

City of Grand Haven, Michigan

Comprehensive Annual Financial Report Year Ended June 30, 2007

City of Grand Haven, Michigan

June 30, 2007

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City of Grand Haven, Michigan

June 30, 2007

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City of Grand Haven, Michigan

June 30, 2007

Elected Officials

Mayor

Roger A. Bergman

Council Members

Michael Fritz
Geri McCaleb
Edward Nieuwenhuis
John Naser

Appointed Officials

City Manager

Patrick McGinnis

City Clerk/Treasurer

Leah Spinner

Finance Director

James Bonamy



November 1, 2006

Mayor Bergman and City Council:

It is with pleasure that we present the Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2006. This is the fourth report using the new reporting model as required by the Governmental Accounting Standards Board (GASB) in their Statement 34.

This report has been prepared by the financial services staff of the City of Grand Haven. City Administration holds full responsibility for the completeness and accuracy of all statements, schedules, notes and analysis. To provide a reasonable basis for making these representations, City Administration maintains a system of internal controls to protect City assets from theft, loss, or misuse and to compile reliable information for the presentation of our financial statements in conformity with generally accepted accounting principles. The costs of internal controls should not outweigh the benefits received; therefore the internal controls have been designed to provide reasonable assurance rather than absolute assurance that the financial statements will be free from material misstatement. As City Administration, we assert, to the best of our knowledge and belief, that this financial report is complete and reliable in all material respects.

The Reporting Entity

Grand Haven was established in 1834 by Rix Robinson, a trader, who chose this location because of its natural harbor and the opportunity to do business throughout the Grand River valley. In 1838, Grand Haven was named the County Seat of the County of Ottawa. In 1867, Grand Haven was incorporated as a City. With a population of 11,168 counted in the 2000 census, the City of Grand Haven is the primary government for accounting purposes.

The City of Grand Haven Board of Light and Power, a department of the City by its Charter and an enterprise fund, continues its tradition of presenting its annual financial report under separate cover. This is appropriate due to both the size and complexity of the Board's operations and generally accepted accounting principles. However, due to the nature of the new reporting model as discussed below, significant information is also provided herein. For further detail on the Board of Light and Power, we recommend viewing the Board's annual report, which is on file at both City Hall and at the Board's offices on Eaton Street in Grand Haven.

In addition to the primary government, this financial report also includes five discrete component units:

- The City of Grand Haven Brownfield Redevelopment Authority,
- The City of Grand Haven Brownfield TIF (Boat Storage Project),
- The City of Grand Haven Downtown TIF (Franklin Street Parking Project),
- The City of Grand Haven Economic Development Authority, and
- The City of Grand Haven Main Street Downtown Development Authority.

The financial reports of these five entities, while separate and distinct from the City of Grand Haven as component units, are included herein.

Note that the Main Street Downtown Development Authority changed its name from the Central Business District Downtown Development Authority in the summer of 2005 during the fiscal year reported in this document.

This report also includes a blended component unit:

The City of Grand Haven Building Authority.

The Building Authority is a blended component based on its close relationship with other City of Grand Haven Funds. Capital projects financed through the Building Authority are rented to the City and returned as City assets once payments on the projects and associated debt are completed.

The City of Grand Haven also provides administrative and financial management under contractual agreements with the following organizations:

Grand Haven/Spring Lake Sewer Authority, a separate governmental unit,
Northwest Ottawa Water Treatment Plant, a joint venture of North Ottawa local units of government,
and
Ottawa County Central Dispatch Authority, a component unit of Ottawa County.

The financial reports of these three entities, being separate and distinct from the City of Grand Haven, are reported elsewhere and are not included here.

Budgeting and Financial Planning

As part of the City's financial planning process, City Council adopts an annual budget including a five year Capital Improvement Plan. These documents address the City Council's strategy to improve and to maintain the health and quality of life of the City. The budget document provides the financial framework for planning and control as well as defines the City Council's vision for the future. The Capital Improvement Plan provides the Council and staff with a strategy for future major capital items and related financial resources that will be required over the next five years to implement Council's vision.

The budget process begins in late fall with a City Council goal setting session with the City Manager. Working as a Budget Committee, City Board members, Department Heads and the City Manager draft the budget on a line item basis, considering capital and operational priorities separately and combining all into a preliminary budget document. The City Manager is required by City Charter to present a proposed budget to City Council by April 1. After a public work session and a separate formal public hearing, City Council adopts the City's budget by May 15 and sets the tax millage rates for the new fiscal year at the same time. Interested citizens are invited to participate throughout the budget planning process, at a goal-setting session and at the various work sessions and public hearings.

After the close of the fiscal year, the CAFR is prepared to report on the financial condition of the City and the results of operations. Included in the report are budget-to-actual comparisons of revenues and expenditures. Disclosure of both the original budget and the final amended budget continues. The report is reviewed in draft form by the Audit Review Committee whose mission is to:

- to annually certify the purpose of the audit (as a test of the City's financial accounting and reporting systems)
- to annually review the audit report with City Administration and the Auditors and seek clarifications to any questions they may have
- to direct staff to include a short memo summary of the audit for City Council when presenting same
- to "receive the audit and recommend that City Council receive the audit" when presenting audit to City Council

- to meet briefly with the Auditors' excusing City Administration, to ask any questions about the audit report, the Auditing firm, City administration efforts, etc.

The Audit Review Committee includes members of the public plus two City Council members.

Economic Condition and Outlook

Current state economic conditions present employment challenges for displaced employees and the local economy as a whole. Economic forecasts indicate a continuation of challenging conditions for Michigan in 2006 and beyond. Significant to these forecasts are recent American auto industry capital reductions and employee buy-out plans, signaling a further retrenching in Michigan's manufacturing economy. While some auto-related manufacturers reside as local businesses in Grand Haven, their economic condition mirrors the continuing unsettled nature of the state's economy. Fortunately, West Michigan communities are more diverse in their economic conditions than communities on the east side of the State. Overall, the economic climate provides continuing challenges to surmount.

While Grand Haven saw the closing of a number of industries and some employment reductions in recent years, significant new industrial investment during the fiscal year occurred at Advanced Molding Solutions, Grand Haven Plastics, IsoTrude, Polyply Composites and Seaver Industrial Coatings. The City continues to monitor industrial sector employment closely as City Council reviews new Industrial Facilities Tax Exemption Certificates. On-site tours have provided City Council with some understanding of the pressures of the manufacturing community.

The State of Michigan continues to face budget difficulties and continues to consider revising the community funding structure and other payments to local governments to partly resolve their budgetary concerns. City Administration conservatively forecasted this revenue source for the reported fiscal year. The initial budget of \$1,000,000 was amended upward to \$1,100,000, but final results were lower than anticipated at \$1,063,038. Further concerns in State funding are possible for FY 2006-07 and the conservative forecast has been continued.

While the aforementioned indicates serious concern, in January 2006, Standard and Poor's rated the City's \$3,345,000 in 2006 Downtown TIF Bonds as "AA-" and "AAA" as bond insurance was provided for them. Likewise, after the fiscal year reported, Standard and Poor's rated the City's \$2,830,000 in 2006 Building Authority Bonds and \$15,095,000 in 2006 Brownfield TIF Redevelopment Bonds as "AA-" and "AAA" as bond insurance was provided for these as well. This independent public recognition of the City Council's direction and administration's conservative fiscal policies allowed the City to achieve excellent interest rates for these issues.

Beginning in FY 04-05 and continuing through FY 2005-06, significant administrative work in negotiation with Grand Landing, LLC, for the sale of Brownfield properties previously owned by Ottawa County Road Commission, ASP & Mfg. Co., Weavers' Iron and Metal and the City occurred. In September 2005, City Council gave its approval of a purchase agreement. In August 2006, after the reported fiscal year, with due diligence and many significant issues addressed, the City closed on the property sale.

In October 2005, the City received \$880,000 in State Grant funds from a 1998 Waterfront Redevelopment Grant. These funds partially reimbursed property acquisition costs of the Grand Landing site. The funds have been placed in the Public Improvement Fund and reduce approximately half of the interfund loans due from the Brownfield Redevelopment Authority Fund. The August 2006 closing on the sale of the properties, after the fiscal year end close, eliminated the Brownfield Redevelopment Authority Fund's deficit position.

The City has successfully maintained greater than 11% of revenue as a reserve in the General Fund to address contingencies. During the fiscal year, City Council approved a post-audit transfer of \$1,000,000 to the Public Improvement Fund. Assuming continuing improvement in the City's economic conditions, City Administration believes that the City will weather the current economic conditions favorably.

Fiscal Year 2005-06 Initiatives

The City of Grand Haven had another successful year in providing quality services to its citizens. The direction of the City Council in maintaining healthy fund balances permits the City to continue to invest in the infrastructure and capital needs of the City. During the past fiscal year, the City was able to make significant improvements within the City including:

Public Works – Chuck Nowak, Director

- SWPPI (Stormwater Pollution Prevention Initiative) Workshop at Calvin College
- West Plan Tech Committee Approval for the FY2006-2008 Transportation Improvement Program
- WWI Monument relocation – Dedication on 11/11/05
- Sheldon Street Project On-Site Completion Inspection on 11/14/05
- Water Plant Expansion Plans – 11/30/05
- Installation of new valves and pneumatic actuators at the Musical Fountain
- Marion Street water line reconstruction project
- Rewiring City Hall and Public Safety buildings for 1 GB data network
- NOWS 500,000 Gallon Water Tank repair
- Successful MIOSHA visit and inspection of City Garage and Musical Fountain
- Emmet Street and Poplar Trail Sanitary Sewer Projects
- City-Wide Bayou Picnic at East End Park
- Annual street resurfacing and City-wide crack sealing projects
- Jackson Street reconstruction with sewer and water line replacement design
- Heating/Cooling System installed at City Hall and Public Safety

Special Projects Manager – Julie Beaton

- Grand Landing Project development of funding mechanisms for environmental and public infrastructure installations.
- Assisted DPW Director on coordination of projects
- Annual budgeted buildings and grounds custodial, maintenance and repair.
- Liaison to MSDDA Design Committee
- Community Center renovation began June 2006 with completion set for August, 2007. North Ottawa County Council On Aging will lease the lower level on a 10-year contract

Community Affairs - Sandra Katt, Manager

- Marina Renovation - a DNR Waterways \$1 million matching grant will fund Phase I which is set to begin Oct. 2007.
- Mulligan's Lodge opened 3/4/2006
- Skate Park received a matching grant from the DNR for a total of \$350,000 for a 13,800 square foot skate park, construction to begin in 2007 with grand opening tentatively scheduled for 4th of July, 2007.

Public Safety - Dennis S. Edwards, Director

- Established an Honor Guard to represent the City in color posting and presentations in special dress uniforms at various special events and to provide a respectful ceremonial detail for active and retired department member funerals.
- Expanded the Retired Senior Volunteer Program (RSVP) to include up to 15 members that are age 50 and over. The RSVP's provided 2,155 volunteers hours for the department.
- Received \$22,000.00 to purchase a six-wheel all-terrain vehicle with a rear mounted pump for wild land firefighting.
- Received Federal Homeland Security grant funding for 35 new Motorola portable radios.
- Continued the DARE program through funding from the City, United Way, Grand Haven Area Schools, and the Tri-Cities DARE Association.
- Replaced three (3) patrol vehicles.

- Started aggressive departmental level collection measures to collect unpaid invoices under the City's Cost Recovery Ordinance.
- Increased the number of commercial fire inspections conducted.
- Completed the required National Incident Management System (NIMS) training for all command and supervisory personnel.
- Of eighty department survey cards returned, an overall rating in all areas was 4.69 points out of a possible five (5) was noted.
- Received \$12,000.00 in donations for physical fitness equipment for public safety employees.
- Received another \$22,500.00 to purchase a new thermal imager replacement, a Datamaster (alcohol breath test machine), and two motorcycle headsets.

City Clerk/Treasurer Office - Leah Spinner, City Clerk/Treasurer

- New voting equipment- M-100 and Automark systems
- Held three elections
- Qualified Voter File software and hardware upgrade
- Laserfiche document scanning software upgrade
- Collection agency for delinquent receivables
- Coordinated Mayor's Exchange events, Boards and Commissions Appreciation Dinner, City Beautiful Calendar
- Contracts and Agreements Tracking System

Planning and Development Department - Erin Wade, Planning and Community Development Director

- Hired a part time Neighborhood Development Coordinator responding to City Council's goal to improve neighborhood housing
- The Planning Commission recommended approval of 35 rezoning requests and approved 32 site plans
- The Zoning Board of Appeals heard 32 requests and approved 22 of them.
- 1,624 permits were issued with a construction value of \$24,885,769 raising fees of \$343,317.77 to support the costs of the building inspection department
- Managed the zoning ordinance rewrite process.

Harbor Transit - Julie Bildner, Transportation Director

- MDOT GRANT 2002-0040 Z13: \$20,000 to replace the Transit Telephone Communications System: RFP in process- no project expense to date.
- MDOT GRANT 2002-0040 Z12: \$92,591 to pass through Specialized Services Funds to Pioneer Resources. Completed – for period October 1, 2004 to September 30, 2005. Harbor Transit passed these responsibilities to Ottawa County effective October 1, 2005.
- MDOT GRANT 2002-0040 Z11: A \$200,000 grant to pass through Project Zero Funds to Pioneer Resources. Completed – for period October 1, 2004 to September 30, 2005. Harbor Transit passed these responsibilities to Ottawa County effective October 1, 2005.
- FY2003 & FY2004: \$508,997 in Urban 5307 Operating Assistance from Federal Transit Administration (FTA) Completed – Received February 2005.
- MDOT GRANT 2002-0040 Z4 FY2005: \$247,507 for the purchase of two buses, security and maintenance equipment. (80% federal, 20% state). Two buses purchased for \$202,896.00. Purchase of security and maintenance equipment in process.
- MDOT GRANT 2002-0040 Z8 FY2005: \$242,718 for three bus replacements (80% federal, 20% state). Three buses purchased February 2006 in total amount of \$241,851.
- FY 2005 (Federal) October 1, 2004-September 30, 2005): Filed and awarded \$268,310 in Urban 5307 Operating Assistance from FTA.
- MDOT GRANT 2002-0040 Z14 - FY 2005 (federal) October 1, 2004-September 30, 2005): Filed \$237,346 (80% federal, 20% state) for the purchase of one replacement bus, service truck, and facility rehabilitation (restrooms and miscellaneous repairs) (Awarded 2005 Section 5309 federal earmark – presently in FTA process).
- MDOT Grant 2002-0040 Z15 - FY 2006 (federal) October 1, 2005-September 30, 2006): Filed \$499,950 (80% federal, 20% state) for the purchase of two replacement buses, and facility

rehabilitation (office space, flooring, roofing, etc.) (Awarded 2006 Section 5309 federal earmark – presently in FTA process).

Airport:

- MDOT (AERONAUTICS) 2005-0456: for Phase III Tree Project \$280,000: For the purchase of aviation easements and tree construction on five private parcels and airport lands located east of the Airport. In final stages. (82.25% federal, 15.25% state, 2.5% local)
- MDOT (AERONAUTICS) 2004-0263: for Parallel Taxiway Rehabilitation (Runway 9-27 east-west) and Construction of New Parallel Taxiway (Runway 18-36 north-south), \$343,000: for taxiway rehabilitation and new construction. Project complete. (60.2% federal, 34.1% state, 5.6% local)

Human Resources - Lisa Sutterfield, Assistant City Manager

- Continued adjustment of employee health insurance to maximize benefit and stabilize cost. (initiated Core and Buy-up health plans; employed Public Employee Benefit Solutions as the City's health benefits agent.)
- Conducted union contract negotiations with SEIU, POAM and COAM.
- Facilitated \$50,000 in annual savings through evaluation of property and liability insurance bidding and subsequent contract with commercial carrier.
- Proposed a reallocated surplus of MERS assets in idle retirement accounts to facilitate higher funding levels in active accounts.

Finance - Accounting, Assessing, Information Technology - James P. Bonamy, Finance Director

- Continued successful presentations of City Budget and annual unqualified or "clean" audits
- Continued monthly financial reporting to City Council, Departments and various Boards and Commissions
- Continued detailed financial reporting in Brownfield and grants administration
- Created accounting structures for a complex Grand Landing finance plan
- Applied diverse funding sources to prepare for significant reconstruction of Jackson Street and north end infrastructure
- Initiated audit of Retirement Health Benefits programs
- Initiated accounting for a \$710,000 Brownfield TIF (Boat Storage) Bond
- Continued staff liaison support to the Audit Review Committee, the Economic Development Corporation and the Brownfield Redevelopment Authority
- Coordinated S.W.I.S.S Bond Finance Committee meetings and documentation
- Implemented City Council directed water and sewer rate increases (on July 1, 2005)
- Transferred 90% of ongoing spreadsheets from Lotus to Excel formats.
- Set up specialized Excel training for over 25 staff members.
- Transferred 95% of ongoing Word Perfect documents to Microsoft Word formats.
- Continued fiscal administration for the Ottawa County Central Dispatch Authority
- Completed the first year in eight new Funds to manage various aspects of City Council direction including:

- | | |
|--------------------------------------|--------------------------|
| • <u>Brownfield TIF Boat Storage</u> | <u>Downtown TIF</u> |
| Special Revenue Fund | Special Revenue Fund |
| Debt Service Fund | Debt Service Fund |
| Capital Improvement Fund | Capital Improvement Fund |

- Land Acquisition Fund - a capital projects fund
- Chinook Pier Rental Fund - an enterprise fund

- Determined the need and drafted an RFP for an information technology audit.
- Continued operations of over 60 computers installed throughout the City.

Main Street Downtown Development Authority - George Bosnjak, Director

- Issued a \$3,345,000 Downtown TIF Bond
- Initiated engineering for the downtown parking project

- Attained the "Michigan Main Street" designation.

