247,493</u>
-	-	-	-	-	182,829
3,435	-	-	-	-	555,031
1,149,404	-	-	-	-	7,321,373
(1,075,203)	-	-	-	-	(6,758,893)
<u>77,636</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,300,340</u>
<u>1,525,258</u>	<u>1,043,489</u>	<u>2,175,590</u>	<u>663,280</u>	<u>57,970</u>	<u>7,547,833</u>
-	-	-	380,025	-	380,025
430	177,705	9,101	-	9,501	238,765
248	-	760	-	2,815	39,037
-	75,000	-	-	-	145,327
<u>678</u>	<u>252,705</u>	<u>9,861</u>	<u>380,025</u>	<u>12,316</u>	<u>803,154</u>
-	-	2,057,897	-	-	2,057,897
-	568,465	-	-	-	568,465
-	-	-	-	10,331	185,547
-	75,000	-	-	-	202,442
<u>-</u>	<u>643,465</u>	<u>2,057,897</u>	<u>-</u>	<u>10,331</u>	<u>3,014,351</u>
<u>678</u>	<u>896,170</u>	<u>2,067,758</u>	<u>380,025</u>	<u>22,647</u>	<u>3,817,505</u>
77,636	-	-	-	-	1,102,571
-	-	-	283,255	-	283,255
-	147,319	107,832	-	-	255,151
1,446,944	-	-	-	35,323	2,089,351
<u>\$ 1,524,580</u>	<u>\$ 147,319</u>	<u>\$ 107,832</u>	<u>\$ 283,255</u>	<u>\$ 35,323</u>	<u>\$ 3,730,328</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS - INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007

	Information Services	GIS	Motor Pool	Central Stores
Operating revenues				
Charges for services	\$ 1,574,903	\$ 342,176	\$ 1,521,402	\$ 67,846
Sale of materials and services	2,906	30,267	1,231	-
Total Operating Revenues	1,577,809	372,443	1,522,633	67,846
Operating expenses				
Cost of goods sold	-	-	-	66,987
Salaries	430,219	171,936	293,271	-
Employee benefits	307,592	75,778	413,385	200
Contractual services	504,113	46,781	19,058	932
Internal user charges	92,460	31,392	233,459	-
Insurance	24,958	6,458	136,632	-
Utilities	87,322	-	7,551	-
Supplies and materials	22,044	4,787	187,160	300
Claims and judgments	-	-	-	-
Depreciation	35,933	16,435	340,892	-
Other	129,193	3,802	10,664	-
Net Operating Expenses	1,633,834	357,369	1,642,072	68,419
Operating Income (Loss)	(56,025)	15,074	(119,439)	(573)
Nonoperating revenues (expenses)				
Interest on investments	9,840	-	-	-
Gain (loss) on disposal of equipment	(1,220)	(4,715)	(1,913)	-
Grants and entitlement	-	47,519	-	-
Interest expense on bonded indebtedness	-	-	(5,297)	-
Total Nonoperating Revenues (Expenses)	8,620	42,804	(7,210)	-
Change in Net Assets	(47,405)	57,878	(126,649)	(573)
Net assets (deficits) at beginning of year	173,716	104,781	1,443,069	27,202
NET ASSETS AT END OF YEAR	\$ 126,311	\$ 162,659	\$ 1,316,420	\$ 26,629

<u>Radio</u>	<u>Self Insurance</u>	<u>Workers' Compensation</u>	<u>PTO Liability</u>	<u>Public Works Building</u>	<u>Totals</u>
\$ 216,180	\$ 1,930,676	\$ 1,512,846	\$ -	\$ 378,741	\$ 7,544,770
-	-	-	-	-	34,404
<u>216,180</u>	<u>1,930,676</u>	<u>1,512,846</u>	<u>-</u>	<u>378,741</u>	<u>7,579,174</u>
-	-	-	-	-	66,987
3,160	-	25,236	-	75,770	999,592
3,433	-	13,020	-	42,250	855,658
6,979	282,364	118,820	-	46,687	1,025,734
5,076	-	-	-	-	362,387
9,043	1,125,301	-	-	17,292	1,319,684
96	-	634	-	123,770	219,373
3,138	-	213	-	37,865	255,507
-	204,472	1,084,984	-	-	1,289,456
38,208	-	-	-	-	431,468
820	-	354	-	883	145,716
<u>69,953</u>	<u>1,612,137</u>	<u>1,243,261</u>	<u>-</u>	<u>344,517</u>	<u>6,971,562</u>
<u>146,227</u>	<u>318,539</u>	<u>269,585</u>	<u>-</u>	<u>34,224</u>	<u>607,612</u>
45,367	15,912	44,306	27,498	-	142,923
-	-	-	-	-	(7,848)
-	-	-	-	-	47,519
-	(10,770)	-	-	-	(16,067)
<u>45,367</u>	<u>5,142</u>	<u>44,306</u>	<u>27,498</u>	<u>-</u>	<u>166,527</u>
191,594	323,681	313,891	27,498	34,224	774,139
<u>1,332,986</u>	<u>(176,362)</u>	<u>(206,059)</u>	<u>255,757</u>	<u>1,099</u>	<u>2,956,189</u>
<u>\$ 1,524,580</u>	<u>\$ 147,319</u>	<u>\$ 107,832</u>	<u>\$ 283,255</u>	<u>\$ 35,323</u>	<u>\$ 3,730,328</u>

CITY OF SAGINAW, MICHIGAN
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
For the Year Ended June 30, 2007

	Information Services	GIS	Motor Pool	Central Stores
Cash flows from operating activities:				
Receipts from interfund services provided	\$ 1,577,809	\$ 375,641	\$ 1,522,633	\$ 67,846
Payments to suppliers	(773,694)	(58,561)	(226,548)	(72,638)
Payments to employees	(721,744)	(244,456)	(703,628)	(495)
Payments for interfund services used	(92,460)	(31,392)	(233,459)	-
Net Cash Provided By (Used For) Operating Activities	(10,089)	41,232	358,998	(5,287)
Cash flows from noncapital financing activities:				
Grants and entitlements	-	47,519	-	-
Cash flows from capital and related financing activities:				
Purchases of property and equipment	(5,618)	(5,307)	(119,670)	-
Proceeds from installment contracts payable	-	-	93,184	-
Principal paid on long-term debt	-	-	(50,935)	-
Interest paid on long-term debt	-	-	(5,297)	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(5,618)	(5,307)	(82,718)	-
Cash flows from investing activities:				
Purchases of investment securities	-	-	-	-
Interest on investments	9,840	-	-	-
Net Cash Provided By (Used For) Investing Activities	9,840	-	-	-
Increase (Decrease) in cash and cash equivalents	(5,867)	83,444	276,280	(5,287)
Cash and cash equivalents at beginning of year	236,397	89,820	125,880	26,704
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 230,530	\$ 173,264	\$ 402,160	\$ 21,417
Cash flows from operating activities:				
Operating income (loss)	\$ (56,025)	\$ 15,074	\$ (119,439)	\$ (573)
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:				
Depreciation	35,933	16,435	340,892	-
Changes in assets and liabilities:				
Due from other funds	-	-	-	-
Accounts receivable	-	3,198	-	-
Inventories	-	-	127,030	(4,345)
Prepaid insurance	-	-	-	-
Due to other funds	-	-	-	-
Accounts payable	(6,064)	3,267	7,487	(74)
Accrued wages payable	(322)	1,131	(116)	-
Due to other governments	-	-	-	(295)
Claims payable	-	-	-	-
Accrued sick and vacation/PTO payable	16,389	2,127	3,144	-
Net Cash Provided By (Used For) Operating Activities	\$ (10,089)	\$ 41,232	\$ 358,998	\$ (5,287)

Radio	Self Insurance	Workers' Compensation	PTO Liability	Public Works Building	Totals
\$ 328,383	\$ 1,930,676	\$ 1,220,577	\$ 6,631	\$ 378,741	\$ 7,408,937
(20,698)	(1,445,890)	(1,035,495)	-	(234,653)	(3,868,177)
(6,550)	-	(37,922)	-	(117,710)	(1,832,505)
<u>(1,235,629)</u>	<u>-</u>	<u>-</u>	<u>(34,129)</u>	<u>-</u>	<u>(1,627,069)</u>
(934,494)	484,786	147,160	(27,498)	26,378	81,186
-	-	-	-	-	47,519
-	-	-	-	-	(130,595)
-	-	-	-	-	93,184
-	(70,000)	-	-	-	(120,935)
<u>-</u>	<u>(10,770)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(16,067)</u>
-	(80,770)	-	-	-	(174,413)
-	(1,357)	-	-	-	(1,357)
<u>45,367</u>	<u>15,912</u>	<u>44,306</u>	<u>27,498</u>	<u>-</u>	<u>142,923</u>
<u>45,367</u>	<u>14,555</u>	<u>44,306</u>	<u>27,498</u>	<u>-</u>	<u>141,566</u>
(889,127)	418,571	191,466	-	26,378	95,858
<u>889,127</u>	<u>279,526</u>	<u>928,829</u>	<u>-</u>	<u>31,592</u>	<u>2,607,875</u>
<u>\$ -</u>	<u>\$ 698,097</u>	<u>\$ 1,120,295</u>	<u>\$ -</u>	<u>\$ 57,970</u>	<u>\$ 2,703,733</u>
\$ 146,227	\$ 318,539	\$ 269,585	\$ -	\$ 34,224	\$ 607,612
38,208	-	-	-	-	431,468
112,203	-	(292,269)	6,728	-	(173,338)
(1,230,553)	-	-	(97)	-	(1,227,452)
-	-	-	-	-	122,685
-	(667)	-	-	-	(667)
-	-	-	(34,129)	-	(34,129)
(622)	120,539	(15,300)	-	(8,156)	101,077
43	-	334	-	74	1,144
-	-	-	-	-	(295)
-	46,375	184,810	-	-	231,185
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>236</u>	<u>21,896</u>
<u>\$ (934,494)</u>	<u>\$ 484,786</u>	<u>\$ 147,160</u>	<u>\$ (27,498)</u>	<u>\$ 26,378</u>	<u>\$ 81,186</u>

FIDUCIARY FUNDS

PUBLIC EMPLOYEE HEALTHCARE FUND

This fund was established to start funding the unfunded health insurance premiums that are fully paid for all City retirees. The unfunded liability is estimated at \$115 million.

