

City of Lincoln Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2009**

City of Lincoln Park, Michigan

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Independent Auditor's Report

To the Honorable Mayor and City Council
City of Lincoln Park, 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 Lincoln Park, Michigan (the "City") as of and for the year ended June 30, 2009, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The City has not recorded certain City-owned land in the governmental activities. Accounting principles generally accepted in the United States of America require that the land be capitalized, which would increase the assets and net assets of the governmental activities. The amount by which this departure would affect the assets and net assets of the governmental activities has not been determined.

In our opinion, except for the effects of not recording City-owned land for the governmental activities as described in the preceding paragraph, 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 Lincoln Park, Michigan as of June 30, 2009 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.

To the Honorable Mayor and City Council
City of Lincoln Park, Michigan

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

As discussed in Note 13, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees, rather than as paid.

Plante & Moran, PLLC

December 18, 2009

City of Lincoln Park, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Lincoln Park, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2009. Please review it conjunction with the City's financial statements.

Reviewing the Annual Report

The annual report covers multiple financial statements. The statement of net assets and the statement of activities supply data about the activities of the City as a whole and provide information regarding the City's finances. For government activities, these statements provide long-term and short-term information about the City's overall status. Financial reporting is similar to that found in the private sector with its basis in full accrual accounting. Fund financial statements show City operations in more detail than government-wide statements, as they provide information about the City's most important funds.

Financial Highlights

Due to this year's operations, the City's net assets are as follows: net assets of business-type activities were \$28.9 million and net assets of governmental activities were \$37.2 million.

- The current year's expense total was \$33.7 million as compared to the \$29.8 million generated in fees and charges, grants, general revenues, and taxes for governmental programs. In the previous year, expenses were \$29.3 million as compared to the \$27.8 million generated in tax and other revenues for governmental.
- For business-type activities, City revenues were \$9.5 million. Expenses were \$8.5 million. In the previous year, revenues were \$9 million and expenditures were \$7.9 million.
- The annual cost of all City programs was \$42.2 million. The previous year's cost was \$37.3 million.

The City as a Whole Analysis

Because the statement of net assets and the statement of activities provide facts about the City as a whole, the statements can help determine if the City's financial condition has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

These statements give an account of the City's net assets and any changes in those assets. However, to truly judge the condition of the City, some nonfinancial factors, such as diversification of the taxpayer base or the condition of the City's infrastructure, must be considered in addition to the financial information provided in this report.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The statement of net assets and the statement of activities divide the City into two types of activities:

1. **Governmental activities:** The City's basic services are accounted for in this section, including the police, fire, public works, recreational and cultural departments, community and economic development, and general administration. Property taxes, state revenue sharing, franchise fees, and state and federal grants finance the majority of these activities.
2. **Business-type activities:** These activities are reported in the fund financial statements and generally report services for which the City charges customers a fee. Enterprise Funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the City organization, such as water utilities. The City provides water to residents, which the City purchases from the Detroit Water System. The City provides sewage treatment through a County-operated sewage treatment plant.

Detailing the Most Important Funds

The fund financial statements provide detailed information about the most important funds of the City. Certain funds are mandated by state law and by bond agreements. Other funds are established to manage money, meet legal requirements, or for certain taxes or grant funding.

- **Governmental funds:** Basic services are reported in governmental funds. Governmental fund financial statements detail how money flows into and out of the funds and reports the balances left at year end that are on hand for disbursement. Governmental funds are reported using an accounting method called modified accrual accounting. This method measures cash and financial assets that can easily be converted to cash. The governmental fund accountability focuses on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the next term.

Budgetary comparison statements are included in the basic financial statements for the General Fund and Major Special Revenue Fund (the Community Development Block Grant Fund). These statements and schedules demonstrate compliance within the City adopted and final revised budget.

- **Proprietary funds:** Proprietary funds are those which the City charges for services it provides, both to City units and outside customers. Proprietary funds are reported in the statement of net assets and the statement of revenues, expenses, and changes in fund net assets. The City's Enterprise Funds, a component of proprietary funds, are the same as the business-type activities it reports in the government-wide statements, but they give more detailed information such as cash flow.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

City Serving as Trustee

Due to trust arrangements, the City is often accountable for assets that can only be used for trust beneficiaries. All of these trustee proceedings are detailed in separate statements of fiduciary net assets and changes in fiduciary net assets. Because the City cannot use these assets to finance its operations, these activities are not included in other financial statements. However, the City must be certain the assets detailed in these funds are used for their intended purposes.

Notes to Financial Statements

The notes provide additional information that is necessary for a full understanding of the data provided in the accompanying financial statements.

Other Information

In addition to the financial statements and notes, this report contains supplemental information and details of the accompanying financial statements.

Table I - Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Assets						
Current and other assets	\$ 12,175.2	\$ 11,817.3	\$ 3,294.9	\$ 3,319.1	\$ 15,470.1	\$ 15,136.4
Noncurrent assets	<u>36,144.6</u>	<u>39,361.5</u>	<u>41,726.7</u>	<u>38,382.1</u>	<u>77,871.3</u>	<u>77,743.6</u>
Total assets	48,319.8	51,178.8	45,021.6	41,701.2	93,341.4	92,880.0
Liabilities						
Current liabilities	3,925.1	4,559.1	668.5	2,336.7	4,593.6	6,895.8
Long-term liabilities	<u>7,175.7</u>	<u>5,399.1</u>	<u>15,483.7</u>	<u>11,440.7</u>	<u>22,659.4</u>	<u>16,839.8</u>
Total liabilities	<u>11,100.8</u>	<u>9,958.2</u>	<u>16,152.2</u>	<u>13,777.4</u>	<u>27,253.0</u>	<u>23,735.6</u>
Net Assets						
Invested in capital assets - Net of related debt	32,975.3	35,856.6	19,043.1	18,344.9	52,018.4	54,201.5
Restricted	2,703.9	2,903.7	8,123.3	7,458.1	10,827.2	10,361.8
Unrestricted	<u>1,539.8</u>	<u>2,460.3</u>	<u>1,703.0</u>	<u>2,120.8</u>	<u>3,242.8</u>	<u>4,581.1</u>
Total net assets	<u>\$ 37,219.0</u>	<u>\$ 41,220.6</u>	<u>\$ 28,869.4</u>	<u>\$ 27,923.8</u>	<u>\$ 66,088.4</u>	<u>\$ 69,144.4</u>