Future Major Initiatives

In FY 2005-06, discussions on needed infrastructure and financial alternatives on when and how to address these needs occurred. The infrastructure project, engineered by Fishbeck, Thompson, Carr and Huber, provided a comprehensive overview of infrastructure needs. Concurrent reviews by ad hoc S.W.I.S.S. Blue Ribbon Planning and Finance Committees continued the process. Water and sewer consumption rates were each raised by 25 cents per 1000 gallons by City Council action, effective July 1, 2005. City Council scheduled a public vote on S.W.I.S.S. supporting millage in November 2005. City Administration plans a water and sewer rate study and additional investigation into financial support of the City's infrastructure needs.

Continued due diligence analysis and resolution for the Grand Landing property purchase involved significant City Manager, City Attorney and staff time in fiscal year 2005-06. This activity resulted in sale of the Grand Landing property to a developer in August, 2006.

The Budget for fiscal year 2006-07 notes significant anticipated capital and operational activities. Copies for public review are available at City Hall.

Reporting Model Format

This is the fourth year of a new reporting format required by the Governmental Accounting Standards Board. The format of the CAFR using GASB Statement 34 guidelines is significantly different from years before the fiscal year ended June 30, 2003. The objective of the new model is to increase accountability of the City by providing more useful information to a wider range of users. A few of the more significant changes include:

Certain financial information has been moved from the transmittal letter to the "Management Discussion and Analysis" (MD&A). This provides a more in-depth review and discussion of the City's financial position. GASB Statement 34 provides very specific guidance for topics that must be covered in the MD&A. Many key financial topics are covered by the MD&A, which can be found immediately after the auditor's opinion letter.

Entity-wide statements are presented on a full accrual basis of accounting. The full accrual method addresses overall operating results and the financial position of the City as an economic entity, as is done in the private sector.

In the basic financial statements, individual fund activity is disclosed for major funds. Non-major funds are combined in one column. Reporting by major fund helps readers focus attention on "big picture" items. As in prior years, the individual statements for governmental type activities are reported on a modified accrual basis. This means that all non-entity-wide statements require reconciliation schedules to the entity wide statements.

Because of the differing basis of accounting (full accrual vs. modified accrual), numbers will not easily trace to the entity wide statements without the reconciliation. The modified accrual basis accounting is the traditional method used for governmental activities and provides an easier framework for budgeting and controlling expenditures.

Once readers understand how the current reporting model works, the format is anticipated to be preferred because of the additional information available.

Independent Audit

State statutes and the City Charter require an annual financial audit by an independent certified public accounting firm. In May 2003, City Council selected the accounting firm of BDO Seidman, Certified Public Accountants, who provided auditing services for the first years of the engagement. In the summer of 2004,

BDO Seidman sold its Muskegon office to former BDO partners. Pridnia LaPres, PLLC provides the same auditing staff originally provided by BDO Seidman and at the same cost.

The audit was designed to meet the requirements of the federal Single Audit Act of 1984, as amended, and OMB Circular A-133. The auditor's report on the fair presentation of the financial statements, the internal controls, and compliance with legal requirements is issued in a separate document.

Acknowledgments

The work of preparing the financial report has required the help and assistance of many people. The staff of the Finance Department and the Treasurer's Office in particular spent many hours working on this project. Susan LaPage, Accounting Supervisor, deserves special thanks for her efforts in organizing and directing the audit preparation work.

Additionally, the positive financial position the City of Grand Haven displayed in this CAFR could not have been achieved without the significant efforts of the City's Administrative Staff in their adherence to City Council defined policies and effective administrative procedures. Our appreciation and congratulations on a "job well done" are hereby offered to:

Julie Beaton, Facilities and Special Projects Manager
Julie Bildner, Director of Transportation
George Bosnjak, MSDDA Director
Dennis Edwards, Director of Public Safety
Sandra Katt, Community Affairs Manager
Charles Nowak, Director of Public Works
Leah Spinner, City Clerk/Treasurer
John Stuparits, Wastewater Superintendent
Lisa Sutterfield, Assistant City Manager
Joseph VanderStel, Water Plant Manager
Erin Wade, Planning and Community Development Director

Sincerely,

Patrick McGinnis
City Manager
616 847-4888
pmcginnis@grandhaven.org

James P. Bonamy
Finance Director
616 935-3214
jbonamy@grandhaven.org

Independent Auditors' Report

To the Honorable Mayor and City Council
City of Grand Haven, Michigan

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 Grand Haven, 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 Grand Haven's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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

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The Management's Discussion and Analysis, budgetary comparison information and schedule of funding progress on pages 16 through 29 and pages 84 through 87 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

Rudnia Laska, PLLC

Muskegon, Michigan
October 30, 2007

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2007**

- 1) Financial Highlights:
- a) In all material respects, the City of Grand Haven ended the fiscal year in an overall better financial position than it started the year. All funds ended the year with positive fund balance with the exception of the Main Street Downtown Development Authority and the Brownfield Redevelopment Authority Funds, both component unit funds (pages 46-47). General Fund total expenditures finished under budget, although, including transfers out, the fund had a \$16,848 operating deficit (page 84). Including component units, overall debt increased due to addition of a \$2,830,000 Building Authority Bond for Community Center renovation in August, 2006 and a \$15,095,000 Brownfield Redevelopment Authority TIF Bond for public improvements on the Grand Landing site.
 - b) Governmental activity net assets totaled \$48,319,813 at June 30, 2007, up from \$44,495,399 at June 30, 2006 (page 30).
 - c) Business-type activities net assets totaled \$32,534,391 at June 30, 2007, up from \$27,498,936 at June 30, 2006 (page 30).
 - d) Total expenses for governmental activities totaled \$10,205,205 at June 30, 2007 and \$8,751,840 at June 30, 2006 (page 32).
 - e) Total expenses for business-type activities totaled \$37,383,100 at June 30, 2007 and \$35,581,365 at June 30, 2006 (page 32).
 - f) The General Fund is healthy. Fund balance decreased by \$16,848. Year end fund balance for the General Fund totaled \$3,480,506, down from \$3,497,354 at June 30, 2006 (page 35).
 - g) The General Fund cash position is also healthy at \$3,310,872 as of June 30, 2007, up from \$3,265,713 as of June 30, 2006 (page 34).
 - h) The Brownfield Redevelopment Authority Fund posted a fund deficit position of \$617,014 as of June 30, 2007 compared to \$759,036 as of June 30, 2006. The deficit will be eliminated over time by future revenue in tax increments and electric utility franchise fees (page 47).
 - i) The Main Street Downtown Development Authority (MSDDA) Fund posted a fund deficit position of \$297,423 as of June 30, 2007 compared to a surplus of \$127,711 as of June 30, 2006. The deficit will be eliminated over time by future revenue in tax increments and electric utility franchise fees (page 46).
 - j) The Health Benefits Fund net assets balance position is \$817,514 at June 30, 2007 compared to \$330,518 at June 30, 2006, improving significantly during the year. Changes in Blue Cross coverage were made with union negotiations and effected August 1, 2006. The fund balance improvement was due to increased discounts provided by Blue Cross, increased revenue required of other operating funds and delays in payments made to health providers (page 109).
 - k) A \$1,060,000 installment purchase agreement was signed in January, 2005, to allow the City to purchase the Chinook Pier buildings. (The land beneath is owned by the City.) Payments on this loan began during the reported fiscal year, funded partly from Chinook Pier rental receipts with significant budgeted support from the Land Acquisition Fund.
 - l) A \$3,345,000 Downtown TIF Bond (Standard and Poor's AA- rating) was sold on a competitive bid basis in January 2006. Proceeds from current tax increment increases in the Main Street Downtown Development Authority area support the debt service. The project began construction in September, 2006 and continued beyond the end of the fiscal year reported.
 - m) The \$710,000 2005 Brownfield TIF Bond (Boat Storage Site) construction was completed in the summer of 2005. During the reported fiscal year, the debt service fund made its second principal and interest payment on the bond.
 - n) A \$2,830,000 Building Authority bond was issued in August 2006 for the Community Center expansion and renovation project, which was completed in August, 2007, after the end of the reported fiscal year. The bond received Standard and Poor's AA- rating and, with bond insurance, attained AAA rating. Voted millage is dedicated to debt retirement.

City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2007

- o) A \$15,095,000 Brownfield TIF Bond was issued in September 2006 for public infrastructure costs at the Grand Landing site. The bond received Standard and Poor's AA- rating and, with bond insurance, attained AAA rating. Increased millage from private investment on the property is proposed to fund debt service. Public environmental remediation and infrastructure construction will continue through 2010.
- p) The City and Grand Landing, LLC, completed their negotiations in August 2006 with the sale of property for redevelopment. The nominal sale price of \$4,300,000 was received as negotiated and served to significantly and positively alter the City's Public Improvement, Brownfield Redevelopment and Economic Development Corporation Funds' fiscal positions during the fiscal year.
- q) The cash position and net assets position of the various enterprise funds will continue to be studied in FY 2007-08. An overall \$340,864 reduction in combined City proprietary funds net assets occurred during the fiscal year (excluding the Board of Light and Power). Most of the reduction was due to losses in State and other revenue in the Harbor Transit Fund. Those losses will be studied during the 2007-08 fiscal year to determine appropriate service levels. Total proprietary funds net assets at the end of the fiscal year (excluding the Board of Light and Power) were \$18,063,941.

2) Overview of the Financial Statements:

a) Overall financial picture

The financial statements provide two views of the City's financial position. At the broadest level, called the government-wide statements, the report summarizes all City funds into one statement using the full accrual method of accounting. This method of accounting is similar to private sector accounting.

i) *Statement of Net Assets*

The *Statement of Net Assets* provides information on assets, liabilities and the difference between assets and liabilities, or net assets. Over time, increases and decreases in net assets can serve as a barometer of financial health. A trend of increasing net assets is viewed as a sign of improving condition. The *Statement of Net Assets* is similar to a balance sheet in private sector accounting.

ii) *Statement of Activities*

The *Statement of Activities* explains the change in net assets through revenue and expense analysis and comparison. All changes in net assets are reported as the change occurs. This means the statement includes depreciation on the assets. The statement does not report any capital projects. Capital projects are reported on the *Statement of Net Assets*.

b) Fund Focus

Governmental accounting focuses on individual governmental funds. A fund is defined as a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Funds are used to ensure compliance with finance-related legal or regulatory requirements. Funds are classified as either governmental funds, proprietary funds or fiduciary funds.

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i) **Governmental Funds**

Governmental funds are essentially equal to governmental activities except that internal service funds are proprietary funds included in governmental activities. Internal service funds are not governmental funds. Governmental funds use a modified accrual basis of accounting and focus on near-term inflows and outflows of spendable resources and the resulting balances of spendable resources. In the governmental funds statements, accounting for items such as capital outlay, depreciation, debt payments, and accrued vacation is different than in the government-wide statements. In governmental funds, capital outlay and debt principal are reported on the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Depreciation is not recorded. The rule for reporting accrued vacation is more restrictive. The *Balance Sheet* for governmental funds does not include any capital assets or long-term debt.

(1) **Major Funds**

Under Governmental Accounting Standards Board (GASB) Statement 34, the focus has shifted from the governmental fund type to a major funds emphasis. Major funds are the largest funds in terms of assets, liabilities, revenues or expenses/expenditures. Greater detail is presented in Major Funds. For the City of Grand Haven, the following funds meet this major funds requirement:

- General Fund
- Public Improvement Fund
- Board of Light and Power Fund

Note that the Board of Light and Power Fund is a department of the City by City Charter, but issues its own annual financial report. Detail regarding its operations not found in this report may be found in that audit report, which is available at City Hall or at the Board's offices on Eaton Street.

(2) **Non-major funds**

In the basic financial statements, the remaining funds are considered non-major funds and are consolidated into one column. These are smaller, less active funds. Detailed information about non-major funds can be found after the Notes to the Financial Statements.

ii) **Proprietary Funds**

Proprietary funds use the full accrual method of accounting for both government-wide statements and fund level statements. There are two types of proprietary funds.

(1) **Enterprise Funds**

These funds are used to report business-like activities. In general, these funds charge a fee for goods or services provided. Also, the fee is generally expected to recover the cost of providing the goods or services. The City of Grand Haven uses enterprise funds for water distribution, wastewater collection, transit, marina, airport, rental of the Chinook Pier building and the Board of Light and Power (BLP). The BLP fund qualifies as a major fund as noted above.

(2) **Internal Service Funds**

These funds provide goods or services to other city activities or functions. Internal service funds facilitate cost allocation of centralized services such as vehicle maintenance; health benefits; liability, property and auto insurance; worker and unemployment compensation; and claims administration. The City of Grand Haven has three internal service funds, the Motorpool Fund, the Self Insurance Fund and the Health Benefits Fund.

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iii) Component Units

The City of Grand Haven's Comprehensive Annual Financial Report (CAFR) includes three discrete component units. Component units are separate legal entities for which the City of Grand Haven has some level of financial accountability. Discrete component units are shown in three separate columns. The City of Grand Haven's discrete component units include:

- The Economic Development Corporation.
- The Main Street Downtown Development Authority (MSDDA)
- The Brownfield Redevelopment Authority

The City of Grand Haven CAFR includes one blended component unit:

- The City of Grand Haven Building Authority.

The Building Authority is a blended component unit based on its close relationship with other City of Grand Haven Funds. Capital projects financed through the Building Authority are rented to the City and returned as City assets once payments on the project and associated debt are completed.

More information about all component units can be found in the notes to the financial statements and in the schedules following the notes.

c) Notes to the Financial Statements

Immediately following the Government-wide financial statements are the Notes to the Financial Statements. The Notes are an integral part of the financial statements. The Notes contain many additional disclosures about the financial health and policies of the City.

3) Financial Analysis

a) Net Assets

The *Statement of Net Assets* provides an overview of the City's assets, liabilities and net assets. As mentioned above, this can provide a good indicator of the City's fiscal health over time. A comparative analysis of government-wide data is presented pursuant to GASB requirements.

On the next page is a summarized version of the *Statement of Net Assets*.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2007**

**City of Grand Haven, Michigan
Net Assets**

	As of June 30, 2007			As of June 30, 2006		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Current and other assets	\$16,965,741	\$33,778,793	\$50,744,534	\$13,399,067	\$27,037,808	\$40,436,875
Capital assets	37,153,036	63,377,901	100,530,937	34,236,947	60,488,172	94,725,119
Total assets	54,118,777	97,156,694	151,275,471	47,636,014	87,525,980	135,161,994
Long-term debt	4,630,426	53,576,295	58,206,721	2,518,818	55,271,497	57,790,315
Other liabilities	1,168,538	11,046,008	12,214,546	621,797	4,755,547	5,377,344
Total liabilities	5,798,964	64,622,303	70,421,267	3,140,615	60,027,044	63,167,659
Net assets						
Invested in capital assets, net of related debt	33,195,282	15,655,239	48,850,521	32,391,262	15,653,888	48,045,150
Restricted	6,104,548	6,161,262	12,175,810	3,959,608	3,786,759	7,746,367
Unrestricted	9,109,983	10,717,890	19,827,873	8,144,529	8,058,289	16,202,818
Total net assets	\$48,319,813	\$32,534,391	\$80,854,204	\$44,495,399	\$27,498,936	\$71,994,335

The total net assets are \$80,854,204, up from \$71,994,335 last year (above). Investment in capital assets including infrastructure totals \$202,009,793 of which \$190,513,460 is being depreciated, leaving \$100,530,937 in net capital assets (Note #4). The single largest category in capital assets is the City's investment in production and treatment systems of \$97,729,781 (Note #4). Of the more liquid assets, \$12,175,810 is restricted. The City has \$19,827,873 in unrestricted net assets (page 31).

Changes in Net Assets

i) Governmental Activities Highlights

The table on the next page shows how activities created changes in net assets during the fiscal year.

**City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2007**

**City of Grand Haven, Michigan
Changes in Net Assets**

	Year ended June 30, 2007			Year ended June 30, 2006		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
Revenues						
Program revenue						
Charges for services	\$1,634,754	\$37,383,982	\$39,018,736	\$1,546,287	\$32,019,996	\$33,566,283
Grants and contributions	1,164,294	3,402,928	4,567,222	1,039,178	1,381,253	2,420,431
General revenues						
Property Taxes	7,303,030	-	7,303,030	6,918,390	-	6,918,390
Federal and state contributions	1,135,490	-	1,135,490	1,098,486	-	1,098,486
Investment earnings	920,414	932,130	1,852,544	555,567	997,045	1,552,612
Gain (loss) on sale of Assets	2,170,908	21,856	2,192,764	330,027	(4,527)	325,500
Other	201,924	176,564	378,488	229,118	200,185	429,303
Total revenues	14,530,814	41,917,460	56,448,274	11,717,053	34,593,952	43,311,005
Expenses						
General government	2,779,148	-	2,779,148	2,143,423	-	2,143,423
Public safety	3,716,753	-	3,716,753	3,379,504	-	3,379,504
Public works	2,733,013	-	2,733,013	2,406,647	-	2,406,647
Culture and recreation	817,961	-	817,961	745,454	-	745,454
Interest	158,430	-	158,430	76,812	-	76,812
Board of Light and Power	-	31,633,829	31,633,829	-	30,283,468	30,283,468
Other proprietary funds	-	5,749,271	5,749,271	-	5,297,897	5,297,897
Total expenses	10,205,305	37,383,100	47,588,405	8,751,840	35,581,365	44,333,205
Change in net assets before transfers	4,325,509	4,534,360	8,858,869	2,965,213	(987,413)	1,977,800
Transfers	(501,095)	501,095	-	(925,800)	-	(925,800)
Change in net assets	3,824,414	5,035,455	8,859,869	2,039,413	(987,413)	1,052,000
Net assets, beginning of year	44,495,399	27,498,936	71,994,335	42,455,986	28,486,349	70,942,335
Ending net assets	\$48,319,813	\$32,534,391	\$80,854,204	\$44,495,399	\$27,498,936	\$71,994,335

City of Grand Haven, Michigan
Management's Discussion and Analysis
June 30, 2007

(1) Revenue sources and changes

Total revenue from all sources totaled \$56,448,274 of which \$14,530,814 was from governmental activities and \$41,917,460 was from business-type activities. \$7,303,030 of governmental revenue is from property taxes. The millage rate for general operations remained the same 9.6639 mills from the prior year. Another \$1,031,381 in revenue was from unrestricted state shared revenue. Charges for services brought in \$1,634,754 of governmental activities revenue and \$37,383,982 in business-type activities.