POLICEMEN AND FIREMEN PENSION FUND

Assets accumulated for the payment of retirement benefits for City Police and Fire personnel are recorded in this fund. Benefits for retired members are paid from this fund and active members contribute to the pension system through payroll deductions. The City contributes to the fund by an annual appropriation from the General Fund which is determined and set by an annual actuarial valuation.

AGENCY FUNDS

These funds are used to account for property taxes collected by the City for other units of government until the tax proceeds are remitted to them. Funds retained from contractors during construction projects and employee and employer payroll withholdings and benefits are also recorded here.

CITY OF SAGINAW, MICHIGAN
EMPLOYEE PENSION AND OTHER BENEFITS TRUST FUNDS
COMBINING STATEMENT OF PLAN NET ASSETS
June 30, 2007

	<u>Public Employee Healthcare</u>	<u>Policemen and Firemen Pension</u>	<u>Total</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 452,014	\$ -	\$ 452,014
Investments, at market value			
Money market funds	-	1,915,245	1,915,245
U.S. Government agencies	-	17,302,594	17,302,594
Corporate and foreign bonds	-	14,594,783	14,594,783
Common equity securities	-	62,108,206	62,108,206
Equity mutual funds	-	37,711,456	37,711,456
Other	1,702,318	2,448,097	4,150,415
 Total Investments	 1,702,318	 136,080,381	 137,782,699
Accrued interest receivable	-	425,699	425,699
 Total Assets	 2,154,332	 136,506,080	 138,660,412
<u>LIABILITIES</u>			
Accounts payable	-	110,810	110,810
Accrued wages payable	-	498,942	498,942
 Total Liabilities	 -	 609,752	 609,752
 Net Assets Held In Trust for Pension Benefits	 \$ 2,154,332	 \$ 135,896,328	 \$ 138,050,660

A schedule of funding progress for the Policemen and Firemen Pension plan is presented in on page 61.

**CITY OF SAGINAW, MICHIGAN
EMPLOYEE PENSION AND OTHER BENEFITS TRUST FUNDS
COMBINING STATEMENT OF CHANGES IN PLAN NET ASSETS
For the Year Ended June 30, 2007**

	Public Employee Healthcare	Policemen and Firemen Pension	Total
<u>Additions</u>			
Contributions:			
Employer	\$ 400,000	\$ 4,842,384	\$ 5,242,384
Plan members	-	1,220,903	1,220,903
	<hr/>	<hr/>	<hr/>
Total contributions	400,000	6,063,287	6,463,287
Investment income (loss):			
Interest	47,062	1,896,808	1,943,870
Dividends	-	1,722,692	1,722,692
Mutual fund rebates	-	158,110	158,110
Net appreciation in fair value of investments	283,039	15,298,030	15,581,069
Investment expenses	-	(411,908)	(411,908)
	<hr/>	<hr/>	<hr/>
Total investment income	330,101	18,663,732	18,993,833
	<hr/>	<hr/>	<hr/>
Total Additions	730,101	24,727,019	25,457,120
<u>Deductions</u>			
Police pension benefits	-	6,347,818	6,347,818
Fire pension benefits	-	5,434,880	5,434,880
Administrative expenses	131,448	243,100	374,548
Refunds of member contributions	-	163,194	163,194
	<hr/>	<hr/>	<hr/>
Total Deductions	131,448	12,188,992	12,320,440
	<hr/>	<hr/>	<hr/>
Net increase for the year	598,653	12,538,027	13,136,680
Net Assets Held in Trust for Pension Benefits			
Beginning of year	1,555,679	123,358,301	124,913,980
	<hr/>	<hr/>	<hr/>
End of year	\$ 2,154,332	\$ 135,896,328	\$ 138,050,660
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

**CITY OF SAGINAW, MICHIGAN
COMBINING BALANCE SHEET
AGENCY FUNDS
June 30, 2007**

	Intermediate School Tax Collection	Saginaw County Tax Collection	School District Tax Collection	State Education Tax Collection	Delta College Tax Collection
<u>ASSETS</u>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts receivable	-	-	-	-	-
Prepaid insurance	-	-	-	-	-
Taxes receivable for other governmental units	59,990	233,141	562,334	172,094	65,705
TOTAL ASSETS	<u><u>\$ 59,990</u></u>	<u><u>\$ 233,141</u></u>	<u><u>\$ 562,334</u></u>	<u><u>\$ 172,094</u></u>	<u><u>\$ 65,705</u></u>
 <u>LIABILITIES</u>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other governmental units	59,990	233,141	562,334	172,094	65,705
Claims payable	-	-	-	-	-
Other current liabilities	-	-	-	-	-
TOTAL LIABILITIES	<u><u>\$ 59,990</u></u>	<u><u>\$ 233,141</u></u>	<u><u>\$ 562,334</u></u>	<u><u>\$ 172,094</u></u>	<u><u>\$ 65,705</u></u>

<u>Public Libraries Tax Collection</u>	<u>Saginaw Transit Tax Collection</u>	<u>Undistributed Tax Collection</u>	<u>Contractor's Retainage</u>	<u>Employee Benefits</u>	<u>Housing Commission</u>	<u>Totals</u>
\$ -	\$ -	\$ 67,818	\$ -	\$ 561,416	\$ -	\$ 629,234
-	-	37,984	-	49	1,229,038	1,267,071
-	-	-	-	1,070,806	-	1,070,806
<u>114,533</u>	<u>76,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,284,458</u>
<u><u>\$ 114,533</u></u>	<u><u>\$ 76,661</u></u>	<u><u>\$ 105,802</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,632,271</u></u>	<u><u>\$ 1,229,038</u></u>	<u><u>\$ 4,251,569</u></u>

\$ -	\$ -	\$ 6,518	\$ -	\$ 881,294	\$ 82	\$ 887,894
114,533	76,661	99,284	-	-	1,228,956	2,612,698
-	-	-	-	744,767	-	744,767
-	-	-	-	6,210	-	6,210
<u>\$ 114,533</u>	<u>\$ 76,661</u>	<u>\$ 105,802</u>	<u>\$ -</u>	<u>\$ 1,632,271</u>	<u>\$ 1,229,038</u>	<u>\$ 4,251,569</u>

COMPONENT UNITS

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
TIFA COMPONENT UNITS
June 30, 2007

	Saginaw Division TIFA	Morley TIFA	Total Governmental Funds	Adjustments	Statement of Net Assets
ASSETS					
Cash and cash equivalents	\$ 5,185	\$ 26,120	\$ 31,305	\$ -	\$ 31,305
Property taxes receivable	-	13	13	-	13
TOTAL ASSETS	<u>\$ 5,185</u>	<u>\$ 26,133</u>	<u>\$ 31,318</u>	<u>\$ -</u>	<u>31,318</u>
LIABILITIES					
Deferred revenue	\$ -	\$ 13	\$ 13	\$ (13)	-
FUND BALANCES/NET ASSETS					
Reserved for:					
TIFA/LDFA projects	<u>5,185</u>	<u>26,120</u>	<u>31,305</u>	<u>(31,305)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 5,185</u>	<u>\$ 26,133</u>	<u>\$ 31,318</u>		
NET ASSETS, UNRESTRICTED				<u>\$ 31,318</u>	<u>\$ 31,318</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
TIFA COMPONENT UNITS
For the Year Ended June 30, 2007

	Saginaw Division TIFA	Morley TIFA	Total Governmental Funds	Adjustments	Statement of Activities
Revenues					
General operating property taxes	\$ 30	\$ -	\$ 30	\$ (31)	\$ (1)
Fund balances/net assets at beginning of year	<u>5,155</u>	<u>26,120</u>	<u>31,275</u>	<u>44</u>	<u>31,319</u>
FUND BALANCES/NET ASSETS AT END OF YEAR	<u>\$ 5,185</u>	<u>\$ 26,120</u>	<u>\$ 31,305</u>	<u>\$ 13</u>	<u>\$ 31,318</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
DDA COMPONENT UNITS
June 30, 2007

	<u>Commerce Center DDA</u>	<u>Sils Island DDA</u>	<u>Downtown Development Authority</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 56,506	\$ 18,250	\$ 120,972
Property taxes receivable	231	1,496	29,306
Land held for resale	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u><u>\$ 56,737</u></u>	<u><u>\$ 19,746</u></u>	<u><u>\$ 150,278</u></u>
 <u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ 669
Deferred revenue	<u>231</u>	<u>1,496</u>	<u>29,306</u>
Total Liabilities	231	1,496	29,975
 <u>FUND BALANCES/NET ASSETS</u>			
Reserved for:			
Specific Projects	<u>56,506</u>	<u>18,250</u>	<u>120,303</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 56,737</u></u>	<u><u>\$ 19,746</u></u>	<u><u>\$ 150,278</u></u>

Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 195,728	\$ -	\$ 195,728
31,033	-	31,033
<u>-</u>	<u>33,182</u>	<u>33,182</u>
<u>\$ 226,761</u>	<u>\$ -</u>	<u>226,761</u>

\$ 669	\$ -	669
<u>31,033</u>	<u>(31,033)</u>	<u>-</u>
31,702	(31,033)	669
<u>195,059</u>	<u>(195,059)</u>	<u>-</u>
<u>\$ 226,761</u>		

NET ASSETS, UNRESTRICTED \$ 226,092 \$ 259,274

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
DDA COMPONENT UNITS
For the Year Ended June 30, 2007

	Commerce Center DDA	Sils Island DDA	Downtown Development Authority
	<u> </u>	<u> </u>	<u> </u>
Revenues			
General operating property taxes	\$ 29,137	\$ 2,470	\$ 7,552
Fees and loan repayments	-	-	1,500
Interest on loans and investments	-	-	2,457
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	<u>29,137</u>	<u>2,470</u>	<u>11,509</u>
Expenditures/Expenses			
Current expenditures/expenses			
Administration	-	-	41,611
Tax increment payments	6,077	-	26,817
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures/Expenses	<u>6,077</u>	<u>-</u>	<u>68,428</u>
Net change in fund balances/net assets	23,060	2,470	(56,919)
Fund balances/net assets at beginning of year	<u>33,446</u>	<u>15,780</u>	<u>177,222</u>
FUND BALANCES/NET ASSETS AT END OF YEAR	<u><u>\$ 56,506</u></u>	<u><u>\$ 18,250</u></u>	<u><u>\$ 120,303</u></u>

Total Governmental Funds	Adjustments	Statement of Activities
\$ 39,159	\$ 4,246	\$ 43,405
1,500	-	1,500
<u>2,457</u>	<u>-</u>	<u>2,457</u>
<u>43,116</u>	<u>4,246</u>	<u>47,362</u>
41,611	(33,182)	8,429
<u>32,894</u>	<u>-</u>	<u>32,894</u>
<u>74,505</u>	<u>(33,182)</u>	<u>41,323</u>
(31,389)	37,428	6,039
<u>226,448</u>	<u>26,787</u>	<u>253,235</u>
<u><u>\$ 195,059</u></u>	<u><u>\$ 64,215</u></u>	<u><u>\$ 259,274</u></u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
LDFA COMPONENT UNITS
June 30, 2007

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
<u>ASSETS</u>			
Cash and cash equivalents	\$ 2,567,137	\$ 394,941	\$ 161,159
Property taxes receivable	162	-	70,487
Accrued interest receivable	7,421	-	-
TOTAL ASSETS	<u>\$ 2,574,720</u>	<u>\$ 394,941</u>	<u>\$ 231,646</u>
<u>LIABILITIES</u>			
Accounts payable	\$ -	\$ -	\$ 230
Deferred revenue	162	-	70,487
TOTAL LIABILITIES	162	-	70,717
<u>FUND BALANCES/NET ASSETS</u>			
Reserved for:			
TIFA/LDFA projects	<u>2,574,558</u>	<u>394,941</u>	<u>160,929</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,574,720</u>	<u>\$ 394,941</u>	<u>\$ 231,646</u>

Treasure Island LDFA	Saginaw Machine Systems LDFA	Saginaw Tool and Die LDFA	Total Governmental Funds	Adjustments	Statement of Net Assets
\$ 48,327	\$ 4,513	\$ 22,227	\$ 3,198,304	\$ -	\$ 3,198,304
3	-	16	70,668		70,668
-	-	-	7,421	-	7,421
<u>\$ 48,330</u>	<u>\$ 4,513</u>	<u>\$ 22,243</u>	<u>\$ 3,276,393</u>	<u>\$ -</u>	<u>3,276,393</u>
\$ -	\$ -	\$ -	\$ 230	\$ -	\$ 230
3	-	16	70,668	(70,668)	-
3	-	16	70,898	(70,668)	230
<u>48,327</u>	<u>4,513</u>	<u>22,227</u>	<u>3,205,495</u>	<u>(3,205,495)</u>	<u>-</u>
<u>\$ 48,330</u>	<u>\$ 4,513</u>	<u>\$ 22,243</u>	<u>\$ 3,276,393</u>		
NET ASSETS, UNRESTRICTED				<u>\$ 3,276,163</u>	<u>\$ 3,276,163</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
LDFA COMPONENT UNITS
For the Year Ended June 30, 2007

	Thomson LDFA	Sexton LDFA	Baker Perkins LDFA
	<u> </u>	<u> </u>	<u> </u>
Revenues			
General operating property taxes	\$ 131,763	\$ 22,567	\$ 34,733
Interest on loans and investments	23,103	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Revenues	154,866	22,567	34,733
Expenditures/Expenses			
Current			
Administration	-	-	1,138
Tax increment payments	-	-	-
	<u> </u>	<u> </u>	<u> </u>
Total Expenditures/Expenses	-	-	1,138
Net change in fund balances/net assets	154,866	22,567	33,595
Fund balances/net assets at beginning of year	<u>2,419,692</u>	<u>372,374</u>	<u>127,334</u>
FUND BALANCES/NET ASSETS			
AT END OF YEAR	<u><u>\$ 2,574,558</u></u>	<u><u>\$ 394,941</u></u>	<u><u>\$ 160,929</u></u>

Treasure Island LDFA	Saginaw Machine Systems LDFA	Saginaw Tool and Die LDFA	Total Governmental Funds	Adjustments	Statement of Activities
\$ 7,088	\$ -	\$ 30,708	\$ 226,859	\$ 1,803	\$ 228,662
-	-	-	23,103	-	23,103
7,088	-	30,708	249,962	1,803	251,765
-	-	-	1,138	-	1,138
-	-	22,071	22,071	-	22,071
-	-	22,071	23,209	-	23,209
7,088	-	8,637	226,753	1,803	228,556
41,239	4,513	13,590	2,978,742	68,865	3,047,607
<u>\$ 48,327</u>	<u>\$ 4,513</u>	<u>\$ 22,227</u>	<u>\$ 3,205,495</u>	<u>\$ 70,668</u>	<u>\$ 3,276,163</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
SEDC COMPONENT UNIT
June 30, 2007

	Saginaw Economic Development Corporation	Adjustments	Statement of Net Assets
<u>ASSETS</u>			
Cash and cash equivalents	\$ 843,086	\$ -	\$ 843,086
Accounts receivable	4,614	-	4,614
Notes and contracts receivable			
Economic development projects	<u>1,294,589</u>	<u>(107,550)</u>	<u>1,187,039</u>
TOTAL ASSETS	<u><u>\$ 2,142,289</u></u>	<u><u>\$ (107,550)</u></u>	<u><u>\$ 2,034,739</u></u>
 <u>LIABILITIES AND FUND BALANCES</u>			
Liabilities			
Accounts payable	\$ 91,953	\$ -	\$ 91,953
Deferred revenue	<u>1,297,690</u>	<u>(1,297,690)</u>	<u>-</u>
Total Liabilities	1,389,643	(1,297,690)	91,953
Fund balances			
Reserved for:			
Specific Projects	<u>752,646</u>	<u>(752,646)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,142,289</u></u>		
 NET ASSETS, UNRESTRICTED		<u><u>\$ 2,050,336</u></u>	<u><u>\$ 1,942,786</u></u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
SEDC COMPONENT UNIT
For the Year Ended June 30, 2007

	Saginaw Economic Development Corporation	Adjustments	Statement of Activities
Revenues			
Fees and loan repayments	\$ 205,105	\$ (205,105)	\$ -
Interest on loans and investments	76,296	-	76,296
Total Revenues	<u>281,401</u>	<u>(205,105)</u>	<u>76,296</u>
Expenditures/Expenses			
Current expenditures/expenses			
Administration	2,840	-	2,840
Loan disbursements	132,979	(112,953)	20,026
Provision for loan losses	-	(76,606)	(76,606)
Total Expenditures/Expenses	<u>135,819</u>	<u>(189,559)</u>	<u>(53,740)</u>
Net change in fund balances/net assets	145,582	(15,546)	130,036
Fund balances/net assets at beginning of year, as restated	<u>607,064</u>	<u>1,205,686</u>	<u>1,812,750</u>
FUND BALANCES/NET ASSETS AT END OF YEAR	<u><u>\$ 752,646</u></u>	<u><u>\$ 1,190,140</u></u>	<u><u>\$ 1,942,786</u></u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
BROWNFIELD COMPONENT UNIT
June 30, 2007

	Brownfield Authority SRRF	Adjustments	Statement of Net Assets
	<u> </u>	<u> </u>	<u> </u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ 110,185	\$ -	\$ 110,185
Property taxes receivable	4,583	-	4,583
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 114,768</u>	<u>\$ -</u>	<u>114,768</u>
<u>LIABILITIES</u>			
Deferred revenue	\$ 4,583	\$ (4,583)	-
<u>FUND BALANCES/NET ASSETS</u>			
Reserved for:			
Specific Projects	<u>110,185</u>	<u>(110,185)</u>	<u>-</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 114,768</u>		
NET ASSETS, UNRESTRICTED		<u>\$ 114,768</u>	<u>\$ 114,768</u>

CITY OF SAGINAW, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
BROWNFIELD COMPONENT UNIT
For the Year Ended June 30, 2007