City as a Whole

The City's combined net assets from the previous year were \$69.1 million as compared to \$66.1 million this year. However, net assets and expenses from governmental and business-type activities must be reviewed separately. Table I focuses on the net assets and Table 2 focuses on changes in the net assets of the City's governmental and business-type activities.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The City's net assets for governmental activities were \$37.2 million this year as compared to \$41.2 million last year. Unrestricted net assets were \$2.5 million last year as compared to \$1.5 million this year. Unrestricted net assets are those that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net assets of the City's business-type activities were \$28.9 million this year as compared to \$27.9 million last year.

City revenues for the current year were \$39.3 million compared to \$36.9 in the previous year. The total yearly cost of all programs and services was \$42.2 million as compared to \$37.3 million in the previous year.

Table 2 - Change in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2008	2009	2008	2009	2008
Revenues						
Program revenues - Restricted:						
Charges for services	\$ 3,306.2	\$ 3,565.0	\$ 7,930.3	\$ 7,355.6	\$ 11,236.5	\$ 10,920.6
Operating and capital grants	3,180.0	3,758.2	-	-	3,180.0	3,758.2
General revenue:						
Property taxes	17,472.6	14,167.6	1,490.2	1,532.1	18,962.8	15,699.7
Interest and investment income	343.3	599.0	31.9	198.8	375.2	797.8
Other general revenues including transfers	5,535.0	5,752.0	-	(33.2)	5,535.0	5,718.8
Total revenues	29,837.1	27,841.8	9,452.4	9,053.3	39,289.5	36,895.1
Expenses						
Program expenses:						
General government	7,470.0	4,757.8	-	-	7,470.0	4,757.8
Public safety	15,268.1	13,891.6	-	-	15,268.1	13,891.6
Public works	8,477.1	8,122.3	-	-	8,477.1	8,122.3
Culture and recreation	1,486.5	1,371.7	-	-	1,486.5	1,371.7
Community development	829.9	1,179.4	-	-	829.9	1,179.4
Interest on long-term debt	141.1	2.0	-	-	141.1	2.0
Business activities - Water and/or sewer	-	-	8,507.0	7,934.4	8,507.0	7,934.4
Total expenses	33,672.7	29,324.8	8,507.0	7,934.4	42,179.7	37,259.2
(Decrease) Increase in Net Assets	\$ (3,835.6)	\$ (1,483.0)	\$ 945.4	\$ 1,118.9	\$ (2,890.2)	\$ (364.1)

The City adopted Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during 2009. This new accounting standard recognizes the cost of future retiree healthcare costs and increased government-wide long-term liabilities and expenses by \$2.4 million in the current year.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

This year's governmental activities revenues were \$29.8 million as compared to \$27.8 million last year. The year's governmental activities cost was \$33.7 million as compared to \$29.3 million in the previous year. No new debt was added and the City continues to have very few long-term obligations.

In the past year, the government of the City of Lincoln Park, Michigan has been able to take on few additional projects in economically restrained financial times. Improvements in the service vehicle fleet as well as computer technology were limited to replacement of existing units only and no new debt was issued.

Business-type Activities

This year's business-type activities revenues (see Table 2) were \$9.5 million as compared to \$9.1 million last year. This year's expenses were \$8.5 million as compared to \$7.9 million in the previous year. These figures are in part due to the following reasons:

The only business activity currently is the Water and Sewer Fund. This fund is still falling short even after the 14 percent rate increase that has been put in place. In addition, this fund reported additional retiree healthcare expenses of \$375,000 due to the implementation of GASB 45. An evaluation of this fund will take place and rate adjustments will continue to be made based upon the cost of running the system.

General Fund Budgetary Statements

Continual steps must be taken to curb this trend in the near future. Lincoln Park is still financially solvent, but the rising cost of employee benefits including health care and retiree pension plans are quickly wearing away at the fund.

The intention of City management is to eliminate the use of fund balance in the coming years, and the goal would be to continue to add to those funds within the next few years. Further measures need to be taken to ensure that the City remains financially solvent. The taxpayers approved a three-year public safety and library millage which has helped in the short term, but expenses must continue to be kept under control to accomplish solvency.

In developing the budget and annual operations plan, numerous sources are used for the purpose of estimating community need; priorities and estimating revenue capacity have been utilized.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The City approaches the development of the budget by complying with the Uniform Budgeting and Accounting Act of the State of Michigan. The budget is based on the same modified accrual method of accounting that is applied in the annual audited financial statements. In accordance with state law, the budget is amended at least once at mid-year and at the conclusion of the fiscal year or as often as experience indicates that material deviations from the adopted plan are occurring. Internally, the director of finance initiates the process and, in concert with the city manager, establishes an annual budget preparation calendar. A series of internal briefings and conferences with key staff administrators are held and then internal input is coordinated with external inputs beginning with an annual strategic organizational planning session of the mayor and City Council in January of each year. These activities result in submission of a recommended budget to the mayor and City Council by April 1 of the calendar year as required by charter.