(2) Expenses and expenditures changes

(a) Overall cost

Using a full accrual basis of accounting, the City of Grand Haven spent \$10,505,305 on governmental activities. From this perspective, the City depreciates capital assets including infrastructure such as streets and sidewalks. The City spent \$3,716,753 on public safety, \$2,779,148 on general government, \$2,733,103 on public works activities and culture and recreation expenses totaled \$817,961. Interest on debt under governmental activities totaled \$158,430.

(b) Operating transfers

Significant transfers of funds between governmental funds occurred during the year. Transfers out of the General Fund totaled \$2,634,882 the greatest portion of these being transferred into the Public Improvement Fund, a total of \$583,785. A post 2006 audit transfer of \$1,500,000 from the General Fund to the Public Improvement fund also occurred due to the positive position of the General Fund. These post-audit transfers may occur on an annual basis upon City Council approval and are the primary source of capital improvement revenue. For clarity of reporting, they are noted here.

ii) Business-type Activities – Highlights

Business-type activities show an increase in net assets of \$5,035,455 from revenues of \$41,917,460. The largest source of revenue for business-type activities was from charges for services of \$37,383,982. Charges for services of non-major proprietary funds are further detailed as follows:

• Water	\$1,413,490
• Wastewater	1,321,733
• Harbor Transit	139,005
• Marina	261,046
• Airport	74,903
• Chinook Pier	96,590

As the Board of Light and Power produces its own audited annual financial report, further information on their activities may be obtained from that document.

Wastewater and water are the largest business-type activities after the Board of Light and Power, \$1,293,604 and \$1,626,575 in expenses respectively.

(1) City Water (Distribution)

The City Water Fund is a capital intensive activity. In recent years, the fund has been showing a slight increase in net assets, but it is showing a decrease in cash position anticipated by Sheldon, Jackson, and Marion Street projects. Water rates were increased by 25 cents per 1000 gallons effective July 1, 2005 (prior to the fiscal year reported herein), anticipating future capital needs. The City continues to study a large infrastructure project including water distribution line replacement. In November 2007, a ballot question is scheduled to seek voter approval on a \$9,400,000 capital

City of Grand Haven, Michigan
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improvement bond (approximately 1 mill for 20 years). A ballot question of 2 mills for 30 years failed in November 2005. Improving meter reading technology remains under consideration. The FY2007-08 budget includes funds to study the water distribution system and to determine the best method of managing future system maintenance. With the continuing implementation of new regulatory requirements for selected water treatment systems, capital needs for the fund will increase.

Note that this fund handles only the distribution of water to Grand Haven customers. The City Water Fund purchases its treated potable water from the Northwest Ottawa Water System (NOWS), a joint water treatment purchase venture of Northwest Ottawa County communities. Note that the NOWS Fund reconstructed the south intake system and is considering a substantial increase in the size of the water plant within five years. These adjustments are included in the various City studies.

(2) City Wastewater (Collection)

The City Wastewater Fund has continued a limited cash position at \$210,464. With operating revenues of \$1,340,383, the fund had an increase of \$56,837 in net assets. The fund has limited reserves to meet its cash flow and capital needs for the immediate future, however, should larger projects be warranted, the City will need to consider issuing debt to gain the necessary resources. Sewer rates were increased by 25 cents per 1000 gallons effective July 1, 2005 (prior to the fiscal year reported herein), anticipating future capital needs. The City anticipates a large infrastructure project including sewer collection line replacement. In November 2007, a ballot question is scheduled to seek voter approval on a \$9,400,000 capital improvement bond (approximately 1 mill for 20 years). A ballot question of 2 mills for 30 years failed in November 2005. The FY2007-08 budget includes funds to study the system and determine the best method of managing future collection system maintenance. Administration expects that the capital needs for the sewer collection system will increase.

Note that this fund handles only the collection of wastewater for Grand Haven customers. The City Wastewater Fund purchases its treatment of wastewater from the Grand Haven-Spring Lake Sewer Authority, a separate governmental entity serving Northwest Ottawa County communities. Note that the Sewer Authority does not anticipate major improvements in the treatment facilities within five years.

(3) Harbor Transit

The City owns and operates a demand-response bus transportation system, funded by a combination of bus fares, property taxes and grants from Federal, State and local partnering agencies. Major capital assets are purchased with grants from the State and Federal governments. The Harbor Transit Fund has an unrestricted net assets position of \$3,373 and \$450 in cash with \$245,656 due from State and Federal governments at June 30, 2007.

The biggest challenge remains the City's entry into direct Federal aid for operations which includes a revised capital component. The City of Grand Haven is now part of the Muskegon Metropolitan Statistical Area pursuant to the 2000 Census. Coordination with the Muskegon Municipal Planning Organization is crucial to maintaining and advancing transportation services for the City and North Ottawa area residents. While funding levels are relatively static, City elected officials and management continue to work with elected officials in Muskegon, Lansing and Washington to maintain the current reimbursement formula.

City of Grand Haven, Michigan
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Additionally, the local governmental partners have issued concern for the continuing rise in local match costs for the transit services provided in their communities. A grant funded study will be performed during the 2007-08 fiscal year.

During the fiscal year, Harbor Transit participated in its first Federal triennial audit. The outcome of that audit showed significantly increased needs for reporting to State and Federal agencies and non-material findings which have been resolved. City Administration created a Transit Accountant position in August, 2006 to meet these needs. In October, 2007, the position was closed and duties reassigned to the Finance Department due to the fiscal stress on the fund.

After the end of the fiscal year, in August, 2007, the Transportation Director and Operations Manager gave notice of their retirements as of February 2008. This is significant as their efforts have provided nearly thirty years of transit services management to the community and provides for a possible significant shift in operation management in the future. City Administration is considering alternatives for City Council review.

(4) Marina

Fiscal needs of the Marina Fund are consistent with infrastructure assets reaching the end of their useful life, especially docks. During the 2004-05 fiscal year, the City renovated about 20 docks (about 40% of the total marina) utilizing approximately \$358,000 in cash reserves. The City received a \$500,000 matching grant from Michigan Waterways which will continue dock replacement in the next fiscal year (phase one). Local funding of approximately \$300,000 outside the Marina Fund is anticipated from the Public Improvements Fund.

A phase two \$500,000 matching grant is also slated for the future to complete dock replacement, however, local resources have not yet been defined for this project. City Administration is considering additional alternatives to and funding from the State and other agencies for continuing needed renovations and extending the useful life of current assets.

(5) Airport

The Airport Fund continues to pay on its newest hangars (1995 and 1998) and remains in a positive position excluding depreciation. The aviation easement project continued during the fiscal year with the remaining easement agreements resolved through arbitration. Operationally, airport hangar use has diminished placing additional pressure on operations. The airport remains viable, but revenue no longer supports operations. The increase in net assets noted in this report is largely grant funding provided for the aviation easements.

Under consideration is the construction of a three unit commercial hangar structure costing approximately \$800,000, funding coming from State (2.5%) and Federal (95%) sources. Construction could occur in the spring of 2008 pending City Council approval.

4) Financial Analysis of Individual Funds

a) General Fund

The General had revenues of \$10,470,689 and \$7,877,587 in expenditures excluding transfers. Revenue came in over budget, expenditures under budget. Net transfers to other funds were \$2,599,950, the largest going to Public Improvement Fund and Major and Local Streets Funds, pursuant to millage receipts and direction of City Council. Net assets decreased by \$16,848.

**City of Grand Haven, Michigan
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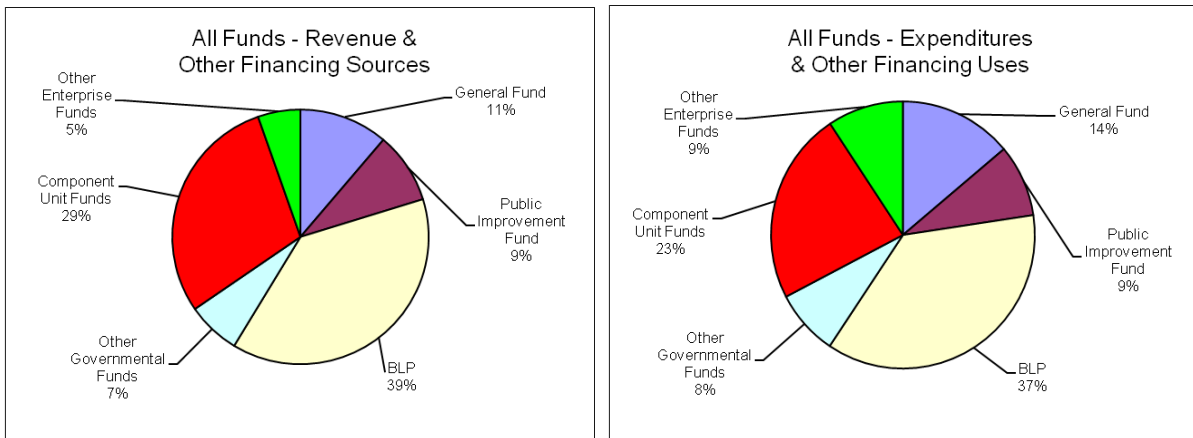
For FY 2006-07, City Council's budget resolution required City Council review of cumulative transfers over \$1,000 in General Fund line items and provided department-level total approval in that Fund. The remaining Funds have been approved on a "whole fund" basis. This is anticipated for future years as well.

b) Public Improvement Fund

The Public Improvement Fund posted revenue of \$717,769 and expenditures of \$6,048,589. Significantly, \$2,808,190 in other financing sources revenue was from the sale of property to Grand Landing, LLC (from a total sale price of \$4,300,000). Transfers to other funds totaled \$603,479 while transfers to the Public Improvement Fund totaled \$2,083,785. Elimination of interfund loans from the Brownfield Redevelopment Authority occurred from property sale revenue.

c) Board of Light and Power Fund

As the Board of Light and Power produces its own audited annual financial report, further information may be obtained from that document.



5) Capital Assets and Debt Administration

a) Capital assets

i) Summary of capital assets

The City of Grand Haven has \$107,634,408 invested in capital assets net of depreciation, \$37,153,036 in governmental activities, \$63,377,901 in business-type activities and \$7,103,471 in component unit funds. The major investments are in Major and Local Streets under governmental activities and in property, plant, transmission, distribution and collection systems within the Board of Light and Power, City Water and City Sewer Funds. Capital assets include purchases of assets that exceed \$1,000 and have an expected useful life greater than one year. Capital assets include: land, land improvements, streets, sidewalks, buildings and equipment and utility systems such as the J. B. Sims (electric generation) plant and electric, water and sewer lines. The City uses straight line depreciation for all depreciable assets.

Some of the major capital purchases during the year included:

- Continuing investment in street resurfacing, water and sewer line maintenance and replacement, especially the completion of Jackson Street from Fifth to Beacon, Sixth Street, and Marion Street.
- Community Center renovations totaling \$4,594,681 were completed by August 2007, after the fiscal year.

- A reconstructed ski pavilion opened at Mulligan's Hollow, funded in part by local grants
- A concrete skate park costing \$436,390 opened to the public in August 2007 after the end of the reported fiscal year
- Significant Brownfield environmental remediation and public infrastructure construction on the Grand Landing site

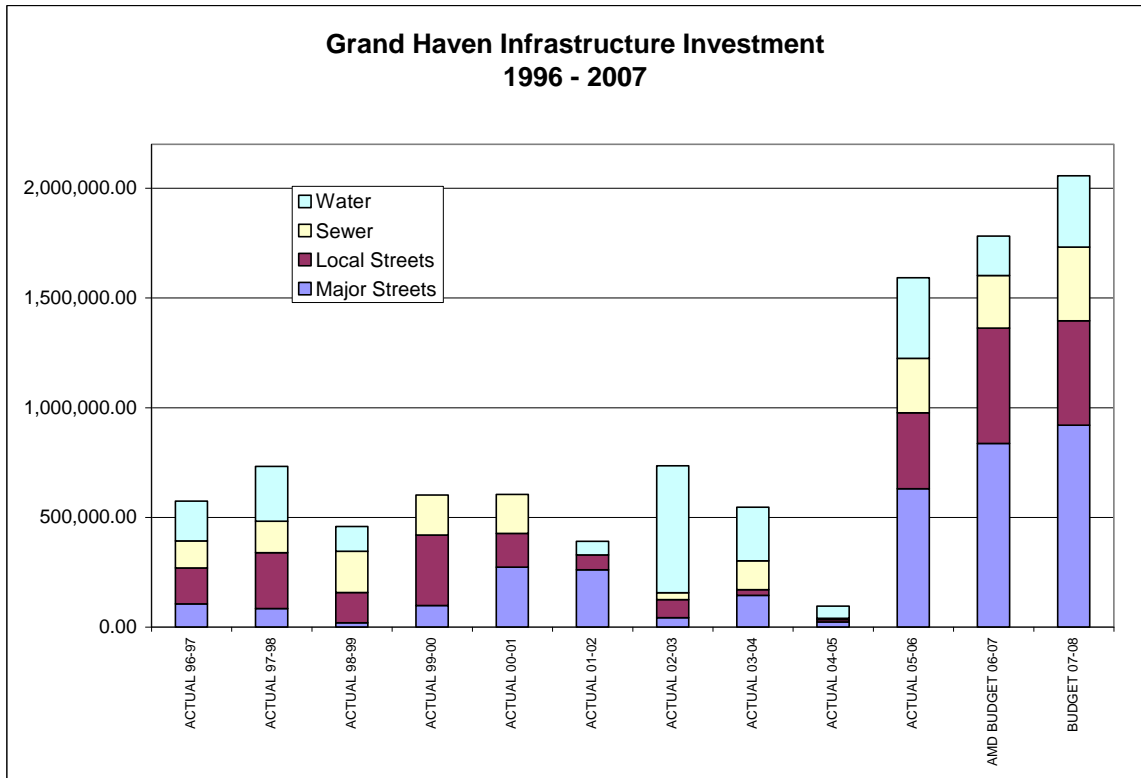
For further information, please see Note 4 in the Notes to the Basic Financial Statements elsewhere in this document.

ii) Discussion of future plans

Annually, the City Council considers and publishes a 5-year Capital Improvement Plan during the budget process. The Plan lists all major capital items that the City Council, various City Boards and staff envision will be needed over the next five years. Major projects for the next fiscal year include:

- Bicentennial Park restroom renovation
- A cemetery retaining wall
- \$50,000 in annual funding of the Fire Truck Replacement Fund.
- Computer technology hardware and software, including network systems
- Annual buildings and grounds repair and maintenance
- A new fire pumper truck
- Jackson Street (3rd to 5th) reconstruction including water and sewer line replacement with storm sewer and new street resurfacing.

The 2007-2008 Annual Operating Budget is available for review at City Hall.



6) Debt

a) Summary of debt:

The City of Grand Haven had \$4,630,426 in debt outstanding as of June 30, 2007 for governmental activities, \$58,186,295 in business-type activities and \$20,089,796 from component units. The Board of Light and Power is responsible for \$57,004,544 of the total debt outstanding in revenue refunding bonds. During the fiscal year, the City issued debt in the form of a \$15,095,000 Brownfield TIF bond for Grand Landing area public infrastructure and a \$2,830,000 Capital Improvement bond for Community Center renovation costs. Payments on all loans and obligations were made appropriately and on time to date.

b) Anticipated new debt:

City Council set a November 2007 election to seek authorization for a \$9,400,000 capital improvement bond (approximately a 1 mill levy over 20 years). An updated infrastructure project analysis shows that over \$31,000,000 in high priority improvements are needed. Complete funding has yet to be considered.

Note 5 of the notes to the financial statements offers more detailed information on debt and other obligations.

7) Economic Forecast

a) The City of Grand Haven has three main sources of revenue. These include property taxes, state shared ("community funding") revenue and utility charges. The economic forecast for the City is dependent on these three revenues as discussed below.

i) Tax Base

The annual change in taxable value and state equalized value of the City is closely tracked through the City's Assessing Division. The following table shows property values for past years as well as the property valuation that was estimated for the FY2007-08 property tax calculations. State Equalized Value (SEV) is the Assessor's estimate of 50% of market value (also called "true cash" value). Property taxes are calculated on taxable value, not SEV.

Pursuant to 1994's Proposal A and related legislation, annual taxable value growth is capped, by the State Constitution, to 5% or the rate of inflation whichever is less. In the year when a property sells, the taxable value becomes uncapped and equal to SEV.

In future years, significant improvements to taxable value and SEV will include the Grand Landing project and various Downtown commercial and residential additions. Some reductions in taxable value have occurred with various industrial closings (such as Eagle Ottawa Leather) during the fiscal year herein reported and a closing announcement from Magna Donnelly after the reported year end.

The table on the following page provides recent history on SEV and taxable values.