	Brownfield Authority SRRF	Adjustments	Statement of Activities
	<u> </u>	<u> </u>	<u> </u>
Revenues			
General operating property taxes	\$ 21,813	\$ 4,329	\$ 26,142
Grants and entitlements	<u>676</u>	<u>-</u>	<u>676</u>
Total Revenues	22,489	4,329	26,818
Expenditures/Expenses			
Tax increment payments	<u>9,014</u>	<u>-</u>	<u>9,014</u>
Net change in fund balances/net assets	13,475	4,329	17,804
Fund balances/net assets at beginning of year	<u>96,710</u>	<u>254</u>	<u>96,964</u>
FUND BALANCES/NET ASSETS AT END OF YEAR	<u><u>\$ 110,185</u></u>	<u><u>\$ 4,583</u></u>	<u><u>\$ 114,768</u></u>



CITY OF
SAGINAW

Michigan

Report on Expenditures of Federal Awards

**For the Fiscal Year Ended
June 30, 2007**



REHMANN ROBSON

Certified Public Accountants

CITY OF SAGINAW, MICHIGAN
REPORT ON EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007
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City of Saginaw, Michigan
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2007

Federal/Pass-Through Grantor Program Title	Federal CFDA Number	Federal or (Pass-Through) Grant Number	Amended Grant Amount	Expenditures and Transfers
<u>U.S. Department of Housing and Urban Development</u>				
Community Development Block Grant Entitlement	14.218	B05-MC-26-0028	\$ 2,855,412	\$ 2,114,227
Community Development Block Grant Entitlement	14.218	B06-MC-26-0028	2,558,091	422,065
Program Income				<u>221,513</u>
Total Block Grant Entitlements				<u>2,757,805</u>
Stewart McKinney Homeless Assistance	14.236	S05-MC-26-0028	110,312	9,281
Stewart McKinney Homeless Assistance	14.236	S06-MC-26-0028	109,836	<u>96,345</u>
Total Stewart McKinney Homeless Assistance				<u>105,626</u>
<u>HOME Program</u>				
Neighborhood Renewal Services Inc. - Note A	14.239	M04-MC-26-0212	110,046	31,234
Circle of Love Community Development Corporation - Note A	14.239	M05-MC-26-0212	105,910	62,088
Circle of Love Community Development Corporation - Note A	14.239	M06-MC-26-0212	99,540	99,540
City of Saginaw HOME programs	14.239	M04-MC-26-0212	552,032	297,351
City of Saginaw HOME programs	14.239	M05-MC-26-0212	529,546	363,791
City of Saginaw HOME programs	14.239	M06-MC-26-0212	497,701	-
City of Saginaw HOME programs	14.239	M06-MC-26-0212	66,360	<u>66,360</u>
Total HOME Program				<u>920,364</u>
Total U.S. Department of Housing and Urban Development				<u>3,783,795</u>
<u>U.S. Department of Justice</u>				
Bulletproof Vest Partnership Program	16.607		N/A	4,263
Community Policing Program	16.579	MI28DEP0060197	N/A	298,000
Federal Drug Forfeiture Program	16.N/A		N/A	3,372
Passed-Through the Saginaw County Sheriff Justice Assistance Grant	16.738		N/A	37,024
Passed-Through the Federal Bureau of Investigation Police Drug Investigation Overtime/Gas Reimbursement	16.579		N/A	<u>110,439</u>
Total U.S. Department of Justice				<u>453,098</u>
<u>U.S. Department of Transportation</u>				
Passed-Through Michigan Dept. of Transportation Upgrade Traffic Signals	20.205		N/A	64,815
Passed-Through the Saginaw County Sheriff Enforcement Grants	20.600		N/A	<u>9,450</u>
Total U.S. Department of Transportation				<u>74,265</u>

City of Saginaw, Michigan
Schedule of Expenditures of Federal Awards
For The Year Ended June 30, 2007

Federal/Pass-Through Grantor Program Title	Federal CFDA Number	Federal or (Pass-Through) Grant Number	Amended Grant Amount	Expenditures and Transfers
<u>Environmental Protection Agency</u>				
Brownfield Pilots Cooperative Agreements	66.811		\$ 179,800	\$ 676
Brownfields Assessment and Cleanup Cooperative Agreements	66.818		N/A	104,226
Passed-Through Michigan Dept. of Environmental Quality				
State Revolving Fund Loan Program - Phase I	66.458	5230-01	3,415,000	62,686
State Revolving Fund Loan Program - Phase II	66.458	5230-02	1,575,000	<u>301,307</u>
Total Environmental Protection Agency				<u>468,895</u>
<u>U.S. Department of Health and Human Services</u>				
Medicare Part D	93.794			<u>273,632</u>
<u>U.S. Department of Homeland Security</u>				
Assistance to Firefighters	97.044	EMW-2006-FG-01486	N/A	174,016
Passed-Through Saginaw County				
State Domestic Preparedness Equipment Support Program	97.004		N/A	30,839
Passed-Through Bay County				
State Homeland Security Grant Program	97.067		N/A	<u>16,680</u>
Total U.S. Department of Homeland Security				<u>221,535</u>
TOTAL FEDERAL AWARDS				<u>\$ 5,275,220</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Saginaw, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note A - These funds were provided 100% to subgrantees.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

December 21, 2007

Honorable Mayor and
Members of City Council
City of Saginaw
Saginaw, MI 48601

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *City of Saginaw, Michigan* (the "City"), as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 21, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination 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 over financial reporting. We consider the following deficiencies to be significant deficiencies in internal control over financial reporting: 2003-1, 2004-1 through 2004-7, 2005-1, 2005-4, 2005-5 and 2006-1 through 2006-7.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider items 2003-1, 2004-1 through 2004-7, 2005-1 and 2005-5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. Of the significant deficiencies described above, we consider items 2004-7 and 2006-7 to be instances of noncompliance.

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

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



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

March 17, 2008

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

Compliance

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

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

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-1, 2007-2, and 2007-3.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

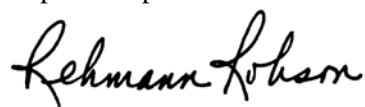
A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2003-1, 2004-1 through 2004-6, 2005-1, 2005-4, 2005-5, 2006-5 and 2006-6 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the City's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider all items listed above to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Saginaw, Michigan, as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Saginaw, Michigan, basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such 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.

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

SECTION I - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: *Unqualified*

Internal controls over financial reporting:
Material weakness(es) identified? X yes no
Significant deficiencies identified not
considered to be material weaknesses? X yes none reported

Noncompliance material to financial
statements noted? yes X no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? X yes no
Significant deficiency(iess) identified not
considered to be material weaknesses? yes X none reported

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

Any audit findings disclosed that are required to
be reported in accordance with Circular A-133,
Section 510(a)? X yes no

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

14.218

Community Development Block Grant
Entitlements

14.239

HOME Program

66.458

State Revolving Fund Loan Program

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

Auditee qualified as low-risk auditee? yes X no

CITY OF SAGINAW, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS

2003-1 Significant Deficiency Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that general ledger account balances are properly reconciled to a subsidiary ledger or other adequate supportive documentation on a periodic basis.

Condition: The City does not reconcile their general ledger accounts, such as cash, income tax revenue, and receivables, to supportive documentation during the year, which requires many significant adjustments to properly state the accounts at year end. The lack of reconciliations also affects the proper reporting of expenditures under the City’s various grant agreements.

Questioned Costs: None.

Effect: Many of the City’s general ledger account balances became materially misstated during the year and were not properly reconciled until after June 30, 2003. This situation caused internally generated financial reports to be misstated and placed the City at risk of having assets misappropriated and not being detected by City officials within a reasonable period of time.

Cause: Many factors are responsible for this situation; however, the main reason was that the Controller’s office does not have sufficient, competent personnel to perform these duties. There was also significant turnover in key accounting positions, particularly the Controller and Finance Director/Treasurer.

Recommendation: Timely reconciliations are essential to the fair presentation of financial information based on accounting records. We strongly recommend that the City review their current procedures and make appropriate alterations to those procedures to ensure that all general ledger account balances are properly reconciled in a timely manner throughout the year. These alterations should include determining the appropriate number of competent staff in the Fiscal Services Department and the allocation of duties within the Department.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City does agree that it needs to look at the sufficiency of the staffing levels within the Controller's office, and that the turnover of staffing has impacted the internal reporting and record keeping for the City. The staffing level is being addressed, and all personnel are being trained on the proper use of the accounting software for the first time since it was installed in 1999.

2004-1 **Significant Deficiency Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that cash accounts are properly reconciled on a periodic basis.

Condition: The City is not preparing bank reconciliations in a timely manner. The bank reconciliation for June 30, 2004 for the pooled cash account was not fully completed until March 2005. When the reconciliation was complete the reconciling items included unidentified deposits and incorrect payroll transfers that remained unresolved.

Questioned Costs: None.

Effect: When the City does not reconcile their cash accounts on a timely basis, the cash is more susceptible to fraud and misstatement. Also, incorrect payroll transfers cause insufficient funds to be available in the payroll account when checks are cashed and is resulting in the bank cashing the checks but charging a service fee for each check that is presented when there are insufficient funds.

Cause: Many factors are responsible for this situation; however, the main reason was that the Controller's office does not have sufficient, competent personnel to perform these duties.

Recommendation: We strongly recommend that the City review their current bank reconciliation procedures and make appropriate alterations to those procedures to ensure that all bank account balances are properly reconciled in a timely manner throughout the year. We also recommend that the procedures include the timely resolution and correction of reconciling items.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: When the current Finance Director began working with the City in March 2006, the bank reconciliations were several months behind. This situation has existed within the City for several years.