Amendments to the budget are initiated by administration based upon experience or revised estimates and submitted to the mayor and City Council for adoption. All budgets are approved at the department level. The mayor and City Council adopt the budget resolution and have assigned activity and line item amendatory change authority to the finance director and city manager.

A significant external input is the economic strategic plan (2006) that provides objectives and priorities for enhancement of the tax base and demographic characteristics such as housing, population, and commercial sales trends. Additionally, City-wide survey data (2006) was used by City management concerning resident priorities in developing the recommendations for services and the financing of those services. It is proposed that the City revise the economic strategic plan in 2009-2010 to reflect the new Michigan economy and lack of growth in commercial and industrial property sectors and the continued decline in the City's population.

The master land use plan guides the development and use of properties upon which property tax is based. This plan (2007) was adopted following significant input from the public during three public hearings. It is proposed that this plan be amended in the 2009-2010 fiscal year.

Plante & Moran, PLLC, the City's independent auditing consulting firm, has been retained again to compile a five-year financial forecast. The five-year financial analysis and projections provide an in-depth estimation of future financial conditions and developed an automated tool to facilitate the analysis of financial operational objectives and the projection of fee income, tax income, and the use of fund balance, or reserves.

Estimates for property tax revenue are based on the underlying application of various state laws and the formulation for each is described in this budget. The City has determined that the term revenues include the planned use of or draw down from fund reserves or balances, the funds on hand after the completion of one fiscal year and unencumbered or designated to capital or contractual obligations.

This budget has been developed using the best available information concerning financial trends and community conditions. Additionally, two public meetings and two mayor and Council work sessions were held seeking public input prior to budget adoption on June 2, 2009.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

City Funds

At year end, the City reported a total governmental fund balance of \$7.2 million as compared to \$6.4 million in the previous year. Of the other significant funds, the Water and Sewer Fund is the largest. In order for the City to update the rates to meet its inflationary expenditures, rates were raised 11 percent. A more aggressive collection of water/sewer funds was also put into place and has reduced delinquencies by 50 percent to date.

Capital Assets

Table 3 - Capital Assets at Year End (Net of depreciation, in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Land	\$ -	\$ -	\$ 16.5	\$ 16.5	\$ 16.5	\$ 16.5
Equipment	4,065.3	4,446.8	1,317.3	1,379.0	5,382.6	5,825.8
Buildings and improvements	1,099.3	1,088.1	260.3	275.4	1,359.6	1,363.5
Infrastructure	29,119.3	31,917.5	32,366.1	29,253.1	61,485.4	61,170.6
Vehicles	1,860.7	1,909.1	-	-	1,860.7	1,909.1
Total	\$ 36,144.6	\$ 39,361.5	\$ 33,960.2	\$ 30,924.0	\$ 70,104.8	\$ 70,285.5

At the close of the year, the City had invested \$70.1 million in capital assets such as land, buildings and improvements, and equipment or infrastructure (see Table 3). A total of \$70.3 million was invested in similar assets last year.

Table 4 - Outstanding Debt at Year End (in thousands)

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
General obligation bonds (backed by the City)	\$ -	\$ -	\$ 14,917.0	\$ 12,579.2	\$ 14,917.0	\$ 12,579.2
Other bonds or outstanding obligations	5,124.1	5,399.1	192.0	269.7	5,316.1	5,668.8
Total	\$ 5,124.1	\$ 5,399.1	\$ 15,109.0	\$ 12,848.9	\$ 20,233.1	\$ 18,248.0

Debt Management

At the close of the year, the City had \$20.2 million in outstanding bonds and notes, as compared to the previous year of \$18.2 (see Table 4).

Economic Issues/Upcoming Yearly Budgets

City officials considered many issues when establishing the upcoming year's budget, tax rates, and fees. To prepare strategically for future challenges, a five-year financial plan was prepared with the assistance of the independent auditors. This plan forecasts the probable impact of changes to revenue and expenditures based on assumptions derived from demographic and historical financial patterns.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The hard economic times in Michigan continue. High unemployment rates persist, difficult and painful economic developments are covered in newspaper headlines all too often, and state government continues to wrestle with these and other developments. The State's problems become our problems as revenue levels remain stagnant or decline. Expenses continue to grow as important and significant costs such as employee and retiree healthcare costs keep escalating. It appears that municipalities around the state are in actual and persistent danger of becoming financially insolvent. The prospect of emergency receivership is all too real for many municipalities across Michigan, including even the largest city in our state.

Simply stated, municipal government in the state of Michigan is in a state of crisis. Nothing less than a profound change in our state's municipal finance model will resolve this crisis in the long term. Lincoln Park has been heading for fiscal trouble for a long time; for example, in three of the last six years, expenditures exceeded revenue, and in the other three years, revenue slightly covered expenses, but did not allow for considerable additions to fund balance. The City was able to add to fund balance in the current fiscal year due to new voter approved millages. The additional revenue generated from these temporary millages will help minimize the use of fund balance in the short-term future. Efforts continue to minimize costs. Significant programs such as the early retirement incentive programs, employee reductions, and reduced insurance and garbage collection costs, achieved through the procurement process, have helped the City with financial survival.

Lincoln Park city government is working with other organizations to articulate this basic fact to the leaders at the state level of government in an attempt to accomplish that much-needed reform. We require a complete overhaul of how we finance municipal government in this state in order for Lincoln Park and other municipalities to thrive and to continue to offer the services that we offer. These services, such as police and fire protection, road maintenance, parks and recreation services, and garbage pickup, are critical to the daily quality of life in our communities. Municipal government is one of the best investments we can make in Michigan and our economic recovery and it is time that this investment was properly and adequately made.