City of Grand Haven, Michigan

State Equalized Value

Fiscal Year	Real	Personal	IFT	Equivalent SEV Total
2003-04	\$437,722,500	\$53,786,150	\$31,232,000	\$507,124,650
2004-05	459,525,400	57,125,500	29,358,750	531,330,275
2005-06	491,490,800	60,083,200	26,526,500	564,837,250
2006-07	532,075,000	60,072,050	24,100,500	604,197,300
2007-08	566,730,300	62,225,200	27,623,750	642,767,365

City of Grand Haven, Michigan

Taxable Value

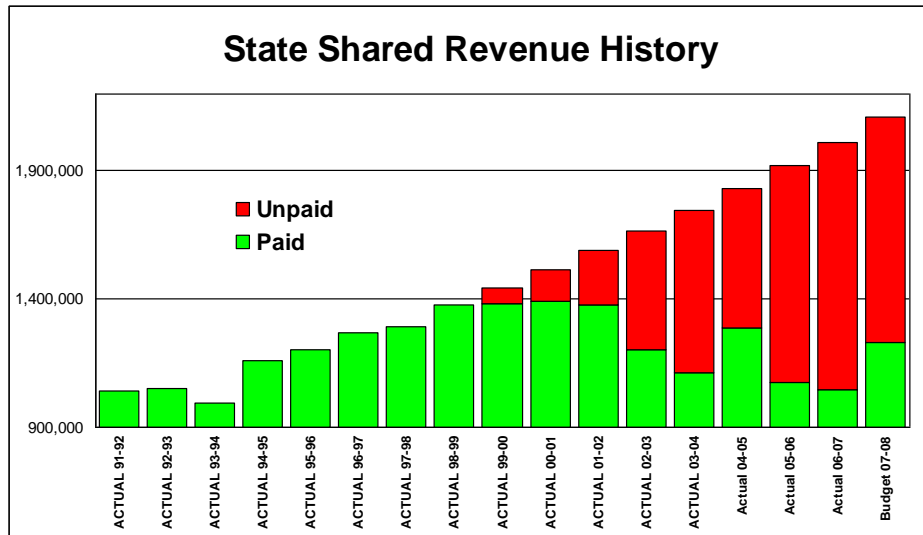
Fiscal Year	Real	Personal	IFT	Equivalent TV Total
2003-04	366,985,988	53,786,150	30,952,250	436,248,263
2004-05	387,279,063	57,125,500	29,194,212	459,001,669
2005-06	412,999,155	60,083,200	26,419,200	486,291,955
2006-07	443,047,234	60,072,050	23,971,872	515,105,220
2007-08	473,310,783	62,225,200	27,267,334	549,169,650

Equivalent SEV and Equivalent TV Totals are the sum of Real plus Personal plus 1/2 IFT.

ii) **State Shared Revenue**

State shared ("community funding") revenue is the second largest source of revenue for the General Fund, comprising 10.07% or \$1,054,740 of General Fund revenue. It is made of two components and based on the State sales tax rate of 6%. The "constitutional" component is based on the State constitutional 4% sales tax. This portion cannot be adjusted by legislative action. The "statutory" component is based on an additional 2% added to the state sales tax (in 1994) and may be adjusted by the state legislature. In both components, the overall distribution is dependent on the collection of state sales taxes. When the economy and sales diminish, the revenue stream is reduced. When the economy and sales improve, revenue may increase. In recent years, there has been a substantial reduction in revenue maintained. Therefore, the City of Grand Haven's General Fund is partially dependent on the overall State of Michigan economy.

In preparing the annual budgets, City Administration uses Michigan Department of Treasury estimates as published on their web site. Current reviews of state shared revenues show significant decreases in revenue from FY1998-99 forward. Management believes that the FY2007-08 budget was prepared with recognition of the continuing difficult Michigan economy and anticipates pressure to remain on the statutory portion. The current fund balance should enable the City to weather likely reductions in FY2007-08 community funding revenue, however, conservative estimates for the future will continue to be needed.



iii) Utility Charges for Services

From an entity wide perspective, utility charges for services are the third major revenue source. Utility service sales are affected by the economy and by the weather for residential customers and also by the general economic conditions of local industries. For the FY2007-08 budget, City Administration forecasted that units of sales will be roughly equal to prior fiscal year volumes.

8) Contacting the City's Financial Management Staff

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact us at 519 Washington Avenue, Grand Haven, MI 49417, or as noted below.

Patrick McGinnis
 City Manager
 616 847-4888
pmcginnis@grandhaven.org

James P. Bonamy
 Finance Director
 616 935-3214
jbonyam@grandhaven.org

<i>June 30, 2007</i>	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and cash equivalents	\$ 14,407,718	\$ 10,761,519	\$ 25,169,237
Receivables			
Accounts	271,989	4,974,701	5,246,690
Intergovernmental	724,429	245,656	970,085
Assessments	90,659	20,514	111,173
Notes	1,073,308	-	1,073,308
Interest	-	29,043	29,043
Prepaid items	204,751	57,573	262,324
Internal balances	149,450	(149,450)	-
Inventory	43,437	5,140,747	5,184,184
Restricted assets (Note 1)	-	12,321,757	12,321,757
Capital assets, net of accumulated depreciation (Note 4)	37,153,036	63,377,901	100,530,937
Deferred charges	-	376,733	376,733
Total Assets	54,118,777	97,156,694	151,275,471
Liabilities			
Payables			
Accounts	772,178	3,244,808	4,016,986
Intergovernmental	2,769	36,724	39,493
Accrued liabilities	225,875	1,126,727	1,352,602
Current liabilities payable from restricted assets (Note 1)	-	6,160,495	6,160,495
Long-term debt (Note 5)			
Due within one year	564,544	149,162	713,706
Due in more than one year	4,065,882	53,427,133	57,493,015
Unearned revenues	167,716	477,254	644,970
Total Liabilities	5,798,964	64,622,303	70,421,267
Net Assets (Deficit)			
Invested in capital assets, net of related debt	33,195,282	15,655,239	48,850,521
Restricted for			
Capital projects	4,266,463	-	4,266,463
Debt service	265,854	6,161,262	6,427,116
Perpetual care	1,482,231	-	1,482,231
Unrestricted	9,109,983	10,717,890	19,827,873
Net Assets (Deficit)	\$ 48,319,813	\$ 32,534,391	\$ 80,854,204

City of Grand Haven, Michigan

Statement of Net Assets (Deficit)

Total Component Units
\$ 13,688,794
-
384,627
-
-
-
-
735,969
7,103,471
233,962
<hr/> 22,146,823
2,333,271
-
142,548
-
45,000
20,044,796
-
<hr/> 22,565,615
(13,128,873)
-
735,969
-
11,974,112
<hr/> \$ (418,792)

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2007</i>	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,779,148	\$ 1,252,879	\$ -	\$ 319,895
Public safety	3,716,753	177,343	-	-
Public works	2,733,013	204,532	844,399	-
Culture and recreation	817,961	-	-	-
Debt service				
Interest	158,430	-	-	-
Total Governmental Activities	10,205,305	1,634,754	844,399	319,895
Business-Type Activities				
Board of Light and Power	31,633,829	33,999,011	-	2,009,997
Other proprietary funds	5,749,271	3,384,971	1,392,931	-
Total Business-Type Activities	37,383,100	37,383,982	1,392,931	2,009,997
Total Primary Government	\$ 47,588,405	\$ 39,018,736	\$ 2,237,330	\$ 2,329,892
Component Units				
Economic Development Corporation	\$ 42,449	\$ -	\$ -	\$ -
Main Street Downtown Development Authority	745,368	16,800	25,000	-
Brownfield Redevelopment Authority	1,549,877	-	806,697	740,493
Total Component Units	\$ 2,337,694	\$ 16,800	\$ 831,697	\$ 740,493

General Revenues, Special Items and Transfers

Taxes
Grants and contributions not restricted to specific programs
Interest income
Gain on sale of capital assets
Miscellaneous
Transfers in (out)

Total General Revenues, Special Items, and Transfers

Change in Net Assets (Deficit)

Net Assets (Deficit), beginning of year

Net Assets (Deficit), end of year

City of Grand Haven, Michigan

Statement of Activities

Net (Expense) Revenue and Changes in Net Assets				
Total	Primary Government		Total	Total Component Units
	Governmental Activities	Business-Type Activities		
\$ 1,572,774	\$ (1,206,374)	\$ -	\$ (1,206,374)	\$ -
177,343	(3,539,410)	-	(3,539,410)	-
1,048,931	(1,684,082)	-	(1,684,082)	-
-	(817,961)	-	(817,961)	-
-	(158,430)	-	(158,430)	-
2,799,048	(7,406,257)	-	(7,406,257)	-
36,009,008	-	4,375,179	4,375,179	-
4,777,902	-	(971,369)	(971,369)	-
40,786,910	-	3,403,810	3,403,810	-
<u>\$ 43,585,958</u>	<u>(7,406,257)</u>	<u>3,403,810</u>	<u>(4,002,447)</u>	-
\$ -	-	-	-	(42,449)
41,800	-	-	-	(703,568)
1,547,190	-	-	-	(2,687)
<u>\$ 1,588,990</u>	-	-	-	(748,704)
	7,303,030	-	7,303,030	315,793
	1,135,490	-	1,135,490	-
	920,414	932,130	1,852,544	129,041
	2,170,908	21,856	2,192,764	-
	201,924	176,564	378,488	27,800
	(501,095)	501,095	-	-
	<u>11,230,671</u>	<u>1,631,645</u>	<u>12,862,316</u>	<u>472,634</u>
	3,824,414	5,035,455	8,859,869	(276,070)
	<u>44,495,399</u>	<u>27,498,936</u>	<u>71,994,335</u>	<u>(142,722)</u>
	<u>\$ 48,319,813</u>	<u>\$ 32,534,391</u>	<u>\$ 80,854,204</u>	<u>\$ (418,792)</u>

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Governmental Funds

Balance Sheet

<i>June 30, 2007</i>	General Fund	Public Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 3,310,872	\$ 5,026,174	\$ 3,376,984	\$ 11,714,030
Due from other governments	237,336	319,895	165,398	722,629
Receivables				
Accounts	118,863	-	3,526	122,389
Assessments	1,184	-	89,475	90,659
Due from other funds (Note 6)	149,450	-	-	149,450
Prepaid items	1,667	16,950	-	18,617
Inventory	34,390	-	-	34,390
Total Assets	\$ 3,853,762	\$ 5,363,019	\$ 3,635,383	12,852,164
Liabilities				
Accounts payable	\$ 295,235	\$ 376,458	\$ 54,994	\$ 726,687
Deferred revenue	78,021	-	89,695	167,716
Total Liabilities	373,256	376,458	144,689	894,403
Fund Balances				
Reserved for debt service	-	-	265,854	265,854
Reserved for capital projects	-	3,704,000	562,463	4,266,463
Reserved for endowments	-	-	1,482,231	1,482,231
Unreserved				
Designated for various projects	-	1,282,561	-	1,282,561
Undesignated	3,480,506	-	1,180,146	4,660,652
Total Fund Balances	3,480,506	4,986,561	3,490,694	11,957,761
Total Liabilities and Fund Balances	\$ 3,853,762	\$ 5,363,019	\$ 3,635,383	
Amounts reported for Governmental Activities in the Statement of Net Assets are different because:				
Capital assets used for governmental activities are not current financial resources and, therefore, are not reported in the Governmental Funds Balance Sheet.				\$ 35,535,273
Long term assets are not due and receivable in the current period and, therefore, they are not reported in the Governmental Funds Balance Sheet				1,073,308
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment leasing to individual funds. The assets and liabilities of the Internal Service Funds are included in the governmental activities in the Government-Wide Statement of Net Assets				4,434,694
Long term liabilities are not due and payable in the current period and, therefore, they are not reported in the Governmental Funds Balance Sheet				(4,630,426)
Accrued interest payable is not included as a liability in the Governmental Funds Balance Sheet				(50,797)
Net Assets of Governmental Activities				\$ 48,319,813

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Governmental Funds

Statement of Revenues, Expenditures and Changes in Fund Balances

<i>Year ended June 30, 2007</i>	General Fund	Public Improvement Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 7,303,030	\$ -	\$ -	\$ 7,303,030
Special assessments levied	-	-	15,686	15,686
Licenses and permits	541,292	-	-	541,292
Federal sources	80,750	-	-	80,750
State sources	1,054,740	319,895	844,399	2,219,034
Charges for services	865,367	-	35,066	900,433
Fines and forfeits	177,343	-	-	177,343
Reimbursements	-	94,086	375,521	469,607
Interest, penalties and rent	379,867	303,788	199,494	883,149
Miscellaneous revenue	68,300	-	39,538	107,838
Total Revenues	10,470,689	717,769	1,509,704	12,698,162
Expenditures				
General government	1,937,438	835,241	-	2,772,679
Public safety	3,682,454	-	-	3,682,454
Public works	1,420,690	-	1,008,605	2,429,295
Culture and recreation	847,005	-	-	847,005
Interest	-	-	114,788	114,788
Capital outlay	-	5,093,901	840,119	5,934,020
Debt service	-	119,447	673,377	792,824
Total Expenditures	7,887,587	6,048,589	2,636,889	16,573,065
Revenues over (under) expenditures	2,583,102	(5,330,820)	(1,127,185)	(3,874,903)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	2,808,190	38,700	2,846,890
Proceeds from issuance of long-term debt	-	2,830,000	-	2,830,000
Premium from issuance of long-term debt	-	-	31,251	31,251
Transfers in	34,932	2,083,785	1,064,822	3,183,539
Transfers out	(2,634,882)	(603,479)	(446,273)	(3,684,634)
Total Other Financing Sources (Uses)	(2,599,950)	7,118,496	688,500	5,207,046
Revenues and other sources over (under) expenditures and other uses	(16,848)	1,787,676	(438,685)	1,332,143
Fund Balance, at beginning of year	3,497,354	3,198,885	3,929,379	10,625,618
Fund Balance, at end of year	\$ 3,480,506	\$ 4,986,561	\$ 3,490,694	\$ 11,957,761

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities

Year ended June 30, 2007

Net Change in Fund Balances – Total Governmental Funds \$ 1,332,143

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

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

Capital outlay	5,934,020
Depreciation expense	(944,409)
	<hr/>
	4,989,611

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term debt in the Statement of Net Assets. (2,861,251)

The repayment of long-term debt is an expenditure in the governmental funds, but not in the Statement of Activities (where it reduces long-term debt). 792,824

Accrued interest on long-term debt is recorded in the Statement of Activities when incurred, but is not reported in the governmental funds until paid. (50,797)

Amortization of bond premium, which is capitalized in the Statement of Net Assets. 7,155

Proceeds from the sale of fixed assets are reported as revenues in the governmental funds; proceeds are netted against net book value in the Statement of Activities and a net resulting gain or loss is recorded. (2,087,546)

The issuance of long-term notes receivable increases net assets in the Statement of Net Assets; it is not reported in the governmental funds until received. 1,411,564

The receipt of principal on long-term notes is a revenue in the governmental funds, but not in the Statement of Activities (where it reduces notes receivable). (338,256)

Compensated absences are recorded in the Statement of Activities when incurred; it is not reported in the governmental funds until paid. (50,336)

The net revenue of certain activities of internal service funds is reported with governmental activities. 679,303

Change in Net Assets of Governmental Activities \$ 3,824,414

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Net Assets

<i>June 30, 2007</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	<u>Governmental Activities</u> Internal Service Funds
Assets				
Cash and cash equivalents	\$ 8,831,517	\$ 1,930,002	\$ 10,761,519	\$2,693,688
Due from other governmental units	-	245,656	245,656	1,800
Receivables				
Accounts	4,130,873	843,828	4,974,701	149,600
Assessments	-	20,514	20,514	-
Interest	29,043	-	29,043	-
Prepaid items	57,573	-	57,573	186,134
Inventory	5,044,288	96,459	5,140,747	9,047
Restricted assets	12,321,757	-	12,321,757	-
Capital assets, net of accumulated depreciation (Note 4)	46,501,263	16,876,638	63,377,901	1,617,763
Deferred charges	376,733	-	376,733	-
Total Assets	77,293,047	20,013,097	97,306,144	4,658,032

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Net Assets

<i>June 30, 2007</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	<u>Governmental Activities</u> Internal Service Funds
Liabilities				
Current liabilities				
Current portion of long-term debt	\$ -	\$ 149,162	\$ 149,162	\$ -
Accounts payable	2,881,139	363,669	3,244,808	45,491
Accrued liabilities	909,165	217,562	1,126,727	175,078
Due to other governments	-	36,724	36,724	2,769
Deferred revenues	158,000	-	158,000	-
Due to other funds (Note 6)	-	149,450	149,450	-
Total Current Liabilities	3,948,304	916,567	4,864,871	223,338
Current Liabilities Payable from Restricted Assets	6,160,495	-	6,160,495	-
Deferred Revenues	319,254	-	319,254	-
Long-Term Debt , less current maturities (Note 5)	52,394,544	1,032,589	53,427,133	-
Total Liabilities	62,822,597	1,949,156	64,771,753	223,338
Net Assets				
Invested in capital assets, net of related debt	-	15,655,239	15,655,239	1,617,763
Restricted	6,161,262	-	6,161,262	-
Unrestricted	8,309,188	2,408,702	10,717,890	2,816,931
Total Net Assets	\$14,470,450	\$ 18,063,941	\$ 32,534,391	\$4,434,694

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Revenues, Expenses and Changes in Fund Net Assets

<i>Year ended June 30, 2007</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Governmental
				Activities Internal Service Funds
Operating Revenue				
Charges for services	\$33,999,011	\$ 3,306,767	\$ 37,305,778	\$3,438,751
Miscellaneous operating revenues	-	78,204	78,204	-
Total Operating Revenue	33,999,011	3,384,971	37,383,982	3,438,751
Operating Expenses				
Operations and maintenance	19,452,075	3,579,743	23,031,818	2,714,193
Distribution	1,428,004	310,481	1,738,485	-
Customer accounts	491,378	-	491,378	-
Administrative and general	1,586,968	785,966	2,372,934	-
Depreciation	3,669,499	979,232	4,648,731	215,685
Statutory charge	1,284,922	-	1,284,922	-
Total Operating Expenses	27,912,846	5,655,422	33,568,268	2,929,878
Operating Income (Loss)	6,086,165	(2,270,451)	3,815,714	508,873

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Revenue, Expenses and Changes in Fund Net Assets

<i>Year ended June 30, 2007</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Governmental
				Activities <u>Internal Service Funds</u>
Non-Operating Income				
(Expense) - Net				
Interest earned on investments				
Operating fund	\$ 643,916	\$ 105,565	\$ 749,481	\$ 121,356
Debt service reserve	182,649	-	182,649	-
Operating grants	-	1,392,931	1,392,931	-
Amortization of debt discounts and issue costs	290,707	-	290,707	-
Interest expense				
Bond	(4,007,188)	(93,849)	(4,101,037)	-
Deposits	(4,502)	-	(4,502)	-
Gain (loss) on sale of capital assets	(4,144)	26,000	21,856	-
SO2 allowances	169,855	-	169,855	-
Miscellaneous	8,864	(2,155)	6,709	49,074
Total Non-Operating Income				
(Expenses) - Net	(2,719,843)	1,428,492	(1,291,351)	170,430
Income (Loss) Before Transfers and Contributions	3,366,322	(841,959)	2,524,363	679,303
Transfers in	-	501,095	501,095	-
Capital contributions	2,009,997	-	2,009,997	-
Total Transfers and Contributions	2,009,997	501,095	2,511,092	-
Change in Net Assets	5,376,319	(340,864)	5,035,455	679,303
Net Assets – Beginning of year	9,094,131	18,404,805	27,498,936	3,755,391
Net Assets – End of year	\$14,470,450	\$ 18,063,941	\$ 32,534,391	\$4,434,694