More recently, this problem was caused by numerous issues that had been encountered between the years of 2004 and 2006, but the audits had been late during that timeframe largely due to the turnover in staff and the fact that certain records, such as the SEDC records, were taken off site as a part of an investigation. The unreconciled difference as of June 30, 2006 related to an SEDC transaction. This transaction involved an SEDC loan setup issue within the database that serves as the underlying source for all of the City's transactions. It was discovered by the Controller's office as a part of the reconciliation process, and it will be addressed when the SEDC records are returned to the City staff.

2004-2 **Significant Deficiency Considered to be a Material Weakness**

Criteria: A strong system of internal controls mandates that proper supporting documentation be maintained to provide for sufficient evidence of a transaction. Specifically, a receipt should support all cash and check collections by the City as a part of the records for all cash collection transactions. Also, other supporting documentation, such as remittance advices should be maintained for significant transactions to further support the amounts receipted into the City's records.

Condition: The City does not maintain printed receipts for all transactions and in many cases the supporting documentation for significant receipts is not maintained.

Questioned Costs: None.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

Effect: For many significant receipting transactions there was inadequate supporting documentation to provide sufficient evidence of the transaction reflected in the City's financial records. This results in significant time being expended to obtain any available supporting documentation when needed at a later time and increases the risk that any fraud or misstatement will not be detected in a timely manner.

Cause: The Treasurer's office does not have appropriate procedures in operation that identify inadequate documentation and, therefore, appropriate action was not taken to correct the situation.

Recommendation: We recommend that the current procedures be reviewed and appropriate alterations to those procedures be made to ensure that receipts are printed for all transactions and any supporting documentation that is available is included with the appropriate receipt.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City does maintain support for all receipts, but it is impractical for all supporting documentation to be kept in one central location. The Treasurer's office does retain remittance advices and all transactions that pass through the Treasurer's office are supported by documentation. Some documentation is in an electronic format retained on the City's network, as photocopies of all checks are kept on file. It should be noted that this comment stemmed from policies and procedures in place back in 2004 when the City encountered some internal control problems. These control problems were addressed in 2004, and the applicability of this comment to the 2005-06 fiscal year is believed to be incorrect. Documentation for certain types of receipts – building permits, CDBG payments, business licenses, and rental registration receipts, are sent back to the respective Department. Duplicates of all of these receipts can be produced by the system, and copies of checks can be retained for an indefinite period of time.

2004-3 Significant Deficiency Considered to be a Material Weakness

Criteria: A strong system of internal controls over cash requires that procedures be established to reconcile the cash receipts recorded in the accounting records

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

to the physical receipts and that those items also are reconciled to the bank deposits. These procedures should involve a variety of individuals to provide for adequate segregation of duties within the cash receipting function to prevent any one individual from controlling all aspects of a cash receipt transaction. The proper segregation of duties and adequate procedures are essential to ensuring that receipts are properly reflected in the financial records and to reduce the risk of fraud.

Condition: During the fiscal year, the cash drawers in the Treasury Department were not consistently reconciled, on a daily basis, to the cash post listings produced by the cash receipt system. As a result, each type of tender from an individual cashier's drawer did not always agree to the breakdown of receipts by tender type in the cash post listing. In addition, the individual cashier was responsible for the reconciliation of their drawer to the cash post listing and the creation of a deposit ticket based on the daily cash receipts.

Questioned Costs: None.

Effect: The cash drawer counts did not always agree to the cash post listing which resulted in inconsistencies in the financial records, the daily deposits and the cash receipt documentation. The lack of adequate segregation of duties and inadequate controls creates the opportunity for fraud.

Cause: The Treasurer's office did not have appropriate control procedures in operation to provide an appropriate segregation of duties and to identify this issue and, therefore, appropriate action was not taken to correct the situation.

Recommendation: We recommend that the current procedures be reviewed and appropriate alterations to those procedures be made to provide for the segregation of duties and increased controls within the cash receipts function.

Status: This matter has not been fully corrected for the year ended June 30, 2007. During our audit we did not note any specific instances of the cash drawers not being reconciled on a consistent basis or instances of counts not agreeing to the cash post listing. However, due to changes in staffing and heavy volume in the Treasurer's office, there still remain instances where the segregation of duties is not optimal.

CITY OF SAGINAW, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

Response: The City does not agree with this comment, as it applies to an internal control issue back in 2004. That issue was addressed as soon as it was encountered in that year. The Treasurer's staff does not recall any auditors inquiring into the internal controls for their office as a part of the audit just completed. The procedures for balancing out cash and reconciling batches has changed significantly since 2004. No one person is involved in any cash receipts transaction, and the daily balancing involves at a minimum two individuals. At the end of each day, all cashiers balance their cash drawers. A cash report is produced by the accounting software, and both the cash and checks received are individually balanced. If a question arises on any receipt, the City's copy of the receipt is available for staff to review. Receipts cannot be voided by cashiers, a supervisor is needed to approve any voided transaction. The daily balancing is reviewed by supervisory staff. Periodically, Treasury audits each cash drawer, the petty cash drawer, and the change drawer. These audits are done with no notice.

2004-4 Significant Deficiency Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that proper supporting documentation be maintained to provide for sufficient evidence of a transaction. Specifically, manual adjustments to the financial records should be supported by adequate documentation of the purpose, appropriateness and proper approval of each adjustment.

Condition: Manual adjustments to the financial records that were made by City staff throughout the fiscal year were not filed with adequate supporting documentation.

Questioned Costs: None.

Effect: Information that is used to prepare and support manual adjustments is often needed at a later date and significant time and effort must be expended to recreate the documentation when the documentation is inadequate. With the changes in staffing in the Fiscal Services Department, there have been situations where the supporting documentation could not be reconstructed.

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Cause: The policy of the Finance Director/Treasurer was that supporting documentation was not required to be maintained with a printed copy of the adjustment as long as the documentation could be recreated if needed.

Recommendation: We recommend that the Fiscal Services Department require that all manual adjustments be filed with adequate supporting documentation. We also recommend that all manual adjustments are properly reviewed, retained and indicate appropriate management approval.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: It is the policy of the Fiscal Services Department that all adjustments be supported by adequate documentation. All transactions, manual and computer generated, are reviewed by a supervisor. During the audit, we were not made aware of any transactions that did not include adequate support. In certain circumstances, other Departments do initiate transactions on the accounting software. This is due to the decentralized structure of the Fiscal Services Department as it relates to certain tasks (payroll, accounts receivable, and accounts payable). Additionally, other transactions are automatically generated by the software for various types of transactions. The individuals responsible for updating transactions in the accounting software are aware of the fact that all transactions must be supported by adequate documentation.

2004-5 Significant Deficiency Considered to be a Material Weakness

Criteria: The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, for those billings processed through the accounts receivable system, the system should provide accurate detail of the invoices outstanding by customer at any given point in time and this detail should directly support the receivable accounts reflected in the general ledger.

Condition: Accurate, itemized listings of outstanding invoices for City customers cannot be generated from the City's accounts receivable subsidiary module without specific manipulation of the data. As a result, a special query based on

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criteria defined by City staff is created to identify by customer, which billings are outstanding at a given point in time. Because these are custom written requests for information, there is the possibility that the criteria will not be properly defined to generate accurate information either by error or design.

Questioned Costs: None.

Effect: Information that is used to reconcile the receivable general ledger balances may not be reflecting the true outstanding receivables and manual adjustments are made to these balances that are incorrect. In addition, the City cannot identify accurately what invoices are unpaid by customer and therefore, they cannot prepare a proper aging of those balances. This makes it difficult to pursue collection of the balances and to estimate the uncollectibility of any given invoice.

Cause: The cashiers in the Treasury Department are not properly trained on the correct manner to enter receipts into the system to apply payments against the proper invoice and/or they are simply deciding not to enter an invoice number with the receipt.

Recommendation: We recommend that the Treasury Department take all steps possible to have cashiers enter an invoice with the corresponding receipt. This may require additional training for the cashiers and additional procedures for entering amounts into the system but will result in the information contained in the accounts receivable module to be more accurate and also allow for the generation of system reports that were created by the software company rather than the custom reports.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: This issue involves several areas, but is being addressed as a part of the training on the accounting software that all Departments within the City are receiving. While the Treasurer's office is involved to the extent that they can select how payments are to be applied, there are other issues that the City needs to address to full rectify this problem. This includes how charges are entered and updated on the system, how other Departments have been handling adjustments to charges, and other issues that are being addressed as

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a part of the training for the City staff. The default for the accounting software is to apply payments to the oldest invoice first. The cashiers have been trained on how to override this process and select, when necessary, another invoice to apply payments towards. Additionally, difficulties arise whenever customers send in payments via other means, such as online bank payments. These methods often produce a check from a third party, and applicable information such as an account number is often not available. For individuals with multiple accounts and/or multiple charge codes/invoices, this presents potential problems when applying the payment. This problem is common among municipalities.

2004-6

Significant Deficiency Considered to be a Material Weakness

Criteria:

The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, the detailed records of billings that are not generated from the accounts receivable system should be maintained to support the receivable balance recorded in the general ledger.

Condition:

Accurate, itemized listings of receivables that are not billed and tracked through the receivable module are not maintained for every receivable account and must be created at year end.

Questioned Costs:

None.

Effect:

Information that is used to reconcile the receivable general ledger balances is created only at year end and may not be reflecting the true outstanding receivables; also manual adjustments are made to these balances that are incorrect. In addition, the age and collectibility of these accounts is not evaluated until that time, if at all.