Lincoln Park city government continues to do what can be done to manage these problems given a financial environment that basically requires restructuring in order to continue to exist, let alone thrive. A brief summary of some of these efforts includes the following:

1. Working to find staff efficiencies to keep our level of employees reasonable, efficient, and affordable. The City has redesigned its workforce without part-time employees and seven full-time employees across numerous departments.
2. The City is seeking reductions in employee related costs through the collective bargaining process to achieve meaningful and necessary cost reductions in order to maintain the viability of your local government and our ability to provide the local services we all rely on. The City commenced binding arbitration under PA 312 with the largest city unions of police and fire in 2008-2009 with awards expected in 2009-2010.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

3. Seeking new and improved ways to administer and provide the required pension and health-care obligations to employees. One example is seeking a shift to the Municipal Employees' Retirement System (MERS) pension system that would generate superior investment returns, reduce administrative costs, and improve the financial health of your city government.

And finally, the Lincoln Park city government has been and will continue to be a leader in developing new, innovative, cooperative, and collaborative ways of doing business with neighboring municipal governments. Examples of our commitment and success in this area include:

- Leasing the Community Center for recreational ice and swimming activity to a private company, eliminating any city financial operational costs and support
- Being a leader in winning and implementing a Center for Regional Excellence grant from the State to fund and develop cooperative and collaborative relationships with other municipalities
- Fostering an increased focus on cooperation and collaboration among neighboring communities through our advocacy efforts with organizations such as the Downriver Community Conference and the Michigan Suburbs Alliance
- Contracting for animal shelter services with neighboring Allen Park, administering energy grants through the Michigan Suburbs Alliance, and developing an intergovernmental contract with neighboring Wyandotte for the 911 public safety dispatching service

The City will also embark on a five-year capital projects plan that will help to improve the aging infrastructure. This will include street improvements, sewer improvements, park updates, and the purchasing/maintenance of equipment that is vital for Lincoln Park to continue to provide the highest quality services possible to its residents. The combined use of CDBG and motor vehicle highway revenue is the primary source of funding for this program.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Contact Information

This report has been created to give our citizens, taxpayers, customers, investors, and creditors a summary of City finances and to show how its revenues are used. If you have any questions regarding this report, or if you need additional financial information, please contact:

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City of Lincoln Park, Michigan

Statement of Net Assets June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,757,006	\$ 8	\$ 5,757,014	\$ 1,281,049
Receivables:				
Taxes - Net of allowance for uncollectible taxes of \$46,000	1,574,924	122,206	1,697,130	-
Customers	-	2,874,971	2,874,971	-
Special assessments	14,083	-	14,083	-
Loans receivable	2,361,918	-	2,361,918	74,934
Accrued interest and other	282,677	1,439	284,116	-
Due from other governmental units	1,828,932	-	1,828,932	-
Internal balances	60,405	(60,405)	-	-
Prepaid expenses	295,208	-	295,208	-
Restricted assets (Note 9)	-	8,123,197	8,123,197	-
Capital assets - Net (Note 5)	36,144,629	33,960,155	70,104,784	283,600
Total assets	48,319,782	45,021,571	93,341,353	1,639,583
Liabilities				
Accounts payable	775,652	629,180	1,404,832	5,414
Accrued and other liabilities	774,769	39,265	814,034	74,934
Deferred revenue (Note 4)	2,374,688	-	2,374,688	-
Noncurrent liabilities:				
Net retiree healthcare obligation	2,051,590	374,760	2,426,350	-
Due within one year (Note 8)	648,355	1,451,355	2,099,710	-
Due in more than one year (Note 8)	4,475,775	13,657,652	18,133,427	-
Total liabilities	11,100,829	16,152,212	27,253,041	80,348
Net Assets				
Invested in capital assets - Net of related debt	32,975,299	19,043,120	52,018,419	283,600
Restricted:				
Streets and highways	2,253,826	-	2,253,826	-
Debt service	2,267	1,907,364	1,909,631	-
Water and sewer improvements	-	6,215,833	6,215,833	-
Sanitation	34,138	-	34,138	-
Drug forfeiture	413,603	-	413,603	-
Unrestricted	1,539,820	1,703,042	3,242,862	1,275,635
Total net assets	\$ 37,218,953	\$ 28,869,359	\$ 66,088,312	\$ 1,559,235

City of Lincoln Park, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 7,469,919	\$ 787,371	\$ -	\$ -
Public safety	15,268,084	1,598,723	115,135	-
Public works	8,477,148	616,604	2,301,297	-
Community and economic development	829,865	-	763,582	-
Recreation and culture	1,486,525	303,469	-	-
Interest on long-term debt	141,057	-	-	-
Total governmental activities	33,672,598	3,306,167	3,180,014	-
Business-type activities - Water and sewer	8,506,877	7,930,337	-	-
Total primary government	<u>\$ 42,179,475</u>	<u>\$ 11,236,504</u>	<u>\$ 3,180,014</u>	<u>\$ -</u>
Component units:				
Downtown Development Authority	\$ 222,411	\$ -	\$ -	\$ -
Economic Development Corporation	28,938	21,279	-	-
Total component units	<u>\$ 251,349</u>	<u>\$ 21,279</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes:				
City operating and rubbish				
Retention basin and Downriver sewer system				
Downtown Development Authority				
Total property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Gain on sale of assets				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2009