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Cash Flows

<i>Year ended June 30, 2007</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Governmental
				<u>Activities</u> Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers and users	\$32,959,364	\$ 3,442,762	\$ 36,402,126	\$3,343,785
Receipts from interfund services provided	-	96,110	96,110	-
Payments to suppliers	(19,762,555)	(3,194,328)	(22,956,883)	(878,403)
Payments to employees	(3,688,696)	(1,520,392)	(5,209,088)	(137,244)
Claims paid	-	-	-	(1,733,099)
Payments for interfund services used	-	(116,632)	(116,632)	-
Net cash provided by (used for) operating activities	9,508,113	(1,292,480)	8,215,633	595,039
Cash Flows from Non-Capital Financing Activities				
Proceeds from operating grants	-	1,392,931	1,392,931	-
Cash Flows from Capital and Related Financing Activities				
Principal and interest paid on long-term debt	(3,124,493)	(212,763)	(3,337,256)	-
Proceeds from borrowings on long-term debt	2,473,037	-	2,473,037	-
Purchase of capital assets	(6,717,646)	(825,468)	(7,543,114)	(229,709)
Transfers in	-	501,095	501,095	-
Capital contributions	2,009,997	-	2,009,997	-
Other income	178,719	-	178,719	-
Proceeds from sale of capital assets	510	26,000	26,510	-
Net cash used for capital and related financing activities	(5,179,876)	(511,136)	(5,691,012)	(229,709)

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Cash Flows

<i>Year ended June 30, 2007</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	<u>Governmental Activities</u> Internal Service Funds
Cash Flows from Investing Activities				
Interest received on investments	\$ 631,301	\$ 105,565	\$ 736,866	\$ 121,356
Purchase of investment securities	(11,370,534)	-	(11,370,534)	-
Proceeds from sale and maturities of investment securities	11,500,000	-	11,500,000	-
Net cash provided by investing activities	760,767	105,565	866,332	121,356
Net Increase (Decrease) in Cash and Cash Equivalents	5,089,004	(305,120)	4,783,884	486,686
Cash and Cash Equivalents - Beginning of year	12,200,976	2,235,122	14,436,098	2,207,002
Cash and Cash Equivalents - End of year	\$17,289,980	\$ 1,930,002	\$ 19,219,982	\$2,693,688
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 8,831,517	\$ 1,930,002	\$ 10,761,519	\$2,693,688
Restricted assets (Note 1)	8,458,463	-	8,458,463	-
Total	\$17,289,980	\$ 1,930,002	\$ 19,219,982	\$2,693,688

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Proprietary Funds

Statement of Cash Flows

<i>Year ended June 30, 2007</i>	Board of Light and Power	Other Non-Major Proprietary Funds	Total	Governmental
				Activities <u>Internal Service Funds</u>
Reconciliation of Operating Income				
(Loss) to Net Cash Provided by				
(Used for) Operating Activities				
Operating income (loss)	\$ 6,086,165	\$ (2,270,451)	\$ 3,815,714	\$ 508,873
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation	3,669,499	979,232	4,648,731	215,685
Bad debt expense	10,557	-	10,557	-
Miscellaneous income (expense)	-	(2,155)	(2,155)	49,074
Changes in assets and liabilities				
Accounts receivable	(894,062)	22,576	(871,486)	(143,440)
Due from other governments	-	36,583	36,583	(600)
Inventory	(1,000,898)	(26,992)	(1,027,890)	(1,282)
Prepaid items and other current assets	(32,914)	1,272	(31,642)	(71,831)
Accounts payable	1,638,741	(28,761)	1,609,980	18,419
Accrued compensation	54,117	-	54,117	-
Other accrued liabilities	133,050	16,814	149,864	17,372
Due to other funds	-	(20,522)	(20,522)	-
Due to other governments	-	-	-	2,769
Deferred revenue	(156,142)	(76)	(156,218)	-
Net Cash Provided by (Used for)				
Operating Activities	\$ 9,508,113	\$ (1,292,480)	\$ 8,215,633	\$ 595,039

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Fiduciary Funds

Statement of Fiduciary Net Assets

<i>June 30, 2007</i>	Retiree Health Care	Agency Funds
Assets		
Cash and cash equivalents	\$ 570,379	\$ 302,871
Accounts receivable	6,743	28,819
Due from other governments	-	13,242
	<hr/>	<hr/>
	\$ 577,122	\$ 344,932
Liabilities		
Accounts payable	\$ 44,884	\$ 168,071
Trust deposits	-	176,861
	<hr/>	<hr/>
	44,884	\$ 344,932
Net Assets		
Held in trust for retiree health	\$ 532,238	

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Fiduciary Funds

Statement of Changes in Fiduciary Net Assets

	Retiree Health Care
<i>Year ended June 30, 2007</i>	
<hr/>	
Additions	
Health insurance fees	\$ 209,154
Interest income	30,363
<hr/>	
Total Additions	239,517
Deductions	
Insurance payments	184,575
<hr/>	
Change in Net Assets	54,942
Net Assets – Beginning of Year	477,296
<hr/>	
Net Assets – End of Year	\$ 532,238

The accompanying notes are an integral part of this statement.

<i>June 30, 2007</i>	Economic Development Corporation	Main Street Downtown Development Authority
Assets		
Current Assets		
Cash and cash equivalents	\$ 495,645	\$ 1,386,232
Due from other governments	-	-
Restricted assets	-	-
Total Current Assets	495,645	1,386,232
Non-Current Assets		
Restricted assets	-	-
Capital assets, net	-	1,976,900
Bond issue costs, net	-	54,763
Total Non-Current Assets	-	2,031,663
Total Assets	\$ 495,645	\$ 3,417,895
Liabilities and Net Assets (Deficit)		
Current Liabilities		
Accounts payable	\$ -	\$ 361,472
Accrued liabilities	-	34,862
Long-term debt due within one year	-	-
Total Current Liabilities	-	396,334
Non-Current Liabilities		
Long-term debt	-	3,318,984
Total Liabilities	-	3,715,318
Net Assets (Deficit)		
Invested in capital assets, net of related debt	-	(1,376,946)
Restricted for debt service	-	-
Unrestricted	495,645	1,079,523
Total Net Assets (Deficit)	\$ 495,645	\$ (297,423)

City of Grand Haven, Michigan

Components Units

Statement of Net Assets (Deficit)



Brownfield Redevelopment Authority	Total
\$ 11,806,917	\$ 13,688,794
384,627	384,627
610,969	610,969
12,802,513	14,684,390
125,000	125,000
5,126,571	7,103,471
179,199	233,962
5,430,770	7,462,433
\$ 18,233,283	\$ 22,146,823
\$ 1,971,799	\$ 2,333,271
107,686	142,548
45,000	45,000
2,124,485	2,520,819
16,725,812	20,044,796
18,850,297	22,565,615
(11,751,927)	(13,128,873)
735,969	735,969
10,398,944	11,974,112
\$ (617,014)	\$ (418,792)

The accompanying notes are an integral part of this statement.

<i>Year ended June 30, 2007</i>	Expenses	Program	
		Charges for services	Operating Grants and Contributions
Component Units			
Economic Development Corporation			
General government	\$ 42,449	\$ -	\$ -
Main Street Downtown Development Authority			
General government	683,063	16,800	25,000
Depreciation expense	944	-	-
Amortization of bond issue costs	2,845	-	-
Interest on long-term debt	58,516	-	-
Total Main Street Downtown Development Authority	745,368	16,800	25,000
Brownfield Redevelopment Authority			
General government	1,487,627	-	806,697
Depreciation expense	22,165	-	-
Amortization of bond issue costs	9,432	-	-
Interest on long-term debt	30,653	-	-
Total Brownfield Redevelopment Authority	1,549,877	-	806,697
Total Component Units	\$ 2,337,694	\$ 16,800	\$ 831,697
General Revenues, Special Items and Transfers			
Taxes			
Interest income			
Miscellaneous			
Total General Revenues, Special Items and Transfers			
Change in Net Assets (Deficit)			
Net Assets (Deficit), beginning of year			
Net Assets (Deficit), end of year			

City of Grand Haven, Michigan

Components Units

Statement of Activities

Revenues		Net (Expense) Revenue and Changes in Net Assets				
Capital Grants and Contributions	Total	Economic Development Corporation	Main Street Downtown Development Authority	Brownfield Redevelopment Authority	Total	
\$ -	\$ -	\$ (42,449)	\$ -	\$ -	\$ (42,449)	
-	41,800	-	(641,263)	-	(641,263)	
-	-	-	(944)	-	(944)	
-	-	-	(2,845)	-	(2,845)	
-	-	-	(58,516)	-	(58,516)	
-	41,800	-	(703,568)	-	(703,568)	
740,493	1,547,190	-	-	59,563	59,563	
-	-	-	-	(22,165)	(22,165)	
-	-	-	-	(9,432)	(9,432)	
-	-	-	-	(30,653)	(30,653)	
740,493	1,547,190	-	-	(2,687)	(2,687)	
\$ 740,493	\$ 1,588,990	(42,449)	(703,568)	(2,687)	(748,704)	
		\$ -	\$ 253,557	\$ 62,236	\$ 315,793	
		26,510	20,058	82,473	129,041	
		22,981	4,819	-	27,800	
		49,491	278,434	144,709	472,634	
		7,042	(425,134)	142,022	(276,070)	
		488,603	127,711	(759,036)	(142,722)	
		\$ 495,645	\$ (297,423)	\$ (617,014)	\$ (418,792)	

The accompanying notes are an integral part of this statement.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

1. Summary of Significant Accounting Policies

The financial statements of the City of Grand Haven, Michigan have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

Financial Reporting Entity

The City of Grand Haven, established in 1854, was incorporated in 1867 under the provisions of the Home Rule Act of the State of Michigan. The City operates under a Council-Manager form of government. The City of Grand Haven provides the following services as authorized by its charter or state law: General Administrative Services, Public Safety, Highway and Street Maintenance, Culture, Recreation and Other Governmental Functions. The accounting policies of the City of Grand Haven conform to generally accepted accounting principles as applicable to cities. As required by generally accepted accounting principles, Governmental Accounting Standards Board (GASB) 14, these financial statements present the City (the primary government) and its component units, entities for which the City is considered to be financially accountable. The component units discussed below are included in the City's reporting entity because of the significance of their operational or financial relationships with the City.

Component Units – In conformity with generally accepted accounting principles, the financial statements of component units have been included in the financial reporting entity either as blended component units or as discretely presented component units. Blended and discretely presented component units have a June 30th year end.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Blended component units – Although legally separate entities, blended component units are, in substance, part of the government's operations. As a result, the assets, liabilities, revenues and expenses of the blended component units are combined with those of the primary government.

The City of Grand Haven Building Authority was established on April 12, 1993 under State Law (Act 31 of 1948, as amended) to effect improvements within the City. The Building Authority is a blended component unit as its relationship with the City permeates the financial operations of the City. Further, the Building Authority's powers are significantly restricted by State Law and local statute. \$335,000 in Building Authority Bonds issued in 1993 were used to facilitate reconstruction of downtown facilities (parking lots) and have been paid in full. During the prior fiscal year, the Building Authority was requested to issue bonds for expansion and renovation of the City's Community Center. As funds were not needed until the fall of 2006, the Building Authority issued \$2,830,000 in bonds in August 2006. The Building Authority's governing body is selected by City Council and currently includes the City Manager, the City Clerk/Treasurer and the Finance Director.

Discretely presented component units – The Component Units column in the combined financial statements includes the financial data of the City's other component units. These units are reported in a separate column to emphasize that they are legally separate from the City.

The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The Corporation's governing body, which consists of 10 individuals, is selected by the City Council.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The Main Street Downtown Development Authority (MSDDA) operates to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 10 individuals, is selected by the City Council.

Recommended in December 2004, the City Council adopted the MSDDA's Tax Increment Financing (TIF) and Development Plan which set forth guidelines for downtown public improvements. In January 2006, the City issued \$3,345,000 in Downtown TIF bonds for the first project series, being improvements to parking lots on Franklin Street between Harbor Avenue and Third Street. With the introduction of this project, three additional funds were established under the oversight of the MSDDA to manage the inflow of bond funds and future tax increments as well as spending on project construction and future debt service.

The Brownfield Redevelopment Authority was created to account for the redevelopment of environmentally contaminated and other underutilized sites within the City. The Authority's governing body, which consists of 10 individuals, is selected by the City Council.

The Brownfield Redevelopment Authority continued financing an infrastructure reconstruction project in conjunction with razing the Grand Haven Brass Foundry and construction of the Grand Haven Boat Storage facility. Public infrastructure reconstruction costs were paid by a \$710,000 Brownfield Tax Increment Financing Bond issued March 31, 2005. Project construction was completed in fiscal year 2005-06. Payments of principal and interest on the bond from tax revenue began in October 2005 and continue in future fiscal years. The Brownfield Redevelopment Authority created three funds, including a special revenue fund to account for tax and interest revenue, a debt service fund to account for principal and interest payments and a capital projects fund to account for construction costs.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The Brownfield Redevelopment Authority began an infrastructure reconstruction project in the current year in conjunction with the sale of City-owned property to Grand Landing, LLC, on the City's north end. Public infrastructure reconstruction is anticipated over the next three years and is supported by a \$15,095,000 Brownfield Tax Increment Financing Bond issued October 10, 2006. Payments of principal and interest on the bond from tax revenue began in May 2007 and continue in future fiscal years. The Brownfield Redevelopment Authority created three funds to account for project and debt service costs including a special revenue fund to account for tax and interest revenue, a debt service fund to account for principal and interest payments and a capital projects fund to account for construction costs.

The Brownfield Redevelopment Authority maintains a single special revenue fund to consider future Brownfield projects within the City. This fund receives transfers from the Economic Development Corporation (EDC) to cover its costs. As new projects are considered, the EDC may be reimbursed for costs leading up to new projects, however, no guarantee of reimbursement is noted. If no project is forthcoming from certain costs, the EDC is not anticipated to be reimbursed.

In total, the Brownfield Redevelopment Authority is responsible for seven component unit funds. City administration remains the fiscal agent for all of these funds.

Fund Accounting

The City uses funds and account groups to report on its financial position and the results of its operations. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

A fund is a separate accounting entity with a self-balancing set of accounts. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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. The effect of 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 financially accountable.

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. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes, intergovernmental payments, and other items not properly included among program revenues are reported as general revenue.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 Government 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 City 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.

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

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Fund-based statements – Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under 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, intergovernmental grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The City reports the following major governmental funds:

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

Public Improvement Fund – This Fund accounts for the construction of capital facilities to be used in governmental fund type operations. Financing is provided by contributions from the General Fund and grants from public and private sources.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

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 City's enterprise funds and of the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service 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.

The City reports the following major proprietary fund:

Board of Light and Power – This Fund accounts for the operation, maintenance, capital additions and retirement of revenue bonds of the electric supply system. Financing is provided by user charges from the sale of electricity.

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.

Budgets

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for funds. All annual appropriations lapse at fiscal year end.

At June 30, 2007, the City's Main Street Downtown Development Authority in the component units had a fund deficit of \$297,423, and the City's Brownfield Redevelopment Authority in the component units had a fund deficit of \$617,014. The City plans to eliminate the deficits through tax revenues in future years which will be used to pay long-term debt of the units.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Encumbrances represent commitments related to unperformed contracts for goods or services. Encumbrance accounting, under which purchases of resources are recorded to reserve that portion of the applicable appropriation, is utilized in the governmental funds. Encumbrances outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

Cash and Investments

Cash includes amounts in demand deposits as well as short-term investments.

Cash equivalents are short-term, highly liquid investments that have the following characteristics:

- Investments that are readily convertible to known amounts of cash
- Investments that mature in such a short period of time that their values are effectively immune from changes in interest rates
- Original maturity of three months or less

Investments are stated at fair value. The City maintains a pooled investment fund to account for all investments of the various City funds. Investments within this pooled investment fund are shown on the balance sheets of each individual fund as cash and cash equivalents.

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" or "due to other funds" on the balance sheet.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Property Taxes

Property taxes attach as enforceable liens on property as of December 31st. Taxes are levied on July 1st of the following year and are payable from the date of levy through September 15th without penalty and until March 1st of the following year with penalty. Taxes are recognized as revenue (and become available for appropriation) in the fiscal year following the levy date (July 1st).

The City bills and collects its own property taxes and also taxes for the county and school districts. Collections of all the taxes and remittance of them to the other taxing authorities are accounted for in a tax collection Agency Fund. The City is permitted by charter or state law without voter approval to levy taxes up to \$15.00 per \$1,000 of state equalized valuation for general governmental purposes and the amount required to service the General Obligation Debt. The tax rate to finance City services including transportation for the year ended June 30, 2007 was \$10.82 per \$1,000 of taxable valuation.

Inventories

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the governmental funds consists of expendable supplies which are recorded as an expenditure at the time individual inventory items are purchased.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2007 are recorded as prepaid items. These prepaid items are primarily insurance premiums and fiscal year 2008 memberships invoiced prior to July 1, 2007. The City follows the consumption method of accounting in reporting these items and, therefore, no offset by a fund balance reserve is required.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Restricted Assets

Restricted assets consist of the following:

June 30, 2007

Bond and interest redemption account:	
Cash and cash equivalents	\$ 6,218,853
Debt service reserve account:	
Cash and cash equivalents	418
United States Treasury bills and notes	3,800,022
Construction account –	
Cash and cash equivalents	2,239,192
Interest receivable	63,272
<hr/>	
Total revenue bond restricted assets	12,321,757
Less current liabilities payable from restricted assets:	
Debt principal payable	4,610,000
Accrued interest payable	1,550,495
<hr/>	
Total current liabilities payable from restricted assets	6,160,495
<hr/>	
Total Net Restricted Assets	\$ 6,161,262

These assets are restricted pursuant to the Revenue Resolution for revenue bond debt service and for surplus fund transfers to meet the required debt service coverage ratio. Net assets are reserved for the purpose noted above.