Cause:

The City does not have regular reconciliation procedures in place that require maintenance of these subsidiary records and regular review of the status of these receivables.

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Recommendation: We recommend that the Fiscal Services Department take all steps possible to maintain subsidiary records for these receivable accounts on a regular basis.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: This item is inter-related with 2004-5, and is being addressed as a part of the software training being conducted by the City. This training involves all City Departments, not just the Fiscal Service Department, and includes addressing issues related to charge code setup, general ledger postings, and procedural issues related to handling the modules within the accounting software. The detail supporting the open charges in the software did not substantially differ from the detail posted to the general ledger, but past practices of how adjustments were posted to the general ledger have caused the detail to differ from the general ledger for a variety of reasons. In the past, if a charge code was setup to post to a particular general ledger account and it was adjusted (either by City staff or through an auditor adjustment), that would cause the detail to differ from the general ledger within individual accounts, but the total detail within the accounting software was correct. The solution should have been to have correct the transaction not through an adjusting entry, but by correcting the underlying source of the transaction (in many cases – the charge code). This is currently being fixed by the City's staff, and it is anticipated that the data within the software will be cleaned up and the staff fully trained on the receivable and loan modules before June 30, 2007.

As for reviewing the outstanding balances and subsequent collections, the Fiscal Services staff is aggressively pursuing the collections of all outstanding charges listed on the system. The use of the charge codes, along with the past problems related to posting adjustments to the general ledger (through both internal adjustments and auditor initiated entries) has been discussed with the external auditors. The open charge listing they received at the initiation of the audit was a complete listing of all updated charges. Some of these are collected through the process of transferring the charge to the tax bills for a particular property, some have been turned over to outside collections, and some collections are being handled by City staff. When necessary, the City's Attorney has assisted with various legal matters related to collections.

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2004-7	Significant Deficiency Considered to be a Material Weakness
Criteria:	The State of Michigan requires that local municipalities that collect taxes on behalf of others distribute those collections in a timely manner. Failure to comply with this requirement needs to be reported by the auditor to the State of Michigan.
Condition:	The City has not distributed tax collections that are received through the Tax Collection Agency Funds to the other units in a timely manner.
Questioned Costs:	None.
Effect:	The City has tax collections, such as a 2001 payment in lieu of taxes, that have not yet been distributed to the proper units. The City Treasurer has also paid some units more in taxes than was collected on their behalf. The Treasurer did not identify these problems in the normal procedures and now the City is not in compliance with State of Michigan requirements for collections and disbursements to other units.
Cause:	The Treasurer was not performing regular reconciliations of the tax collection agency accounts and also not associating disbursements to the other units with specific collections.
Recommendation:	We recommend that the Treasury Department take all steps possible to reconcile the tax collection agency funds on a regular basis to determine the amounts to be returned to the City or distributed to the other governmental units. We also recommend that each disbursement to a unit be supported by specific documentation of the collections that have been received on the unit's behalf. The Treasury Department must closely monitor these funds to ensure that they return to compliance with State requirements.

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Status: This matter has not been corrected for the year ended June 30, 2007. The payments in lieu of taxes have yet to be distributed to the applicable other units of government.

Response: The City did distribute the payments in lieu of taxes at the beginning of July 2006, so this comment did apply to the fiscal year ending June 30, 2006. The City had established a schedule at the beginning of the fiscal year for the distribution of taxes, and this schedule was sent to the appropriate authorities. This has been addressed, and current tax collections are being made on a weekly basis.

2005-1 Significant Deficiency Considered to be a Material Weakness

Criteria: A strong system of internal controls mandates that adequate segregation of duties exists over the general ledger posting process.

Condition: Several employees can create and post journal entries to the general ledger without separate approval. Specifically, there are Treasury Department employees that can make wire transfers of cash and then post these entries to the general ledger without prior, written approval of the entry.

Questioned Costs: None.

Effect: Journal entries can be posted to the general ledger system, without any indications of review or approval.

Cause: The City does not have procedures in place that require review and approval of all journal entries prior to posting to the general ledger.

Recommendation: We recommend that the Fiscal Services Department develop procedures that require that all journal entries be reviewed prior to posting by a proper member of management.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City does currently have a policy that supervisors review all journal entries prior to posting, but with the turnover of staff that occurred during the

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2005-06 fiscal year, this practice was difficult to follow during the entire course of the fiscal year. With turnover in both the Treasurer and Finance Director positions encountered during 2005-06, the daily balancing of transactions within the Treasurer's office occurred, but some manual adjustments were not reviewed in a timely manner until all accounts were reconciled. The Treasury Department did have some wire transfers initiated and approved by the same person during the 2005-06 fiscal year. The policy for the Fiscal Services Department is to have a second person review all such payments and transfers prior to submission, but with reduced staffing levels this has been difficult to follow. The online transactions are restricted in the accounts that can be involved on both the sending and receiving end of the transfers, though.

2005-4

Significant Deficiency

Criteria:

OMB Circular A-87 requires that all indirect costs charged to grant funded programs be in accordance with central service cost allocation plans approved by the cognizant agency or, in cases where such plans are not subject to approval, in accordance with the plan on file.

Condition:

The City is currently charging grant-funded activities for indirect costs without formal, approved cost allocation plans.

Questioned Costs:

None.

Effect:

The City is requesting reimbursement for potentially unallowable indirect costs, specifically for information management services for which there is no formal plan.

Cause:

The City has charged grant-funded activities, specifically those in the Community Development Block Grant Fund, based upon the methodology developed during the budgeting process without having this method approved by the grantor agency.

Recommendation:

We recommend that the City establish procedures to ensure that formal cost allocation plans are approved by the various grantor agencies prior to grant-funded activities being charged for any indirect costs.

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Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City last updated its cost allocation plan in 2002. OMB Circular A-87, Attachment C, section G deals with the application of adjustments to both allocated and billed central service costs per a formal cost allocation plan. Specifically, the Circular states that “fixed amounts for the future year covered by agreement are not subject to adjustment for that year. However, when the actual costs of the year involved become known, the differences between the fixed amounts previously approved and the actual costs will be carried forward and used as an adjustment to the fixed amounts established for a later year. This “carry-forward” procedure applies to all central services whose costs were fixed in the approved plan.” The Circular does not specifically call for a new “plan” each year, but the amounts billed or allocated should be adjusted once actual results are known.

This comment arises because of the way the CDBG office handled questions during a HUD review. HUD had posed questions related to certain indirect costs charged, but the response specifically related to this question came from the CDBG personnel and did not involve the Finance Director for the City. The Fiscal Services Department does have a cost allocation plan that was developed, and the costs allocated to other Departments are reviewed and updated for each fiscal year. The CDBG office incorrectly stated that the “budget as approved by Council is in effect our indirect cost plan.” The plan previously developed by Maximus serves as the City of Saginaw’s cost allocation plan. The amounts charged per that plan are initially allowable, and carry-forward adjustments are to be applied to the amounts charged in future periods per OMB Circular A-87. The City does want to review its plan to determine whether the assumptions and methodology listed in the plan need to be updated, so Maximus is currently reviewing the plan document and will inform the City of any adjustments required.

The City of Saginaw is not required to have its cost allocation plan approved in writing by cognizant agencies prior to costs being charged. That is per OMB Circular A-87, Attachment C, Section D paragraph 3.

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2005-5	Significant Deficiency Considered to be a Material Weakness
Criteria:	A strong system of internal controls mandates that the City employ sufficient properly trained and supervised staff to ensure accurate reporting of the City's financial position during the year.
Condition:	The City does not currently have an adequate number of properly trained staff within the Fiscal Services Department to ensure that the City's financial position can be reasonably and accurately determined during the fiscal year.
Questioned Costs:	None.
Effect:	Many of the City's general ledger account balances become materially misstated during the year, which places the City at serious risk of having assets misappropriated. In addition, this situation places the City's management and council at severe disadvantages in the administration of the City's finances and budget. Also, this has caused management-level employees in the Fiscal Services Department to be too active in the day-to-day accounting function to perform their necessary oversight activities, thereby creating a lack of segregation of duties.
Cause:	The primary reason for this situation is that the Fiscal Services Department does not have sufficient, competent personnel.
Recommendation:	We strongly recommend that the City review the components of the current Fiscal Services staff and make the appropriate necessary steps to ensure that all staff receive appropriate training to meet the requisite competency levels. We also recommend that management evaluate their involvement in the day-to-day accounting function to determine the appropriate steps to expedite the workload and review process.
Status:	This matter has not been corrected for the year ended June 30, 2007.
Response:	The City of Saginaw agrees with this finding. A Finance Director was added in March 2006, and staffing is being evaluated and trained as needed to ensure that accurate, timely financial information will be provided. The reduction of personnel in the past impacted the City in several ways. Certain

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tasks were decentralized such as Accounts Payable and Accounts Receivable data entry. This contributed to other findings previously mentioned for the City, and had a direct correlation to the ability to reconcile information in the accounting software.

Due to the decentralization of various accounting-related tasks, it is not uncommon for another Department to initiate a transaction which is incorrect or has inadequate support. This forces external auditors to provide audit comments to the Fiscal Services staff, and complicates the financial reporting whenever the Fiscal Services Department has difficulty in obtaining responses and/or support to a transaction in a timely manner. The end result is that the Fiscal Services staff are often placed in a position whereby they need to decide whether they update/post the transaction without adequate explanations or support, or whether they hold up the financial reporting until the explanations are received. Posting of transactions without adequate support has been previously discussed, and the Fiscal Services staff is working hard to alleviate this situation. However, a large portion of the problems encountered were due to the turnover of key staff positions and the impact this had on updating/posting transaction in the system. It has been recommended that the Fiscal Services office add back the Deputy Controller position to help assist with tracking grants and reviewing account reconciliation work. Other staffing needs are being evaluated and will be addressed.