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (6,682,548)	\$ -	\$ (6,682,548)	\$ -
(13,554,226)	-	(13,554,226)	-
(5,559,247)	-	(5,559,247)	-
(66,283)	-	(66,283)	-
(1,183,056)	-	(1,183,056)	-
(141,057)	-	(141,057)	-
(27,186,417)	-	(27,186,417)	-
-	(576,540)	(576,540)	-
(27,186,417)	(576,540)	(27,762,957)	-
-	-	-	(222,411)
-	-	-	(7,659)
-	-	-	(230,070)
17,472,619	-	17,472,619	-
-	1,490,212	1,490,212	-
-	-	-	459,306
17,472,619	1,490,212	18,962,831	459,306
4,999,382	-	4,999,382	-
343,310	31,873	375,183	17,680
526,913	-	526,913	-
8,686	-	8,686	-
23,350,910	1,522,085	24,872,995	476,986
(3,835,507)	945,545	(2,889,962)	246,916
41,054,460	27,923,814	68,978,274	1,312,319
\$ 37,218,953	\$ 28,869,359	\$ 66,088,312	\$ 1,559,235

City of Lincoln Park, Michigan

Governmental Funds Balance Sheet June 30, 2009

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
Assets				
Cash and investments (Note 3)	\$ 2,066,735	\$ 153,213	\$ 2,898,567	\$ 5,118,515
Receivables:				
Taxes	1,344,895	-	178,759	1,523,654
Special assessments	-	-	14,083	14,083
Loans receivable	-	2,361,918	-	2,361,918
Other	280,410	-	2,267	282,677
Due from other governmental units	1,147,094	322,045	359,793	1,828,932
Due from other funds (Note 6)	337,026	-	2,711	339,737
Prepaid expenses	295,208	-	-	295,208
Total assets	\$ 5,471,368	\$ 2,837,176	\$ 3,456,180	\$ 11,764,724
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ 378,503	\$ 121,606	\$ 228,116	\$ 728,225
Accrued and other liabilities	699,678	3,369	27,762	730,809
Due to other funds (Note 6)	90,616	337,513	47,781	475,910
Deferred revenue (Note 4)	80,211	2,488,436	14,082	2,582,729
Total liabilities	1,249,008	2,950,924	317,741	4,517,673
Fund Balances (Deficit)				
Reserved for prepaid expenses	295,208	-	-	295,208
Unreserved - Reported in:				
General Fund	3,927,152	-	-	3,927,152
Special Revenue Funds	-	(113,748)	3,060,851	2,947,103
Debt Service Funds	-	-	2,267	2,267
Capital Projects Fund	-	-	75,321	75,321
Total fund balances (deficit)	4,222,360	(113,748)	3,138,439	7,247,051
Total liabilities and fund balances (deficit)	\$ 5,471,368	\$ 2,837,176	\$ 3,456,180	\$ 11,764,724

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2009

Fund Balance - Total Governmental Funds \$ 7,247,051

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the governmental funds	34,146,076
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	94,294
Grant revenue is recognized in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end	113,748
Personal property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	51,270
Accrued interest payable is recorded as a liability in governmental activities	(34,322)
Compensated absences are included as a liability in governmental activities	(1,954,800)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	(3,169,330)
Net other postemployment benefits are not due and payable in the current period and are not reported in the funds	(2,051,590)
Internal Service Funds are included as a part of governmental activities	<u>2,776,556</u>

Net Assets - Governmental Activities **\$ 37,218,953**

City of Lincoln Park, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2009

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
Revenue				
Property taxes	\$ 15,461,717	\$ -	\$ 2,022,211	\$ 17,483,928
Federal sources	-	763,582	-	763,582
State sources	5,258,876	-	2,345,963	7,604,839
Licenses and permits	1,510,226	-	87,865	1,598,091
Fines and forfeitures	1,428,089	-	-	1,428,089
Interest and rentals	333,765	-	8,235	342,000
Other	645,902	-	79,325	725,227
Total revenue	24,638,575	763,582	4,543,599	29,945,756
Expenditures - Current				
General government	10,079,418	-	-	10,079,418
Public safety	11,139,263	-	26,449	11,165,712
Public works	655,945	-	4,669,371	5,325,316
Community development	19,361	877,330	-	896,691
Recreation and culture	1,644,361	-	-	1,644,361
Total expenditures	23,538,348	877,330	4,695,820	29,111,498
Excess of Revenues Over (Under)				
Expenditures	1,100,227	(113,748)	(152,221)	834,258
Other Financing Sources (Uses)				
Transfers in	-	-	483,463	483,463
Transfers out	(97,083)	-	(386,380)	(483,463)
Total other financing (uses) sources	(97,083)	-	97,083	-
Net Change in Fund Balances	1,003,144	(113,748)	(55,138)	834,258
Fund Balances - Beginning of year	3,219,216	-	3,193,577	6,412,793
Fund Balances (Deficit) - End of year	\$ 4,222,360	\$ (113,748)	\$ 3,138,439	\$ 7,247,051

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ 834,258

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

Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation 502,644

Capital assets used in governmental activities are not considered financial resources; as such, depreciation recorded on those assets is not considered an activity of the funds (3,695,305)

Revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end 193,960

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) 187,067

Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred 6,722

Increase in accumulated employee sick and vacation pay is recorded when earned in the statement of activities (60,679)

Increase in net other postemployment benefits reported in the statement of activities does not require current financial resources and therefore is not reported in the fund statements until due (2,051,590)

Internal Service Funds are also included as governmental activities on the statement of activities 247,416