Assets of the Brownfield Redevelopment Authority are also restricted for the payment of interest on long-term debt. Net assets are reserved for this purpose.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Capital Assets

Capital assets, which include land, buildings, equipment, vehicles, and infrastructure assets (e.g. roads, bridges, sidewalks and similar items) are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and any assets susceptible to theft. 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. Costs of normal repair and maintenance that do not add to the value or materially extend asset lives are not capitalized.

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

Buildings and additions	20-100 years
Vehicles	4-8 years
Furniture and other equipment	10-30 years
Infrastructure	50 years

Compensated Absences

The liability for compensated absences reported in the statements consists of unpaid, accumulated annual and sick leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who are currently eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Long-Term Obligations

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

Equity and Other Credits

Contributed capital is recorded in proprietary funds that have received capital grants or contributions from developers, customers or other funds. Portions of equity are segregated for future uses, and are, therefore, not considered available for future appropriation or expenditure. Amounts reserved represent portions of fund balance/retained earnings either not appropriable for expenditure or which are legally segregated for a specific future use. Designations of unreserved fund equity in governmental funds indicate City management's tentative plans for use of financial resources in a future period.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers.

Comparative Data

Comparative total data for the prior year has not been presented in the accompanying financial statements.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statement and reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

2. Legal Compliance - Budgets

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

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The budget has been prepared in accordance with generally accepted accounting principles, except that transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”

The budget statement (combined statement of revenues, expenditures, and changes in fund balances – budget and actual – General, Special Revenue, and Debt Service Fund types) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a fund total basis, except for the General Fund which has been adopted on a departmental basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. The budget statement presented for the General Fund in the financial statements is more detailed than the budget as adopted by the City Council. A comparison of the budget for each individual Special Revenue Fund and Debt Service Fund is available at City Hall.

3. Deposits and Investments

Deposits

State statutes require that certificates of deposit, savings accounts, deposit accounts and depository receipts are made with banks doing and having a place of business in the state of Michigan that are also members of a federal or national insurance corporation.

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the City’s deposits might not be recovered. The City does not have a deposit policy for custodial credit risk. At June 30, 2007, \$34,908,294 of the City’s bank balances of \$35,408,294 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized:	<u>\$34,908,294</u>
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City of Grand Haven, Michigan

Notes to Basic Financial Statements

Investments

At June 30, 2007, the City had the following investments:

Investment	Maturity	Fair Value
U.S. Treasury Bill	7/5/2007	\$ 1,945,475
U.S. Treasury Bill	10/25/2007	1,919,726
		\$ 3,865,201

Interest Rate Risk

The City's investment policy does not limit investment securities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk Related to Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty or bank, the City will not be able to recover the value of its investments that are in the possession of an outside party. All of the City's investments were held in the name of the City.

Credit Risk

State statutes authorize the City to invest in obligations and certain repurchase agreements of the U.S. Treasury and related governmental agencies, commercial paper rated prime at the time of purchase and maturing not more than 270 days from the date of purchase, bankers acceptances and certificates of deposit issued or created by an state or national bank insured with the applicable federal agency, investment pools authorized by the Surplus Funds Investment Pool Act and mutual funds composed entirely of the above investments. The City's investment policy does not further limit its investment choices from state statutes.

Concentration of Credit Risk

The City's investment policy places no limit on the amount the City may invest in any one issuer.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Component Units

At June 30, 2007 \$14,324,762 of the City's component units' bank balances of \$14,424,762 were exposed to custodial credit risk as follows:

Uninsured and uncollateralized: \$14,324,762

4. Capital Assets Capital asset activity of the City's governmental activities was as follows:

Primary Government	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Governmental Activities				
Capital assets, not depreciable:				
Land and land improvements	\$ 10,480,033	\$ 324,201	\$ 2,087,546	\$ 8,716,688
Capital assets being depreciated:				
Structures and improvements	6,154,714	4,439,500	-	10,594,214
Machinery, equipment, vehicles and fixtures	9,035,706	634,273	341,102	9,328,877
Waterfront development	891,765	-	-	891,765
Parking facilities	213,270	-	-	213,270
Recreation development	1,522,422	1,803	-	1,524,225
Infrastructure	16,012,338	763,952	-	16,776,290
Total assets being depreciated	33,830,215	5,839,528	341,102	39,328,641
Less accumulated depreciation for:				
Structures and improvements	(2,366,135)	(167,489)	-	(2,533,624)
Machinery, equipment, vehicles and fixtures	(3,814,352)	(612,153)	(341,102)	(4,085,403)
Waterfront development	(370,236)	(17,835)	-	(388,071)
Parking facilities	(197,417)	(4,265)	-	(201,682)
Recreation development	(580,909)	(30,466)	-	(611,375)
Infrastructure	(2,744,252)	(327,886)	-	(3,072,138)
Total accumulated depreciation	(10,073,301)	(1,160,094)	(341,102)	(10,892,293)
Total capital assets being depreciated, net	23,756,914	4,679,434	-	28,436,348
Governmental activities - capital assets, net	\$ 34,236,947	\$ 5,003,635	\$ 2,087,546	\$ 37,153,036

City of Grand Haven, Michigan

Notes to Basic Financial Statements

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Business-type Activities				
Capital assets, not depreciable:				
Land and land improvements	\$ 318,583	\$ -	\$ -	\$ 318,583
Construction in progress	3,258,516	6,717,646	7,515,100	2,461,062
Total capital assets not being depreciated	3,577,099	6,717,646	7,515,100	2,779,645
Capital assets being depreciated:				
Structures and improvements	8,116,372	312,054	350,610	8,077,816
Machinery, equipment, vehicles and fixtures	1,978,967	3,408	-	1,982,375
Production and treatment systems	91,114,339	6,625,865	10,423	97,729,781
Transmission and distribution systems	40,648,243	1,379,355	12,970	42,014,628
General plant	1,360,333	19,886	-	1,380,219
Total assets being depreciated	143,218,254	8,340,568	374,003	151,184,819
Less accumulated depreciation for:				
Structures and improvements	(2,724,451)	(260,622)	(350,610)	(2,634,463)
Machinery, equipment, vehicles and fixtures	(969,139)	(583,912)	-	(1,553,051)
Production and treatment systems	(64,497,078)	(2,832,390)	(5,769)	(67,323,699)
Transmission and distribution systems	(17,017,625)	(921,759)	(12,970)	(17,926,414)
General plant	(1,098,888)	(50,048)	-	(1,148,936)
Total accumulated depreciation	(86,307,181)	(4,648,731)	(369,349)	(90,586,563)
Total capital assets being depreciated, net	56,911,073	3,691,837	4,654	60,598,256
Business-type activities - capital assets, net	\$ 60,488,172	\$ 10,409,483	\$ 7,519,754	\$ 63,377,901

City of Grand Haven, Michigan

Notes to Basic Financial Statements

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Component Units				
Capital assets, not depreciable:				
Construction in progress	\$ 187,254	\$ 6,294,657	\$ -	\$ 6,481,911
Capital assets being depreciated:				
Structures and improvements	664,946	-	-	664,946
Machinery, equipment, vehicles and fixtures	2,832	-	-	2,832
Total assets being depreciated	667,778	-	-	667,778
Less accumulated depreciation for:				
Structures and improvements	(22,165)	(22,165)	-	(44,330)
Machinery, equipment, vehicles and fixtures	(944)	(944)	-	(1,888)
Total accumulated depreciation	(23,109)	(23,109)	-	(46,218)
Total capital assets being depreciated, net	644,669	(23,109)	-	621,560
Component units - capital assets, net	\$ 831,923	\$ 6,271,548	\$ -	\$ 7,103,471

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

Governmental activities:	
General government	\$ 194,538
Public safety	381,752
Public works	532,931
Culture and recreation	50,873
Total Depreciation Expense - Governmental Activities	\$ 1,160,094
Business type activities:	
Board of Light and Power	\$ 3,669,499
Other Proprietary funds	979,232
Total Depreciation Expense - Business-type activities	\$ 4,648,731
Component units:	
Main Street Downtown Development Authority	\$ 944
Brownfield Redevelopment Authority	22,165
Total Depreciation Expense - Component units	\$ 23,109

City of Grand Haven, Michigan

Notes to Basic Financial Statements

5. Long-Term Debt The following is a summary of the long-term debt outstanding of the City as of June 30, 2007:

Governmental Activities	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Bonds Payable					
2006 Building Authority Bonds maturing through August 2014, interest at 4.0%	\$ -	\$ 2,830,000	\$ -	\$ 2,830,000	\$ 240,000
Special Assessment Bond Fund – 1996 Municipal Purchase Agreement, Series B with a maturity date of September 1, 2015, interest ranging from 5.1% - 7.0%	70,000	-	(5,000)	65,000	5,000
Plus deferred amounts:					
For issuance premiums	-	31,251	(7,155)	24,096	-
Total Bonds Payable	70,000	2,861,251	(12,155)	2,919,096	245,000
Land Contract payable in annual installments of \$34,000. Final payment made December 31, 2006	34,000	-	(34,000)	-	-
Economic development note payable in annual installments of \$26,521 beginning in 2004 including interest at 6.0%. Final payment made July 2006	222,466	-	(222,466)	-	-
Property loans payable in installments of \$375,521 commencing in 2004 including interest at 2.64%. Final payment due May 2009	1,411,564	-	(423,703)	987,861	319,544
Equipment loan payable in annual installments of \$111,778 including interest at 3.83%. Final payment made June 2007	107,655	-	(107,655)	-	-
Accumulated compensated absences	673,133	50,336	-	723,469	-
Total Governmental Activities					
Long-Term Debt	\$ 2,518,818	\$ 2,911,587	\$ (799,979)	\$ 4,630,426	\$ 564,544

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Business-Type Activities	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Bonds Payable					
1993 Electric Revenue Refunding					
Bonds, maturing through 2008, with interest at 5.25% (net of discount, loss on refunding and portion payable from restricted assets)	\$ 9,290,080	\$ -	\$ 122,184	\$ 9,412,264	\$ 4,610,000
2003 Electric Revenue Refunding					
Bonds, maturing through 2016, interest ranging from 5.0% to 5.5% (net of premium and loss on refunding)	44,658,034	465,014	-	45,123,048	-
2007 Electric Revenue Bonds, maturing through 2016, with interest ranging from 4.0% to 5% (net of premium)					
	-	2,473,037	(3,805)	2,469,232	-
1990 Special Assessment Limited Tax					
Bonds maturing through October 2009, with interest at 7.0%	40,000	-	(10,000)	30,000	10,000
1990 N.O.W.S.G.O. Contract, to support bonds that were refinanced in 1998, maturing through 2010 with interest ranging from 4.5% to 4.7%					
	57,828	-	(12,087)	45,741	11,731
1996 Municipal Purchase Agreement, refinanced in 2002, maturing in 2010 with an interest rate of 4.29%					
	100,000	-	(18,500)	81,500	20,000
1990 Municipal Purchase Agreement, refinanced in 2002, maturing in 2010 with an interest rate of 4.29%					
	164,250	-	(15,850)	148,400	17,500
2005 Property Loan Payable, maturing through October 2014, with interest at 5.56%					
	961,305	-	(85,195)	876,110	89,931
Total Business Type Activities					
Long-Term Debt	\$ 55,271,497	\$ 2,938,051	\$ (23,253)	\$ 58,186,295	\$ 4,759,162
Total all Long-Term Liabilities	\$ 57,790,315	\$ 5,849,638	\$ (823,232)	\$ 62,816,721	\$ 5,323,706

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Component Units	Balance July 1, 2006	Additions	Reductions	Balance June 30, 2007	Due within one year
Bonds Payable					
2005 Tax Increment bonds, maturing through 2018, with interest at 3.69%	\$ 675,000	\$ -	\$ (40,000)	\$ 635,000	\$ 45,000
2006 Tax Increment bonds, maturing through 2027, with interest ranging from 3.50% - 4.375%	3,345,000	-	-	3,345,000	-
2006 Brownfield Redevelopment bonds, maturing through 2027, with interest from 4.0% - 4.2%	-	15,095,000	-	15,095,000	-
Less deferred amounts:					
For issuance premiums	-	43,175	(2,363)	40,812	-
For issuance discounts	(27,808)	-	1,792	(26,016)	-
Total Bonds Payable	3,992,192	15,138,175	(40,571)	19,089,796	45,000
Brownfield Redevelopment loan payable in annual installments of \$100,174 beginning May 2011, including interest at 2.0%. Final payment due May 2021	-	1,000,000	-	1,000,000	-
Total Component Units Long-Term Debt	\$3,992,192	\$16,138,175	\$ (40,571)	\$20,089,796	\$ 45,000

Annual debt service requirements to maturity for debt outstanding as of June 30, 2007 follows:

	Governmental Activities		Business Type Activities		Component Units	
	Principal	Interest	Principal	Interest	Principal	Interest
2008	\$ 564,544	\$ 140,339	\$ 4,759,162	\$ 3,184,086	\$ 45,000	\$ 773,018
2009	622,983	120,304	5,202,674	2,950,314	50,000	771,266
2010	660,334	94,474	5,286,182	2,432,797	525,000	759,921
2011	355,000	75,110	5,586,067	2,156,108	935,174	733,083
2012	365,000	60,627	5,856,907	1,851,685	1,097,178	714,551
2013-2017	1,315,000	83,048	34,215,759	3,968,138	6,636,210	2,838,244
2018-2022	-	-	-	-	8,996,438	1,358,836
2023-2027	-	-	-	-	1,790,000	207,194
	\$ 3,882,861	\$ 573,902	\$60,906,751	\$ 16,543,128	\$20,075,000	\$ 8,156,113

City of Grand Haven, Michigan

Notes to Basic Financial Statements

- 6. Interfund Balances and Transfers** The composition of interfund balances, caused by normal operations, is as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General Fund	\$ 149,450	Harbor Transit	\$ 149,450

Transfers during the fiscal year were as follows:

Fund	Transfer in	Transfer out	Purpose
General Fund	\$ 34,932	\$ 2,634,882	Operations, capital projects, debt service
Public Improvement	2,083,785	603,479	Debt service, capital projects
Major Street and Trunkline	147,605	100,000	Operations
Local Street	247,605	-	Operations
Housing	100	-	Debt service
Building Authority Bonds	66,033	-	Debt service
Non-voted General Debt	337,446	-	Debt service
Land Acquisition	-	245,308	Debt service
Fire Truck	200,000	-	Operations
Building Authority	66,033	66,033	Debt service
Cemetery Care	-	34,932	Operations
Harbor Transit	260,732	-	Operations
Airport	-	4,945	Operations
Chinook Pier	245,308	-	Debt service
	\$ 3,689,579	\$ 3,689,579	

City of Grand Haven, Michigan

Notes to Basic Financial Statements

- 7. Risk Management** The City purchases insurance and participates in public entity risk pools for the various risks associated with City operations. Significant risk management activities of the City are accounted for and disclosed below as required by GASB 10.

The City is exposed to various risks of loss related to torts; theft of damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City obtains its liability insurance coverage from Selective Insurance. The City pays an annual premium to Selective Insurance for liability insurance coverage. Selective Insurance is self-sustaining through member premiums and provides, subject to certain deductibles, occurrences based coverage by internally insuring certain risks and reinsuring risks through commercial companies. A \$1,000 deductible is maintained to place the responsibility for small charges with the City. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

The City manages its workers' compensation risk by participating in the Michigan Municipal League Workers' Compensation Fund (MMLWCF), a public entity risk pool providing workers' compensation coverage to its participating members. The City pays an annual premium to MMLWCF for its workers compensation coverage. The MMLWCF is self-sustaining through member premiums and provides statutory workers compensation coverage to its members by internally insuring certain risks and reinsuring risks through commercial companies. Settled claims resulting from these risks have not exceeded insurance coverage in any of the past three fiscal years.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

During fiscal year 2004, the Board of Light and Power entered into the Michigan Professional Insurance Authority (Authority) to account for and finance its uninsured risks of loss. Under this program, the Authority provides for coverage for up to a maximum of \$100,000 for each general liability claim and \$250,000 for each property damage claim. The Board purchases commercial insurance for claims in excess of coverage provided by the Authority for all other risks of loss. Settled claims have not exceeded this commercial coverage in the past three fiscal years.

All participants in the Authority make payments to the Authority based on experience estimates of the amounts needed to pay prior and current year claims.

	Beginning of Year Liability	Current Year Premium Equivalent Costs	Premium Equivalent Payments	Balance at Year End
2007	\$ -	\$ 902,500	\$ 902,500	\$ -
2006	\$ -	\$ 835,000	\$ 835,000	\$ -

8. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City Attorney the resolution of these matters will not have a material adverse effect on the financial condition of the City.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

9. Other Post-Employment Benefits

In June 2004, the Governmental Accounting Standards Board ("GASB") issued its Statement 45 - "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions." Other post-employment benefits ("OPEB") include post-employment healthcare insurance as well as other forms of post-employment benefits (for example, life insurance) when provided separately from a pension plan. GASB Statement 45 establishes standards for the measurement, recognition and display of OPEB expense/expenditures and related liabilities (assets), note disclosures and, if applicable, required supplementary information in the financial reports of state and local governmental employers.

The City currently provides health care benefits to retirees in accordance with the pension ordinance. Currently, 54 retirees are eligible. For retirees below age 65, the City pays 75 percent to 80 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. For retirees age 65 and older, the City pays 10 percent of the annual premium (depending on the bargaining unit) and the retiree pays the balance. Retirees are required to purchase and pay for Medicare supplemental insurance when they become eligible. Expenditures for post-employment health care benefits are recognized annually as the insurance premiums become due. These benefits were paid from the Retiree Health Care Fund (which is funded by all operating funds) and approximated \$185,000 during the year ended June 30, 2007.