All financial-related tasks that are currently being handled by other Departments need to be coordinated with the Fiscal Services Department. This includes involving Fiscal Services in all grant tracking and reporting, debt issuances, fixed asset purchases, project reporting, receivable adjustments, and other areas. Additionally, other Departments that have significant impact on the functionality and use of the accounting software need to coordinate on the training, updates, and problems encountered in their areas to ensure that prioritization can be established that will match overall organizational goals and objectives.

The only way the City has been able to catch up with its record keeping is through the assignment of staff duties to supervisory personnel. This does create a potential problem related to the segregation of duties, but the Fiscal

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Services Department's policy is that all transactions require a review by at least a second responsible individual. The cut back in staffing over the past few years has shifted many tasks that would normally be handled by staff onto the supervisors within the Department. These cut backs were necessary to balance the budget for the City of Saginaw. Most of the comments in this Schedule of Findings and Questioned Costs are directly related to the problems caused by the staffing levels within the Fiscal Services Department.

2006-1 Significant Deficiency

Criteria: ACT 51 requires that no more than 10% of Michigan Transportation Fund, Winter Maintenance and interest revenues of the Major and Local Street Funds be spent on administrative activities.

Condition: Fiscal Services does not currently have an adequate review process of the Major and Local Streets Funds to determine that the 10% limit is not over-spent during the year.

Questioned Costs: None.

Effect: During the year, administrative and non-administrative expenditures are commingled on the City's general ledger. The amounts reported on the annual ACT 51 Report submitted to the State also do not necessarily agree to the amounts indicated on the general ledger.

Cause: The primary reason for this situation is that the administrative expenditures charged to the general ledger are partly based upon budget allocations and are not updated periodically to reflect actual expenditures during the year.

Recommendation: We strongly recommend that the City review the process for charging administrative expenditures to the Major and Local Streets Funds to ensure that they are within the 10% limitations required by ACT 51.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City anticipates that the addition of the Finance Director and the training of City staff will rectify this situation. Additionally, the City is more closely

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monitoring the general ledger account postings for both Payroll and Accounts Payable data entry to ensure costs are correctly classified. Staff are being trained in the Fleet and Fixed Asset modules within the accounting software to ensure that equipment costs are being correctly charged out, and the work order system is being evaluated and will be correctly implemented to ensure direct costs are correctly classified.

It should be noted that in past years the General Fund always had provided contributions in excess of those required to meet the matching requirements. Act 51 states “the documented expense of administration, including indirect engineering and record keeping, may be charged to the street funds up to a maximum of 10 percent of the funds returned to the local unit, under the provisions of Section 13(6)(d) of the Act. General fund contributions in excess of those required...may be used up to 100 percent to cover excess administrative expenses. However, administrative expenses must be documented and reasonable.” This was discussed with the Michigan Department of Transportation before the submission of the Act 51 reports.

2006-2

Significant Deficiency

- Criteria:** A strong system of internal controls mandates that inventory accounts are properly reconciled on a periodic basis.
- Condition:** The City is not reconciling physical inventory counts to the general ledger in a timely manner. Additionally, reports prepared to reflect physical counts include obsolete items and items no longer held in inventory by the City.
- Questioned Costs:** None.
- Effect:** When the City does not reconcile their inventory accounts on a timely basis, the inventory is more susceptible to fraud and misstatement.
- Cause:** The City does not have procedures in place to periodically reconcile physical inventory counts to the general ledger.

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Recommendation: We strongly recommend that the City review their current inventory reconciliation procedures and make appropriate alterations to those procedures to ensure that all inventory account balances are properly reconciled to physical inventory counts in a timely manner throughout the year.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City disagrees with a portion of this comment. Procedures are in place to perform physical inventory counts, and it has been the practice of the City to perform the physical inventory counts annually. A large portion of the problem encountered in this area rests with the use of the software, especially as it pertains to the year-end processing. The Inventory module has not been correctly closed out at year-end, and this has caused additional work to be performed related to reconciling the general ledger balances. This occurred both at June 30, 2005 and June 30, 2006. The problems encountered are directly related to the training the staff has received on the accounting software, and has since been addressed through hands-on training specifically related to this module. This training is inter-related with the Fleet training and with training in other modules within the accounting software. At no point were the detail count sheets lost, and the actual quantities and value of the Inventory were determinable. The majority of the problem rested in the use of the software and whether the general ledger accounts were automatically updated or required adjusting entries to reflect final inventory balances.

2006-3 **Significant Deficiency**

Criteria: A strong system of internal controls mandates that procedures are in place to ensure accurate record keeping of capital assets.

Condition: The City does not have sufficient procedures in place to ensure capital asset additions and deletions are properly accounted for in the City's capital asset records.

Questioned Costs: None.

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Effect: The City's capital asset records and general ledger required several audit adjustments in order to avoid misstatement.

Cause: The Fiscal Services Department does not have procedures in place to track capital asset additions and disposals on a periodic basis. The City currently tracks capital assets at year-end by utilizing spreadsheets with minimal, and often insufficient, detail.

Recommendation: We strongly recommend that the City review their current procedures for tracking capital assets and make appropriate alterations to those procedures to ensure capital assets are recorded correctly without significant audit adjustments. We also recommend the City utilizes software specifically designed for capital asset record keeping to simplify the process.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City of Saginaw agrees with this finding. The past practice of tracking assets with a spreadsheet is being addressed. The accounting software includes a module for fixed assets that integrates with other modules. This will allow for the City to more accurately track fixed asset additions and deletions, equipment rental costs, equipment maintenance, charges to Streets Funds, and other important tasks. The training for the fixed assets module is scheduled for April 2007.

2006-4 Significant Deficiency

Criteria: A strong system of internal controls mandates that procedures are in place to ensure accurate record keeping of long-term debt, including installment contracts meeting the criteria for capital leases.

Condition: The City makes bond payments via wire transfer, which are posted to the general ledger by journal entry. However, the debt payments are often posted to the wrong general ledger account, causing the debt to be misstated. In addition, the City purchased several assets using installment contracts and leases during the year, however, only the actual cash payments were included on the general ledger.

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Questioned Costs: None.

Effect: The City's long-term debt and capital asset schedules and general ledger required several audit adjustments in order to avoid misstatement.

Cause: Journal entries posting the debt wire transfers are not properly reviewed to determine that the proper general ledger accounts are used. Long-term debt schedules are not reviewed and updated to ensure that they reflect all applicable debt until after year-end. The Fiscal Services Department does not have procedures in place to track capital assets purchased via installment contracts.

Recommendation: We strongly recommend that the City review their current procedures for posting long-term debt journal entries, tracking capital assets, and updating applicable debt and asset records and make appropriate alterations to those procedures to ensure all long-term debt is recorded on the general ledger and applicable supporting schedules.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City agrees with this comment. Part of the problem occurred through a lack of personnel within the Fiscal Services Department. The personnel situation is being addressed, and the procedures for recording transactions have changed. All transactions now require the review of a second person. Additionally, the Treasurer's office is ensuring that it updates and maintains information related to all debt for the City. A portion of this problem has been caused through the decentralization of tasks within the City. The Fiscal Services Department has not been involved in all debt issuances up front, so procedures are being implemented to ensure that all Departments coordinate all debt-related activity with the Fiscal Services Department.

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2006-5

Significant Deficiency

Criteria: The maintenance of accurate, complete subsidiary records is necessary to provide sufficient detail of the transactions within the general ledger. Specifically, for those payments processed through the accounts receivable system, the system should provide accurate detail of any over or pre-payments.

Condition: Accurate, itemized listings of outstanding over or pre-payments for City customers (recorded as contra receivables on the general ledger) cannot be generated from the City's accounts receivable subsidiary module.

Questioned Costs: None.

Effect: The contra receivable general ledger accounts carried large credit balances throughout the year and became significantly misstated.

Cause: The accounts receivable module has not been properly utilized. In addition, the contra receivable accounts are not reconciled during the year.

Recommendation: We recommend that the City review their current procedures and make appropriate alterations to those procedures to ensure that the contra receivable general ledger balances are properly reconciled in a timely manner throughout the year.

Status: This matter has not been corrected for the year ended June 30, 2007.

Response: The City is reviewing the accounts receivable module in the accounting software. This is a multi-step process, and it is being coordinated with the company involved in the training of the accounting software for the City. The setup for this module has been reviewed and issues that impact the contra accounts are being addressed.

2006-6

Significant Deficiency

Criteria: A strong system of internal controls mandates that all grants received by the City are recorded in the general ledger.

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- Condition:** The City received several grants that the Fiscal Services Department was not aware of, specifically the EPA grant for construction of 2 wastewater pumping stations and sewer main replacement, the MEDC grant for construction along East Genesee, and the HAVA voting system reimbursement.
- Questioned Costs:** None.
- Effect:** Grant revenues and expenditures were not properly recorded in the general ledger.
- Cause:** The Fiscal Services Department does not have an established communication system with other departments to ensure that they are aware of all grants.
- Recommendation:** We recommend that the Fiscal Services Department take all steps possible to ensure that all future grants are properly identified and recorded on the general ledger.
- Status:** This matter has not been fully corrected for the year ended June 30, 2007. Federal revenues were misstated during the year because of incorrect postings of draw downs of the State Revolving Loan Fund as revenues, rather than as debt proceeds.
- Response:** The City agrees with this comment. A great deal of this problem occurred through a lack of personnel within the Fiscal Services Department. The grant application process within the City is largely decentralized, and often does not involve Fiscal Services staff. This has led staff in other Departments to maintain that the grant tracking and reporting is a responsibility solely of their functional area, and that the Fiscal Services staff do not need to become involved. Because of this, procedures are being implemented to ensure that all Departments communicate grant-related activity with the Fiscal Services Department, and it is being recommended that the Deputy Controller position is added back to the Fiscal Services compliment, as that position is responsible for grant tracking.