Change in Net Assets of Governmental Activities **\$ (3,835,507)**

City of Lincoln Park, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Major Fund	Nonmajor Fund		Governmental Activities
	Water and Sewer Fund	Development Fund	Enterprise Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ -	\$ 8	\$ 8	\$ 638,491
Receivables:				
Taxes	122,206	-	122,206	-
Customers	2,874,971	-	2,874,971	-
Other	1,439	-	1,439	-
Due from other funds	-	-	-	196,578
Restricted assets - Current portion (Note 9)	<u>1,422,627</u>	<u>-</u>	<u>1,422,627</u>	<u>-</u>
Total current assets	4,421,243	8	4,421,251	835,069
Long-term assets:				
Restricted assets - Long-term portion (Note 9)	6,700,570	-	6,700,570	-
Capital assets (Note 5)	<u>33,960,155</u>	<u>-</u>	<u>33,960,155</u>	<u>1,998,552</u>
Total assets	45,081,968	8	45,081,976	2,833,621
Liabilities				
Current liabilities:				
Accounts payable	629,180	-	629,180	47,427
Accrued and other liabilities	39,265	-	39,265	9,638
Due to other funds (Note 6)	60,405	-	60,405	-
Current portion of long-term debt (Note 8)	<u>1,451,355</u>	<u>-</u>	<u>1,451,355</u>	<u>-</u>
Total current liabilities	2,180,205	-	2,180,205	57,065
Net retiree healthcare obligation	374,760	-	374,760	-
Long-term debt - Net of current portion (Note 8)	<u>13,657,652</u>	<u>-</u>	<u>13,657,652</u>	<u>-</u>
Total liabilities	16,212,617	-	16,212,617	57,065
Net Assets				
Invested in capital assets - Net of related debt	19,043,120	-	19,043,120	1,998,552
Restricted (Note 9)	8,123,197	-	8,123,197	-
Unrestricted and undesignated	<u>1,703,034</u>	<u>8</u>	<u>1,703,042</u>	<u>778,004</u>
Total net assets	<u>\$ 28,869,351</u>	<u>\$ 8</u>	<u>\$ 28,869,359</u>	<u>\$ 2,776,556</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2009

	Major Fund	Nonmajor Fund	Enterprise	Governmental Activities
	Water and Sewer Fund	Development Fund	Total	Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,814,058	\$ -	\$ 2,814,058	\$ -
Sewage disposal charges	4,442,509	-	4,442,509	-
Charges for services	-	-	-	1,538,205
System maintenance charge	310,201	-	310,201	-
Other	363,569	-	363,569	8,686
Total operating revenue	7,930,337	-	7,930,337	1,546,891
Operating Expenses				
Cost of water	1,667,680	-	1,667,680	-
Cost of sewage disposal	1,836,088	-	1,836,088	-
Operation and maintenance	606,902	-	606,902	568,441
General and administrative	1,831,445	88,189	1,919,634	317,914
Depreciation	1,123,767	-	1,123,767	407,958
Other	903,893	-	903,893	-
Total operating expenses	7,969,775	88,189	8,057,964	1,294,312
Operating (Loss) Income	(39,438)	(88,189)	(127,627)	252,579
Nonoperating Revenue (Expense)				
Property taxes	1,490,212	-	1,490,212	-
Investment income	31,654	219	31,873	630
Interest expense	(448,913)	-	(448,913)	(5,793)
Total nonoperating revenue (expense)	1,072,953	219	1,073,172	(5,163)
Change in Net Assets	1,033,515	(87,970)	945,545	247,416
Net Assets - Beginning of year	27,835,836	87,978	27,923,814	2,529,140
Net Assets - End of year	<u>\$ 28,869,351</u>	<u>\$ 8</u>	<u>\$ 28,869,359</u>	<u>\$ 2,776,556</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Major Fund	Nonmajor Fund	Enterprise	Governmental Activities
	Water and Sewer Fund	Development Fund	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,805,476	\$ -	\$ 6,805,476	\$ 1,546,891
Payment to suppliers	(5,219,692)	(88,189)	(5,307,881)	(616,630)
Payments to employees for wages and benefits	(1,772,307)	-	(1,772,307)	(316,782)
Other payments	314,545	-	314,545	(216)
Net cash provided by (used in) operating activities	128,022	(88,189)	39,833	613,263
Cash Flows from Capital and Related Financing Activities				
Collection of property taxes	1,490,212	-	1,490,212	-
Payment to County Debt Service Fund	(659,577)	-	(659,577)	-
Payments to other funds	-	-	-	4,058
Purchase of capital assets	(427,066)	-	(427,066)	(383,725)
Principal paid on debt	(839,000)	-	(839,000)	(148,555)
Interest paid on debt	(258,867)	-	(258,867)	(5,793)
Net cash used in capital and related financing activities	(694,298)	-	(694,298)	(534,015)
Cash Flows from Noncapital Financing Activities - Payments to other funds				
	-	-	-	443,042
Cash Flows from Investing Activities - Interest received on investments				
	12,829	219	13,048	630
Net (Decrease) Increase in Cash and Cash Equivalents	(553,447)	(87,970)	(641,417)	522,920
Cash and Cash Equivalents - July 1, 2008	5,399,915	87,978	5,487,893	115,571
Cash and Cash Equivalents - June 30, 2009	<u>\$ 4,846,468</u>	<u>\$ 8</u>	<u>\$ 4,846,476</u>	<u>\$ 638,491</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ -	\$ 8	\$ 8	\$ 638,491
Restricted assets (Note 9)	5,221,228	-	5,221,228	-
Total	<u>\$ 5,221,228</u>	<u>\$ 8</u>	<u>\$ 5,221,236</u>	<u>\$ 638,491</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (39,438)	\$ (88,189)	\$ (127,627)	\$ 252,579
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	1,123,767	-	1,123,767	407,958
Changes in assets and liabilities:				
Accounts receivable	(528,899)	-	(528,899)	-
Inventories	47,792	-	47,792	-
Due to other funds	(315,606)	-	(315,606)	(216)
Accounts payable	(173,323)	-	(173,323)	(48,189)
Compensated absences	11,244	-	11,244	-
Accrued and other liabilities	2,485	-	2,485	1,131
Net cash provided by (used in) operating activities	<u>\$ 128,022</u>	<u>\$ (88,189)</u>	<u>\$ 39,833</u>	<u>\$ 613,263</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2009