The City completed its first actuarial valuation of OPEB as of December 31, 2005. The unfunded actuarial accrued liability attributable to service accrued by plan members as of December 31, 2005 was \$7,598,790. As of December 31, 2005, there were assets totaling \$459,013 available to offset the liabilities of the plan. The December 31, 2005 actuarial study resulted in the determination of a fiscal year beginning July 1, 2007 employer contribution requirement of \$484,112 to a trust in order to meet the Annual Required Contribution and avoid any net OPEB obligation. The required City contribution equates to 4.89% of active employee payroll costs.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

10. Pension Plan

Plan Description

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

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. For the year ended June 30, 2007, the City continued a policy to contribute 2 percent of gross salaries to MMERS in all divisions which are funded 110 percent or over. Further, the City required all employees to contribute 2 percent of gross salaries if their MMERS division was funded 110 percent or over. For divisions which are under 110 percent funded, the City and the employees will split the required contribution to maintain or return to funding levels of 110 percent or over at which point the 2 percent contributions by employer and employee would automatically be reinstated. Determination of the funding level is based on the annual actuarial report.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Annual Pension Cost

For the year ended June 30, 2007, the City's annual pension cost of \$49,707 for the plan was equal to the City's required contribution. The City's actual contribution to the plan was approximately \$272,000. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004, using the entry age normal cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.5 percent per year, and (c) 2.5 percent per year cost of living adjustments. Both (a) and (b) include an inflation component of 5 percent. The actuarial value of assets was determined using techniques that smooth the effects of any given year's variation from an 8 percent return over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

Three-Year Trend Information

	Fiscal Year Ended June 30,		
	2005	2006	2007
Annual pension cost (APC) \$	-	-	\$ 49,707
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
	Actuarial Valuation as of December 31,		
	2004	2005	2006
Actuarial value of assets	\$ 57,639,724	\$ 59,414,881	\$ 62,578,921
Actuarial accrued liability (AAL)	51,324,884	54,460,342	58,551,043
Overfunded AAL	6,314,840	4,954,539	4,027,878
Funded ratio	112%	109%	107%
Covered payroll	\$ 8,689,504	\$ 9,029,277	\$ 9,474,734
Overfunded AAL as a percentage of covered payroll	73%	55%	43%

City of Grand Haven, Michigan

Notes to Basic Financial Statements

- 11. Component Unit Financial Information** Condensed financial statements for each of the discretely presented component units are included in the government wide financial statements. Complete financial statements of the individual component units can be obtained from their respective administrative offices at 519 Washington, Grand Haven, MI 49417.
- 12. Joint Ventures** The City is a member of the Grand Haven – Spring Lake Sewer Authority (the “Authority”). The City can appoint two members to the joint venture’s governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$855,469 to the Authority for sewage treatment. The purpose of the Grand Haven-Spring Lake Sewer Authority is to acquire, own, improve, enlarge, extend, and operate a sewage disposal system. The Authority is governed by a Board of Trustees containing seven members. The participating communities (Cities of Grand Haven and Ferrysburg, Townships of Spring Lake and Grand Haven, Village of Spring Lake, and County of Ottawa) pay a set rate to the Authority to process waste. This rate includes amounts to finance the Authority’s debt. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The City is also a member of the Northwest Ottawa Water Treatment Plant. The City appoints one member to the joint venture's governing board, which then approves the annual budget. In the current year, the City incurred expenses totaling \$730,296 to the plant to purchase water. The purpose of the Northwest Ottawa Water Treatment Plant is to acquire, construct, finance, operate, and maintain a water production facility. The plant is governed by an administrative committee composed of one representative from each of the participating communities (Cities of Grand Haven and Ferrysburg, Townships of Grand Haven and Spring Lake, and County of Ottawa). These participating communities pay for water at a rate that is estimated to cover operation, maintenance, replacement, and debt service. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements can be obtained at Grand Haven City Hall (519 Washington Street).

The Board of Light and Power entered into a joint venture, the Michigan Public Power Agency (MPPA), with 13 other municipal electric systems. The MPPA was formed to undertake the planning, financing, development, acquisition, construction, improvement, operation, and maintenance of projects to supply electric power and energy for present or future needs of its members. Each MPPA member is a municipal corporation organized under the laws of the State of Michigan and owns and operates a municipal electric system. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Michigan Public Power Agency can be obtained from the administrative offices at 809 Centennial Way, Lansing, Michigan 48917.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

The MPPA operates various projects. The Board participates in the power pool project and the transmission project. During 2007, the Board had sales of \$8,044,926 to the MPPA and had purchases of \$1,074,652 from the MPPA. At June 30, 2007, the MPPA owed the Board \$1,163,428.

13. Construction Code Fees

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

Surplus at July 1, 2006		\$ 39,751
Current year building permit revenue		378,790
Related expenses:		
Direct costs	268,110	
Estimated indirect costs	<u>26,811</u>	
Total construction code expenses		<u>294,921</u>
Cumulative Surplus at June 30, 2007		<u>\$ 123,620</u>

14. Commitments

During 2007, the Board of Light and Power entered into various coal purchase agreements to purchase 324,500 tons of coal at fixed prices ending on various dates through December 31, 2008. The Board of Light and Power has the unilateral right to reduce or increase deliveries by approximately 15,000 tons of coal during both the 2007 and 2008 term, but only if the Board provides written notice to the seller, not later than August 1, 2007 or August 1, 2008 as the case may be, as to its decision to reduce or increase said deliveries. At June 30, 2007, approximately 43,500 tons of coal had been purchased under these agreements.

City of Grand Haven, Michigan

Notes to Basic Financial Statements

Amounts required to complete various construction projects are not material to the financial statements.

As disclosed in Note 12, the City is a member of the Grand Haven-Spring Lake Sewer Authority and the Northwest Ottawa Water Treatment Plant. The City, along with the other participating communities, has pledged their full faith and credit for repayment of the outstanding debt of these entities. For all debt, the amount the City is required to contribute to these entities for repayment of debt is not a fixed amount, but is based on the volume of sewage treated and water purchased and is included in the rate charged by these entities.

15. Excess of Expenditures Over Appropriations in Budgetary Funds

During the year ended June 30, 2007, the City incurred expenditures in various funds which were in excess of amounts appropriated, as follows:

	Appropriation	Actual Expenditures
General Fund		
DPW - Cemetery	\$ 296,345	\$ 307,073
DPW - Loutit Library	17,365	17,575
Transfers out	2,378,995	2,634,882
Public Improvement Fund	6,488,405	6,652,068
Housing Fund	-	100
Non-voted General Debt Fund	709,305	712,967

All expenditures over appropriations as identified above have been paid by excess revenues or by reduced expenditures in other activities.

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Required Supplemental Material



<i>Year ended June 30, 2007</i>	General Fund		
	Original Budget	Final Budget	Actual
Revenues			
Taxes	\$ 6,931,035	\$ 7,143,035	\$ 7,303,030
Licenses and permits	497,200	504,500	541,292
Federal sources	-	-	80,750
State sources	1,240,000	1,061,955	1,054,740
Charges for services	847,130	816,290	865,367
Fines and forfeitures	91,200	146,500	177,343
Reimbursements	-	-	-
Interest, penalties and rent	210,000	290,000	379,867
Miscellaneous revenue	113,500	71,950	68,300
Total Revenues	9,930,065	10,034,230	10,470,689
Expenditures			
Current operations			
General government	2,329,220	2,154,565	1,937,438
Public safety	4,087,200	3,933,985	3,682,454
Public works	1,592,815	1,582,450	1,420,690
Culture and recreation	984,570	988,475	847,005
Capital outlay	-	-	-
Debt service	-	-	-
Total Expenditures	8,993,805	8,659,475	7,887,587
Revenues Over (Under) Expenditures	936,260	1,374,755	2,583,102
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	-	-
Proceeds from issuance of long-term debt	-	-	-
Transfers in	15,000	15,000	34,932
Transfers out	(878,995)	(2,378,995)	(2,634,882)
Total Other Financing Sources (Uses)	(863,995)	(2,363,995)	(2,599,950)
Revenues and Other Sources Over (Under) Expenditures and Other Uses	72,265	(989,240)	(16,848)
Fund Balance, at beginning of year	3,497,354	3,497,354	3,497,354
Fund Balance, at end of year	\$ 3,569,619	\$ 2,508,114	\$ 3,480,506

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Major Governmental Funds

Public Improvement		
Original Budget	Final Budget	Actual
\$ -	\$ -	\$ -
-	-	-
-	-	-
401,000	401,000	319,895
-	-	-
-	-	-
-	1,500	94,086
30,000	290,000	303,788
-	-	-
431,000	692,500	717,769
120,000	90,000	835,241
-	-	-
-	-	-
-	-	-
4,245,700	5,786,750	5,093,901
134,000	119,450	119,447
4,499,700	5,996,200	6,048,589
(4,068,700)	(5,303,700)	(5,330,820)
-	2,038,725	2,808,190
-	2,830,000	2,830,000
583,785	2,089,980	2,083,785
(714,280)	(492,205)	(603,479)
(130,495)	6,466,500	7,118,496
(4,199,195)	1,162,800	1,787,676
3,198,885	3,198,885	3,198,885
\$ (1,000,310)	\$ 4,361,685	\$ 4,986,561

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City of Grand Haven, Michigan

Required Supplementary Information for Pension Plans - GASB 27

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a)/c)
December 31:						
2004	\$ 57,639,724	\$ 51,324,884	\$ 6,314,840	112.30%	\$ 8,689,504	72.67%
2005	59,414,881	54,460,342	4,954,539	109.10%	9,029,277	54.87%
2006	62,578,921	58,551,043	4,027,878	106.88%	9,474,734	42.51%

<i>June 30, 2007</i>	Special Revenue			
	Major Street and Trunkline	Local Street	Housing	Building Authority Bonds
Assets				
Cash and cash equivalents	\$ 794,430	\$ 274,376	\$ -	\$ 36,897
Due from other governments	117,203	48,195	-	-
Taxes and other receivables	-	406	750	-
Special assessments receivable	-	26,089	-	-
Total Assets	\$ 911,633	\$ 349,066	\$ 750	\$ 36,897
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 32,198	\$ 22,217	\$ 579	\$ -
Deferred revenues	-	26,309	-	-
Total Liabilities	32,198	48,526	579	-
Fund balances				
Reserved for debt service	-	-	-	36,897
Reserved for capital projects	-	-	-	-
Reserved for endowments	-	-	-	-
Unreserved				
Undesignated	879,435	300,540	171	-
Total Fund Balances	879,435	300,540	171	36,897
Total Liabilities and Fund Balances	\$ 911,633	\$ 349,066	\$ 750	\$ 36,897

City of Grand Haven, Michigan

Combining Balance Sheet - Non-Major Governmental Funds

Debt Service		Capital Projects			Permanent		
Special Assessment Bonds	Non-voted General Debt	Fire Truck	Building Authority	Land Acquisition	Cemetery Perpetual Care	Total All Funds	
\$ 228,957	\$ -	\$ 364,253	\$ -	\$ 198,210	\$ 1,479,861	\$ 3,376,984	
-	-	-	-	-	-	165,398	
-	-	-	-	-	2,370	3,526	
63,386	-	-	-	-	-	89,475	
\$ 292,343	\$ -	\$ 364,253	\$ -	\$ 198,210	\$ 1,482,231	\$ 3,635,383	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 54,994	
63,386	-	-	-	-	-	89,695	
63,386	-	-	-	-	-	144,689	
228,957	-	-	-	-	-	265,854	
-	-	364,253	-	198,210	-	562,463	
-	-	-	-	-	1,482,231	1,482,231	
-	-	-	-	-	-	1,180,146	
228,957	-	364,253	-	198,210	1,482,231	3,490,694	
\$ 292,343	\$ -	\$ 364,253	\$ -	\$ 198,210	\$ 1,482,231	\$ 3,635,383	

<i>Year ended June 30, 2007</i>	Special Revenue			Building Authority Bonds
	Major Street and Trunkline	Local Street	Housing	
Revenues				
State sources	\$ 624,611	\$ 219,788	\$ -	\$ -
Charges for services	-	-	-	-
Special assessments	-	8,417	-	-
Reimbursements	-	-	-	-
Interest income	49,950	28,260	-	5,646
Miscellaneous revenue	36,772	2,016	750	-
Total Revenues	711,333	258,481	750	5,646
Expenditures				
Public works	636,938	370,988	679	-
Capital outlay	279,361	394,434	-	-
Debt principal payments	-	-	-	-
Interest and fiscal charges	-	-	-	66,033
Total Expenditures	916,299	765,422	679	66,033
Revenues over (under) expenditures	(204,966)	(506,941)	71	(60,387)
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	-	-	-	-
Premium from issuance of long-term debt	-	-	-	31,251
Transfers in	147,605	247,605	100	66,033
Transfers out	(100,000)	-	-	-
Total Other Financing Sources (Uses)	47,605	247,605	100	97,284
Revenues and other sources over (under) expenditures and other uses	(157,361)	(259,336)	171	36,897
Fund Balance, at beginning of year	1,036,796	559,876	-	-
Fund Balance, at end of year	\$ 879,435	\$ 300,540	\$ 171	\$ 36,897

City of Grand Haven, Michigan

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Non-Major Governmental Funds

Debt Service		Capital Projects			Permanent		
Special Assessment Bonds	Non-voted General Debt	Fire Truck	Building Authority	Land Acquisition	Cemetery Perpetual Care	Total All Funds	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 844,399	
-	-	-	-	-	35,066	35,066	
7,269	-	-	-	-	-	15,686	
-	375,521	-	-	-	-	375,521	
15,139	-	20,181	-	7,205	73,113	199,494	
-	-	-	-	-	-	39,538	
22,408	375,521	20,181	-	7,205	108,179	1,509,704	
-	-	-	-	-	-	1,008,605	
-	-	166,324	-	-	-	840,119	
5,000	668,377	-	-	-	-	673,377	
4,165	44,590	-	-	-	-	114,788	
9,165	712,967	166,324	-	-	-	2,636,889	
13,243	(337,446)	(146,143)	-	7,205	108,179	(1,127,185)	
-	-	-	-	38,700	-	38,700	
-	-	-	-	-	-	31,251	
-	337,446	200,000	66,033	-	-	1,064,822	
-	-	-	(66,033)	(245,308)	(34,932)	(446,273)	
-	337,446	200,000	-	(206,608)	(34,932)	688,500	
13,243	-	53,857	-	(199,403)	73,247	(438,685)	
215,714	-	310,396	-	397,613	1,408,984	3,929,379	
\$ 228,957	\$ -	\$ 364,253	\$ -	\$ 198,210	\$ 1,482,231	\$ 3,490,694	

<i>Year ended June 30, 2007</i>	Major Street and Trunkline		
	Budget	Actual	Variance
Revenues			
State sources	\$ 718,000	\$ 624,611	\$ (93,389)
Charges for services	-	-	-
Special assessments	-	-	-
Reimbursements	-	-	-
Interest income	48,000	49,950	1,950
Miscellaneous revenue	2,000	36,772	34,772
Total Revenues	768,000	711,333	(56,667)
Expenditures			
Public works	698,455	636,938	61,517
Capital outlay	837,000	279,361	557,639
Debt principal payments	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	1,535,455	916,299	619,156
Revenues over (under) expenditures	(767,455)	(204,966)	562,489
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	-	-
Premium from issuance of long-term debt	-	-	-
Transfers in	147,605	147,605	-
Transfers out	(100,000)	(100,000)	-
Total Other Financing Sources (Uses)	47,605	47,605	-
Revenues and other sources over (under) expenditures and other uses	(719,850)	(157,361)	562,489
Fund Balance, at beginning of year	1,036,796	1,036,796	-
Fund Balance, at end of year	\$ 316,946	\$ 879,435	\$ 562,489

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds



Local Street			Housing		
Budget	Actual	Variance	Budget	Actual	Variance
\$ 386,000	\$ 219,788	\$ (166,212)	\$ -	\$ -	\$ -
2,000	-	(2,000)	-	-	-
10,660	8,417	(2,243)	-	-	-
-	-	-	-	-	-
26,000	28,260	2,260	-	-	-
2,200	2,016	(184)	-	750	750
426,860	258,481	(168,379)	-	750	750
488,485	370,988	117,497	-	679	(679)
419,500	394,434	25,066	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
907,985	765,422	142,563	-	679	(679)
(481,125)	(506,941)	(25,816)	-	71	71
-	-	-	-	-	-
-	-	-	-	-	-
247,605	247,605	-	-	100	100
-	-	-	-	-	-
247,605	247,605	-	-	100	100
(233,520)	(259,336)	(25,816)	-	171	171
559,876	559,876	-	-	-	-
\$ 326,356	\$ 300,540	\$ (25,816)	\$ -	\$ 171	\$ 171

<i>Year ended June 30, 2007</i>	Building Authority Bonds		
	Budget	Actual	Variance
Revenues			
State sources	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Reimbursements	-	-	-
Interest income	-	5,646	5,646
Miscellaneous revenue	-	-	-
Total Revenues	-	5,646	5,646
Expenditures			
Public works	-	-	-
Capital outlay	-	-	-
Debt principal payments	-	-	-
Interest and fiscal charges	66,535	66,033	502
Total Expenditures	66,535	66,033	502
Revenues over (under) expenditures	(66,535)	(60,387)	6,148
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	-	-
Premium from issuance of long-term debt	-	31,251	31,251
Transfers in	66,535	66,033	(502)
Transfers out	-	-	-
Total Other Financing Sources (Uses)	66,535	97,284	30,749
Revenues and other sources over (under) expenditures and other uses	-	36,897	36,897
Fund Balance, at beginning of year	-	-	-
Fund Balance, at end of year	\$ -	\$ 36,897	\$ 36,897

City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds

Special Assessment Bonds			Non-voted General Debt		
Budget	Actual	Variance	Budget	Actual	Variance
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
7,000	7,269	269	-	-	-
-	-	-	375,520	375,521	1
13,000	15,139	2,139	-	-	-
-	-	-	-	-	-
20,000	22,408	2,408	375,520	375,521	1
-	-	-	-	-	-
-	-	-	-	-	-
5,000	5,000	-	664,580	668,377	(3,797)
4,165	4,165	-	44,725	44,590	135
9,165	9,165	-	709,305	712,967	(3,662)
10,835	13,243	2,408	(333,785)	(337,446)	(3,661)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	225,670	337,446	111,776
-	-	-	-	-	-
-	-	-	225,670	337,446	111,776
10,835	13,243	2,408	(108,115)	-	108,115
215,714	215,714	-	-	-	-
\$ 226,549	\$ 228,957	\$ 2,408	\$(108,115)	\$ -	\$ 108,115