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2006-7	Significant Deficiency
Criteria:	The pension ordinance requires no disbursement shall be made from funds of the system unless approved by a specific or continuing motion adopted by the Pension Board of Trustees.
Condition:	An employee, Patrick McGowan, retired effective July 23, 2005 without formal approval by the Board of Trustees. In addition, the final benefit calculations were not reviewed and verified by the City's actuary prior to payment, as is customarily done.
Questioned Costs:	None.
Effect:	Pension disbursements were made that were never formally approved by the Pension Board.
Cause:	The City allowed employees to receive benefits without ensuring that all applicable ordinance requirements were met.
Recommendation:	We recommend that the City take the necessary steps to ensure that each retiree's benefits are submitted to the actuary in a timely manner. We also recommend that all future retirements are approved by the Pension Board of Trustees.
Status:	This matter has not been fully corrected for the year ended June 30, 2007. Pension disbursements are still made prior to final review by the City's actuary.
Response:	The City agrees with this comment. The individual in question is being presented to the Pension Board for formal approval.

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Findings 2003-1, 2004-1 through 2004-6, 2005-1, 2005-4, 2005-5, 2006-5 and 2006-6 are also considered findings for all major programs and are significant deficiencies that are considered to be material weaknesses related to internal controls over federal awards.

2007-1 Allocation of Payroll Expenditures

Grantor: U.S. Department of Housing and Urban Development CFDA #: 14.218 and 14.239

Award Name: Community Development Block Grant Entitlements and HOME Program

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities / are charged to both federally funded and non-federally funded cost centers, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency.

Condition: During the fiscal year ended June 30, 2007, wages and benefits are charged to the grant programs based upon budgeted percentages that are entered into the payroll system, rather than timesheets filled out by the program employees.

Questioned Costs: None.

Effect: Payroll charges to the federal program were not charged based upon the Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*.

Cause: The payroll charged to the grant programs is never reconciled to the actual hours worked by the program employees.

Recommendation: We recommend that the City implement procedures to ensure that only actual time worked on federal programs is charged to grant programs.

Response: The City will ensure all employees working on federal programs properly

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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record and segregate their time between federal programs as well as between federal and non-federal programs. The City will create a system to compare actual time worked to the allocations made based on budget and adjust accordingly.

2007-2 HOME Program Expenditures

Grantor: U.S. Department of Housing and Urban Development **CFDA #:** 14.239

Award Name: HOME Program

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, indicates that for expenditures to be allowable under Federal awards, costs must be based upon actual costs incurred.

Condition: During the fiscal year ended June 30, 2007, there were two expenditures selected for testing where the amount paid did not agree to the amount per the vendor invoice or home owner payment authorization. Group #2336 in the amount of \$10,480 and group #1278 in the amount of \$4,230 should have resulted in \$180 and \$90 more, respectively, paid to the vendor.

Questioned Costs: No amounts are questioned because the errors were corrected by the department on subsequent disbursements to the vendor.

Effect: Disbursements were made for incorrect amounts.

Cause: Transposition errors were made by the department when calculating the amount of the approved payment. When the Controller's office paid the invoices, they paid based upon the incorrect approved amounts from the Department of Development Certificate of Inspections, without recalculating the amounts indicated.

Recommendation: We recommend that the City implement procedures to ensure that documentation from departments is reviewed and amounts are recalculated as necessary to ensure proper payment is made to vendors. In addition, we

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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

YEAR ENDED JUNE 30, 2007

recommend that the home owner payment authorizations are reviewed by the Controller's office to ensure that the approved amounts are disbursed to the vendors.

Response: The City will be reviewing the internal controls in both the Controller's and Grant's offices to ensure procedures are in place to catch any future transposition errors prior to the issuance of a check to the vendor. The Controller's office will now require copies of the home owner payment authorization with all future invoices.

2007-3 Community Block Grant Entitlements Expenditures

Grantor: U.S. Department of Housing and Urban Development **CFDA #:** 14.218

Award Name: Community Block Grant Entitlements

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, indicates that for expenditures to be allowable under Federal awards, costs must be based upon actual costs incurred.

Condition: During the fiscal year ended June 30, 2007, the City discovered that a contractor was potentially being paid for demolitions based upon incorrect calculations. One component of the demolitions costs is a calculation by the City's inspections department. However, it was discovered that the department was potentially using incorrect measurements and formulas, which would cause the vendor to be paid at an incorrect amount.

Questioned Costs: \$95,176 for transite siding removal and \$131,250 for cubic foot cost variances over the life of the program.

Effect: Disbursements were made for incorrect amounts and were supported by incorrect calculations. However, overall demolition costs were reasonable in relation to residential demolitions in similar cities.

Cause: Causes for the errors appear to be due to internal systemic errors in the process for costing out demolitions, and extend back several years. For

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instance, the calculations using during the cost out process were based upon incorrect mathematical formulas and at times used rounded measurements, rather than the exact square footage.

Recommendation: The City has investigated this matter and has forwarded its findings to HUD. We recommend that the City continue to work with HUD as necessary and continue their internal corrective measures procedures to ensure that the proper measurements and calculations are used in the future. In addition, we recommend that the calculations are reviewed and verified prior to payment to the vendors.

Response: The City immediately conducted a thorough investigation of this matter and has forwarded a complete report of the findings to the U.S Department of Housing and Urban Development (HUD). The City is awaiting a response from HUD regarding final resolution of this matter. The City immediately changed their procedures for calculating house measurements and reviewed all ongoing projects to ensure the calculations were correct. The City also revised their internal controls in this area to include supervisor review of all calculations.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

YEAR ENDED JUNE 30, 2007

FINANCIAL STATEMENT FINDINGS

The finding listed as 2003-1 has also been issued as a financial statement finding for the fiscal years ended June 30, 1999 through 2006. The findings listed as 2004-1 through 2004-7, 2005-1, 2005-5, and 2006-1 through 2006-7 have also been issued as financial statement findings during the fiscal year ended June 30, 2006.

Prior Year Corrected Findings

2004-9 Significant Deficiency

Criteria: All disbursements of City funds should be supported by adequate documentation and recorded within the City's general ledger.

Condition: The City paid a single invoice to a vendor twice using different methods of payments. The first payment was by check to the vendor and the second payment was through a wire transfer directly from the City's bank account to the vendor's account. The wire transfer was not recorded in the general ledger.

Questioned Costs: None.

Effect: The City paid a vendor twice for the same invoice and did not have adequate accounting records to identify this situation until the bank reconciliations were finally completed and the wire transfer was identified.

Cause: The Treasurer's Department does not have adequate procedures in place for wire transfers that would result in the communication of these wire transfers to the Fiscal Services Department in a timely manner, and that proper documentation of the purpose and approval of the wire transfers would be maintained as a part of the accounting records in the Fiscal Services Department.

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Recommendation: We recommend that the Treasury Department implement procedures to ensure that wire transfers are done only when proper documentation of purpose and approval has been prepared and that these procedures include communication of these transactions to the Fiscal Services Department for proper recording in the general ledger.

Status: This matter has been corrected for the year ended June 30, 2007.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2006-8 HOME Program Expenditures

Grantor: U.S. Department of Housing and Urban Development **CFDA #:** 14.239

Award Name: HOME Program

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, indicates that for expenditures to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be adequately documented. In addition, City internal control procedures require that there be proper support, documentation and approval of expenditures.

Condition: During the fiscal year ended June 30, 2006, the City charged two expenditures (group number 1972) to the HOME program that could not be supported by documentation in the Controller's Office. Documentation was provided by the Block Grant Department to support the allowability and dollar amount of the expenditures. However, since documentation could not be provided by the Controller's Office, approval of these expenditures could not be substantiated.

Questioned Costs: None.

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YEAR ENDED JUNE 30, 2007

Effect: The Controller's Office has no documentation or audit trail of why these expenditures were made.

Cause: The documentation supporting this expenditure has been either misfiled or misplaced.

Recommendation: We recommend that the City implement procedures to ensure that documentation that includes department and Controller approval is maintained for all disbursements.

Status: This matter has been corrected for the year ended June 30, 2007.

2006-9 State Revolving Fund Loan Program Expenditures

Grantor: Environmental Protection Agency **CFDA #:** 66.468

Award Name: State Revolving Fund Loan Program

Criteria: Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local and Indian Tribal Governments*, indicates that for expenditures to be allowable under Federal awards, costs must be necessary and reasonable for proper and efficient performance and administration of Federal awards and be adequately documented. In addition, City internal control procedures require that there be proper support, documentation and approval of expenditures.

Condition: During the fiscal year ended June 30, 2006, the Controller did not approve all of the expenditures of this program.

Questioned Costs: None.

Effect: Disbursements were made without evidence of the Controller's approval.

Cause: The Controller did not initial or sign off on all Accounts Payable Edit Listings, thereby indicating approval of the disbursement.

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Recommendation: We recommend that the City implement procedures to ensure that documentation that includes department and Controller approval is maintained for all disbursements.

Status: This matter has been corrected for the year ended June 30, 2007.