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2009, the following activities occurred with the assets held at Wayne County on behalf of the City that were not reflected in the statement of cash flows:

Assets on Hand - July 1, 2008	\$ 2,791,142
Interest earned on investments	18,825
Judgment levy	659,577
Decrease in working capital as a result of billings to the City	(89,219)
Issuance of long-term debt	3,732,820
Purchase of capital assets	(3,732,820)
Principal paid	(644,947)
Interest paid	<u>(190,046)</u>
Assets on Hand - June 30, 2009	<u>\$ 2,545,332</u>

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2009

	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,860,423	\$ 113,289
Investments at fair value:		
Common stock	14,143,734	-
U.S. government securities	2,505,556	-
U.S. government agencies	1,614,501	-
Corporate bonds	3,093,205	-
Mutual funds	3,541,400	-
Accrued interest and other	96,322	-
Total assets	30,855,141	\$ 113,289
Liabilities		
Accounts payable	25,316	\$ -
Accrued and other liabilities	18,000	113,289
Total liabilities	43,316	\$ 113,289
Net Assets - Held in trust for pension and other employee benefits	\$ 30,811,825	

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2009

	Pension and Other Employee Benefits Trust Funds
Additions	
Contributions:	
Employer	\$ 4,081,029
Plan members	665,296
	<hr/>
Total contributions	4,746,325
Investment activity:	
Net decrease in fair value of investments	(7,529,210)
Interest and dividends	829,540
Less investment expenses	(304,534)
	<hr/>
Net investment activity	(7,004,204)
	<hr/>
Total additions - Net	(2,257,879)
Deductions	
Benefit payments	7,767,139
Refunds of contributions	148,787
Administrative expenses	73,682
	<hr/>
Total deductions	7,989,608
	<hr/>
Decrease in Plan Net Assets	(10,247,487)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	41,059,312
	<hr/>
End of year	\$ 30,811,825
	<hr/> <hr/>

City of Lincoln Park, Michigan

Component Units Statement of Net Assets June 30, 2009

	Downtown Development Authority	Economic Development Corporation	Total
Assets			
Cash and cash equivalents	\$ 1,106,985	\$ 174,064	\$ 1,281,049
Loans receivable	-	74,934	74,934
Capital assets (Note 5)	283,600	-	283,600
Total assets	1,390,585	248,998	1,639,583
Liabilities			
Accounts payable	5,396	18	5,414
Deferred revenue	-	74,934	74,934
Total liabilities	5,396	74,952	80,348
Net Assets			
Invested in capital assets	283,600	-	283,600
Unrestricted	1,101,589	174,046	1,275,635
Total net assets	<u>\$ 1,385,189</u>	<u>\$ 174,046</u>	<u>\$ 1,559,235</u>

City of Lincoln Park, Michigan

		Program Revenues	
	Expenses	Charges for Services	Operating Grants/ Contributions
Governmental activities:			
Downtown Development Authority	\$ 222,411	\$ -	\$ -
Economic Development Corporation	28,938	21,279	-
Total governmental activities	\$ 251,349	\$ 21,279	\$ -

General revenues:

Property taxes

Interest

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2009**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Economic Development Corporation	Total
\$ (222,411)	\$ -	\$ (222,411)
-	(7,659)	(7,659)
(222,411)	(7,659)	(230,070)
459,306	-	459,306
14,264	3,416	17,680
473,570	3,416	476,986
251,159	(4,243)	246,916
1,134,030	178,289	1,312,319
\$ 1,385,189	\$ 174,046	\$ 1,559,235

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The City of Lincoln Park, Michigan is governed by an elected six-member council and the mayor. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legally separate entities, in substance, they are part of the City’s operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Blended Component Units

- a. The Building Authority is a City-created and City-directed authority whose sole business activity is acquiring and leasing property to the City. The Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City’s public buildings.
- b. The City of Lincoln Park Police and Fire Retirement System and Municipal Employees’ Retirement System have also been blended into the City’s financial statements. Both systems are governed by five-member pension boards. The mayor and one City Council member sit on each board. Two members of the board are elected by the participants. In addition, the City Council appoints one City resident to each board. The systems are reported as if they were part of the primary government because of the fiduciary responsibility that the City retains relative to the operations of the retirement systems.

Discretely Presented Component Units

- a. The Downtown Development Authority (the “Authority”) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and promote economic growth within the downtown district. The Authority’s governing body, which consists of eight individuals, is appointed by the mayor. The appointment is subject to approval by the City Council. In addition, the Authority’s budget is subject to approval by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

- b. The Economic Development Corporation (EDC) is reported in a separate column to emphasize that it is legally separate from the City. EDC was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. EDC's governing body, which consists of nine individuals, is selected by the City Council and mayor.

The component units above do not issue separate financial statements.

The City has excluded the Lincoln Park Housing Commission from this report because the City is not able to impose its will on the Lincoln Park Housing Commission.

The City created a Brownfield Development Area that will begin activity with the December 2009 tax levy. However, the Brownfield Development Area has not engaged in activity thus far and as such no activity has been recorded in these financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on user fees and charges for support. Likewise, the primary government is reported separately from the 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 or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenue. All other revenue items are considered to be available only when cash is received by the City.

The City reports the following two major governmental funds:

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

Note I - Summary of Significant Accounting Policies (Continued)

Community Development Block Grant Fund - The Community Development Block Grant Fund accounts for the resources of federal grant revenues, which are restricted for use in assisting the City with community development.