<i>Year ended June 30, 2007</i>	Fire Truck		
	Budget	Actual	Variance
Revenues			
State sources	\$ -	\$ -	\$ -
Charges for services	-	-	-
Special assessments	-	-	-
Reimbursements	-	-	-
Interest income	20,000	20,181	181
Miscellaneous revenue	-	-	-
Total Revenues	20,000	20,181	181
Expenditures			
Public works	-	-	-
Capital outlay	500,000	166,324	333,676
Debt principal payments	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	500,000	166,324	333,676
Revenues over (under) expenditures	(480,000)	(146,143)	333,857
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	-	-
Premium from issuance of long-term debt	-	-	-
Transfers in	200,000	200,000	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	200,000	200,000	-
Revenues and other sources over (under) expenditures and other uses	(280,000)	53,857	333,857
Fund Balance, at beginning of year	310,396	310,396	-
Fund Balance, at end of year	\$ 30,396	\$ 364,253	\$ 333,857

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City of Grand Haven, Michigan

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Non-Major Governmental Funds

<i>Year ended June 30, 2007</i>	Cemetery Perpetual Care		
	Budget	Actual	Variance
Revenues			
State sources	\$ -	\$ -	\$ -
Charges for services	30,000	35,066	5,066
Special assessments	-	-	-
Reimbursements	-	-	-
Interest income	70,000	73,113	3,113
Miscellaneous revenue	-	-	-
Total Revenues	100,000	108,179	8,179
Expenditures			
Public works	-	-	-
Capital outlay	-	-	-
Debt principal payments	-	-	-
Interest and fiscal charges	-	-	-
Total Expenditures	-	-	-
Revenues over (under) expenditures	100,000	108,179	8,179
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	-	-	-
Premium from issuance of long-term debt	-	-	-
Transfers in	-	-	-
Transfers out	(15,000)	(34,932)	(19,932)
Total Other Financing Sources (Uses)	(15,000)	(34,932)	(19,932)
Revenues and other sources over (under) expenditures and other uses	85,000	73,247	(11,753)
Fund Balance, at beginning of year	1,408,984	1,408,984	-
Fund Balance, at end of year	\$ 1,493,984	\$ 1,482,231	\$ (11,753)

<i>June 30, 2007</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Assets			
Current Assets			
Cash and cash equivalents	\$ 210,464	\$ 1,272,850	\$ 450
Accounts receivable	331,967	381,044	44,420
Due from other governments	-	-	245,656
Inventory	7,853	55,732	32,874
Total Current Assets	550,284	1,709,626	323,400
Special Assessments	20,514	-	-
Capital Assets, net of accumulated depreciation	4,190,056	6,522,613	888,112
Total Assets	4,760,854	8,232,239	1,211,512
Liabilities and Net Assets			
Current Liabilities			
Current portion of long-term debt	10,000	11,731	-
Accounts payable	157,735	137,658	40,405
Accrued liabilities	6,754	34,235	130,172
Due to other governments	-	-	-
Due to other funds	-	-	149,450
Total Current Liabilities	174,489	183,624	320,027
Long-Term Debt – net of current portion	20,000	34,010	-
Total Liabilities	194,489	217,634	320,027
Net Assets			
Invested in capital assets, net of related debt	4,159,531	6,476,369	888,112
Unreserved	406,834	1,538,236	3,373
Total Net Assets	\$ 4,566,365	\$ 8,014,605	\$ 891,485

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Net Assets



Marina	Airport	Chinook Pier Rental	Total
\$ 252,595	\$ 126,206	\$ 67,437	\$ 1,930,002
39,243	23,224	23,930	843,828
-	-	-	245,656
-	-	-	96,459
291,838	149,430	91,367	3,115,945
-	-	-	20,514
1,014,216	3,248,372	1,013,269	16,876,638
1,306,054	3,397,802	1,104,636	20,013,097
-	37,500	89,931	149,162
21,384	6,487	-	363,669
3,841	1,909	40,651	217,562
-	36,724	-	36,724
-	-	-	149,450
25,225	82,620	130,582	916,567
-	192,400	786,179	1,032,589
25,225	275,020	916,761	1,949,156
1,014,216	3,016,583	100,428	15,655,239
266,613	106,199	87,447	2,408,702
\$1,280,829	\$ 3,122,782	\$ 187,875	\$ 18,063,941

<i>Year ended June 30, 2007</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Operating Revenues			
Charges for services	\$ 1,321,733	\$ 1,413,490	\$ 139,005
Miscellaneous operating revenues	18,650	20,976	-
Total Operating Revenues	1,340,383	1,434,466	139,005
Operating Expenses			
Operations and maintenance	1,060,549	899,387	1,306,228
General and administrative	175,551	334,140	215,847
Distribution	-	310,481	-
Depreciation	57,504	82,567	597,101
Total Operating Expenses	1,293,604	1,626,575	2,119,176
Operating income (loss)	46,779	(192,109)	(1,980,171)
Non-Operating Revenues (Expenses)			
Interest income	12,508	72,186	-
Interest expense	(2,450)	(2,244)	-
Operating subsidies			
Federal	-	-	278,052
State	-	143,985	582,345
Local	-	-	138,509
Gain on sale of capital assets	-	-	26,000
Other income (expense)	-	9,500	303
Total Non-Operating Revenues (Expenses)	10,058	223,427	1,025,209
Income (Loss) Before Transfers	56,837	31,318	(954,962)
Transfers in (out)	-	-	260,732
Change in Net Assets	56,837	31,318	(694,230)
Net Assets, at beginning of year	4,509,528	7,983,287	1,585,715
Net Assets, at end of year	\$ 4,566,365	\$ 8,014,605	\$ 891,485

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Marina	Airport	Chinook Pier Rental	Total
\$ 261,046	\$ 74,903	\$ 96,590	\$ 3,306,767
-	-	38,578	78,204
261,046	74,903	135,168	3,384,971
189,348	67,421	56,810	3,579,743
-	21,825	38,603	785,966
-	-	-	310,481
44,493	162,234	35,333	979,232
233,841	251,480	130,746	5,655,422
27,205	(176,577)	4,422	(2,270,451)
12,655	7,254	962	105,565
-	(12,421)	(76,734)	(93,849)
-	209,202	-	487,254
-	40,838	-	767,168
-	-	-	138,509
-	-	-	26,000
422	3,400	(15,780)	(2,155)
13,077	248,273	(91,552)	1,428,492
40,282	71,696	(87,130)	(841,959)
-	(4,945)	245,308	501,095
40,282	66,751	158,178	(340,864)
1,240,547	3,056,031	29,697	18,404,805
\$ 1,280,829	\$ 3,122,782	\$ 187,875	\$ 18,063,941

<i>Year ended June 30, 2007</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Cash Flows from Operating Activities			
Receipts from customers and users	\$ 1,373,013	\$ 1,459,952	\$ 121,181
Receipts from interfund services provided	-	-	96,110
Payments to suppliers	(1,069,960)	(1,423,432)	(420,888)
Payments to employees	(85,992)	(264,956)	(1,084,448)
Payments for interfund services used	-	-	-
Net Cash Provided by (Used for) Operating Activities	217,061	(228,436)	(1,288,045)
Cash Flows from Non-Capital Financing Activities			
Proceeds from operating grants and other Transfers in (out)	-	143,985	998,906
	-	-	4,945
Net Cash Provided by Non-Capital Financing Activities	-	143,985	1,003,851
Cash Flows from Capital and Related Financing Activities			
Principal payments on long-term debt	(10,000)	(12,087)	-
Interest payments on long-term debt	(2,625)	(2,377)	-
Transfers in from other funds	-	-	255,787
Proceeds from sale of capital assets	-	-	26,000
Purchase of capital assets	(224,828)	(285,178)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(237,453)	(299,642)	281,787
Cash Flows from Investing Activities			
Interest received on investments	12,508	72,186	-
Net Increase (Decrease) in Cash and Cash Equivalents	(7,884)	(311,907)	(2,407)
Cash and Cash Equivalents – at beginning of year	218,348	1,584,757	2,857
Cash and Cash Equivalents – at end of year	\$ 210,464	\$ 1,272,850	\$ 450

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Cash Flows



Marina	Airport	Chinook Pier Rental	Total
\$ 269,121	\$ 90,048	\$ 129,447	\$ 3,442,762
-	-	-	96,110
(92,370)	(87,164)	(100,514)	(3,194,328)
(84,996)	-	-	(1,520,392)
-	-	(116,632)	(116,632)
91,755	2,884	(87,699)	(1,292,480)
-	250,040	-	1,392,931
-	(4,945)	-	-
-	245,095	-	1,392,931
-	(34,350)	(85,195)	(141,632)
-	(12,692)	(53,437)	(71,131)
-	-	245,308	501,095
-	-	-	26,000
(63,003)	(247,990)	(4,469)	(825,468)
(63,003)	(295,032)	102,207	(511,136)
12,655	7,254	962	105,565
41,407	(39,799)	15,470	(305,120)
211,188	166,005	51,967	2,235,122
\$ 252,595	\$ 126,206	\$ 67,437	\$ 1,930,002

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<i>Year ended June 30, 2007</i>	Municipal Sewage Treatment	Municipal Water	Harbor Transit
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities			
Operating income (loss)	\$ 46,779	\$ (192,109)	\$(1,980,171)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operations			
Depreciation	57,504	82,567	597,101
Other income (expense)	-	9,500	303
Changes in assets and liabilities			
Accounts receivable	32,630	16,886	(41,259)
Due from other governments	-	-	23,208
Prepaid items	-	-	1,272
Inventory	(1,797)	(22,330)	(2,865)
Accounts payable	87,659	(127,764)	3,177
Accrued liabilities	(5,714)	4,814	15,155
Due to other funds	-	-	96,110
Deferred revenue	-	-	(76)
Net Cash Provided by (Used for) Operating Activities	\$ 217,061	\$ (228,436)	\$(1,288,045)

City of Grand Haven, Michigan

Non-Major Proprietary Funds

Combining Statement of Cash Flows



Marina	Airport	Chinook Pier Rental	Total
\$ 27,205	\$ (176,577)	\$ 4,422	\$ (2,270,451)
44,493	162,234	35,333	979,232
422	3,400	(15,780)	(2,155)
(5,722)	11,765	8,276	22,576
13,375	-	-	36,583
-	-	-	1,272
-	-	-	(26,992)
11,186	2,082	(5,101)	(28,761)
796	(20)	1,783	16,814
-	-	(116,632)	(20,522)
-	-	-	(76)
\$ 91,755	\$ 2,884	\$ (87,699)	\$ (1,292,480)

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Net Assets

<i>June 30, 2007</i>	Motor Pool	Insurance	Health Benefits	Total
Assets				
Current Assets				
Cash and cash equivalents	\$1,295,109	\$ 608,570	\$ 790,009	\$2,693,688
Accounts receivable	839	1,133	147,628	149,600
Prepaid items	-	143,087	43,047	186,134
Due from other governments	1,800	-	-	1,800
Inventory	9,047	-	-	9,047
Total Current Assets	1,306,795	752,790	980,684	3,040,269
Equipment , net of accumulated depreciation of \$1,721,679	1,617,763	-	-	1,617,763
Total Assets	2,924,558	752,790	980,684	4,658,032
Liabilities and Net Assets				
Liabilities				
Accounts payable	41,026	2,783	1,682	45,491
Accrued liabilities	13,590	-	161,488	175,078
Due to other governments	-	2,769	-	2,769
Total Liabilities	54,616	5,552	163,170	223,338
Net Assets				
Invested in capital assets, net of related debt	1,617,763	-	-	1,617,763
Unreserved	1,252,179	747,238	817,514	2,816,931
Net Assets	\$2,869,942	\$ 747,238	\$ 817,514	\$4,434,694

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

<i>Year ended June 30, 2007</i>	Motor Pool	Insurance	Health Benefits	Total
Operating Revenues				
Charges for services	\$ 677,685	\$ 416,819	\$ 2,344,247	\$ 3,438,751
Operating Expenses				
Wages and payroll benefits	132,365	-	-	132,365
Operating supplies	227,822	-	-	227,822
Insurance	30,808	385,829	1,857,458	2,274,095
Depreciation	215,685	-	-	215,685
Professional services	21,229	-	56,326	77,555
Miscellaneous	2,356	-	-	2,356
Total Operating Expenses	630,265	385,829	1,913,784	2,929,878
Operating income	47,420	30,990	430,463	508,873
Non-Operating Revenues				
Interest income	53,552	30,592	37,212	121,356
Other income	29,753	-	19,321	49,074
Total Non-Operating Revenues	83,305	30,592	56,533	170,430
Change in Net Assets	130,725	61,582	486,996	679,303
Net Assets, at beginning of year	2,739,217	685,656	330,518	3,755,391
Net Assets, at end of year	\$2,869,942	\$ 747,238	\$ 817,514	\$4,434,694

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Cash Flows

<i>Year ended June 30, 2007</i>	Motor Pool	Insurance	Health Benefits	Total
Cash Flows from Operating Activities				
Receipts from customers and users	\$ 707,369	\$ 417,451	\$ 2,218,965	\$ 3,343,785
Payments to suppliers	(263,371)	(409,233)	(205,799)	(878,403)
Payments to employees	(137,244)	-	-	(137,244)
Claims paid	-	-	(1,733,099)	(1,733,099)
Net Cash Provided by Operating Activities				
	306,754	8,218	280,067	595,039
Cash Flows from Capital and Related Financing Activities				
Purchase of capital assets	(229,709)	-	-	(229,709)
Cash Flows from Investing Activities				
Interest income	53,552	30,592	37,212	121,356
Net Increase in Cash and Cash Equivalents				
	130,597	38,810	317,279	486,686
Cash and Cash Equivalents, at beginning of year	1,164,512	569,760	472,730	2,207,002
Cash and Cash Equivalents, at end of year	\$1,295,109	\$ 608,570	\$ 790,009	\$2,693,688

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Internal Service Funds

Combining Statement of Cash Flows

<i>Year ended June 30, 2007</i>	Motor Pool	Insurance	Health Benefits	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities				
Operating income	\$ 47,420	\$ 30,990	\$ 430,463	\$ 508,873
Adjustments to reconcile operating income to net cash provided by operating activities				
Other income	29,753	-	19,321	49,074
Depreciation	215,685	-	-	215,685
Changes in assets and liabilities				
Accounts receivable	531	632	(144,603)	(143,440)
Prepaid items	-	(28,784)	(43,047)	(71,831)
Due from other governments	(600)	-	-	(600)
Inventory	(1,282)	-	-	(1,282)
Accounts payable	20,126	2,611	(4,318)	18,419
Accrued liabilities	(4,879)	-	22,251	17,372
Due to other governments	-	2,769	-	2,769
Net Cash Provided by Operating Activities	\$ 306,754	\$ 8,218	\$ 280,067	\$ 595,039

City of Grand Haven, Michigan

Agency Funds

Combining Balance Sheet

<i>June 30, 2007</i>	Payroll	Tax Collection	Trust and Agency	Total
Assets				
Cash and cash equivalents	\$ 53,739	\$ 72,271	\$ 176,861	\$302,871
Due from other	13,242	-	-	13,242
Accounts receivable	28,819	-	-	28,819
Total Assets	\$ 95,800	\$ 72,271	\$ 176,861	\$344,932
Liabilities				
Accounts payable	\$ 95,800	\$ 72,271	\$ -	\$168,071
Trust deposits	-	-	176,861	176,861
Total Liabilities	\$ 95,800	\$ 72,271	\$ 176,861	\$344,932

City of Grand Haven, Michigan

Agency Funds

Combining Statement of Changes in Assets and Liabilities

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Trust and Agency				
Assets				
Cash and cash equivalents	\$ 84,923	\$ 295,808	\$ 203,870	\$176,861
Liabilities				
Accounts payable	\$ -	\$ 5,984	\$ 5,984	\$ -
Trust deposits	84,923	134,769	42,831	176,861
	\$ 84,923	\$ 140,753	\$ 48,815	\$176,861
Tax Collection				
Assets				
Cash and cash equivalents	\$ 32,636	\$21,471,670	\$21,432,035	\$ 72,271
Liabilities				
Accounts payable	\$ 30,840	\$15,900,709	\$15,859,278	\$ 72,271
Due to other governments	1,796	43,518,630	43,520,426	-
	\$ 32,636	\$59,419,339	\$59,379,704	\$ 72,271

This Statement Covers More Than One Page.

City of Grand Haven, Michigan

Agency Funds

Combining Statement of Changes in Assets and Liabilities

	Balance July 1, 2006	Increases	Decreases	Balance June 30, 2007
Payroll				
Assets				
Cash and cash equivalents	\$ 24,642	\$11,880,496	\$11,851,399	\$ 53,739
Due from other governments	9,920	55,994	52,672	13,242
Accounts receivable	51	28,883	115	28,819
Due from other funds	176	11,352,138	11,352,314	-
	\$ 34,789	\$23,317,511	\$23,256,500	\$ 95,800
Liabilities				
Accounts payable	\$ 34,789	\$13,682,082	\$13,621,071	\$ 95,800
Totals - all agency funds				
Assets				
Cash and cash equivalents	\$ 142,201	\$33,647,974	\$33,487,304	\$302,871
Due from other governments	9,920	55,994	52,672	13,242
Accounts receivable	51	28,883	115	28,819
Due from other funds	176	11,352,138	11,352,314	-
	\$ 152,348	\$45,084,989	\$44,892,405	\$344,932
Liabilities				
Accounts payable	\$ 65,629	\$29,588,775	\$29,486,333	\$168,071
Trust deposits	84,923	134,769	42,831	176,861
Due to other governments	1,796	43,518,630	43,520,426	-
	\$ 152,348	\$73,242,174	\$73,049,590	\$344,932