The City reports the following major Enterprise Fund:

Water and Sewer Fund - The Water and Sewer Fund is the City's only major proprietary fund. It accounts for the activities of the water distribution system and sewage collection system.

Additionally, the City reports the following fund types:

Internal Service Funds - Internal Service Funds account for vehicle and equipment purchases, as well as technology purchases.

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of the Police and Fire Retirement System, the Municipal Employees' Retirement System, and the Retirees' Health Benefit Fund, which accumulate resources for pension and postretirement health benefit payments to qualified police and fire and municipal employees.

Agency Funds - The Agency Funds are used to account for assets held by the City in a trustee capacity for other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

All trade receivables are shown as net of allowance for uncollectible amounts.

Property Taxes - Properties are assessed as of December 31. The related property taxes are billed and become a lien on July 1. The taxes are due on February 28 before they are added to the county tax rolls. Taxpayers not paying one-third of the tax by August 20, one-third by October 15, and the balance by February 28 are subject to penalties. Property tax receivables are shown net of allowance for uncollectible amounts.

The 2008 taxable valuation of the City totaled \$792 million, on which ad valorem taxes levied consisted of 19.3300 mills for the City's operating purposes, 2.3278 mills for refuse, .9725 mills for Ecorse Creek debt, and .9214 mills for Downriver Sewage Disposal System debt. This resulted in \$14.9 million for operating, \$1.8 million for rubbish, \$761,000 for Ecorse Creek, and \$725,000 for Downriver Sewage Disposal System. The ad valorem taxes levied are recognized in the respective General, Special Revenue, and Water and Sewer Funds financial statements as tax revenue.

Inventories - Inventories are valued at cost, on a first-in, first-out basis. The General Fund fund balance has been reserved in an amount equal to the cost of the inventory. The inventory includes gasoline and supplies for machinery and equipment.

Note I - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The restricted assets in the Water and Sewer Fund consist of cash and cash equivalents restricted to provide for the replacement of water and sewer assets. Also, monies received from a tax levy are restricted for the payment of outstanding Water and Sewer Fund debt. In addition, restricted assets result from the establishment of debt reserves related to county sewage disposal system bonds.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City using different individual costs and estimated useful lives, depending on the different asset uses and classifications. Capital assets are defined by the City as assets with an initial individual cost of more than \$3,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The City has not capitalized any City-owned land.

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

Roads and sidewalks	25 years
Water and sewer distribution systems	20-75 years
Buildings and building improvements	10-45 years
Vehicles	5-20 years
Machinery and equipment	10-45 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

New Accounting Standard - In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the government-wide statement of activities and the proprietary funds of \$2,426,350 in excess of what would have been reported in prior years.

Note 1 - Summary of Significant Accounting Policies (Continued)

Upcoming Reporting Change - In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the City's 2010 fiscal year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Upcoming Reporting Change - In March 2009, the Governmental Accounting Standards Board issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with fiscal year ending June 30, 2011.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - The budget represents a complete financial plan for all activities of the City for the ensuing fiscal year. All estimated income and proposed expenditures are detailed and presented in a form prescribed by law.

The budget process begins with goals and objectives meetings in April with the City Council and administrative staff. These are public meetings. Based upon presentations by the City staff and discussion between the mayor and the City Council, goals and objectives are prioritized by the City Council for the next fiscal year.

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

Each April, department heads receive workpapers to prepare their individual line item budgets. Upon completion, the departmental budgets are returned to the controller in May. The finance director then analyzes these amounts. Further discussions occur with department heads and the budget is adjusted accordingly.

A proposed, balanced budget is then developed to support the direction and focus established for the community by the City Council. Specific issues are identified which are vital to continued quality services within the means available. This method of budgeting serves to improve the level of organizational accountability. City Council meetings, held in May, provide all interested citizens an open forum where they can be heard. Upon review and a subsequent public hearing, the City Council adopts the proposed budget by resolution.

The budget is scheduled for adoption at the first regular City Council meeting in June. The operating millage rate is established as part of the budget adoption resolution at that meeting.

The City adopts its budget by budgetary center (activity/department), which is in accordance with the State's legal requirement and is the level of classification detail at which expenditures may not legally exceed appropriations.

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2009 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

The budget comparison for the General Fund and Major Special Revenue Fund, as adopted by the City Council, is included as required supplemental information. Budget comparisons for other Special Revenue Funds (except for the Compensated Absences Fund, which was not budgeted) are available at City Hall.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

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

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the General Fund incurred expenditures in excess of budget for the following:

	Budget	Actual	Unfavorable Variance
General Fund expenditures:			
Police	\$ 5,667,598	\$ 5,762,100	\$ (94,502)
Fire	3,386,987	3,403,862	(16,875)
Public works	123,613	175,920	(52,307)
Parks	315,663	326,988	(11,325)
Recreation and culture	358,543	366,974	(8,431)
Community center	252,515	570,502	(317,987)
Transfer to other funds	-	97,083	(97,083)
Total	<u>\$ 10,104,919</u>	<u>\$ 10,703,429</u>	<u>\$ (598,510)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The Pension Trust Funds and Retiree Health Care Fund are also authorized by Michigan Public Act 314 of 1965 and Public Act 149 of 1999, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$10,807,031 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. At year end, the Downtown Development Authority had \$494,476 of bank deposits that were uninsured and uncollateralized. The Economic Development Corporation's bank deposits were fully covered by FDIC insurance. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity. At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity
U.S. Treasury securities	\$ 2,505,556	8.42
U.S. agency securities	1,614,501	12.11
Corporate bonds	3,093,205	6.09

City of Lincoln Park, Michigan

Notes to Financial Statements
June 30, 2009

Note 3 - Deposits and Investments (Continued)

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

<u>Rating</u>	<u>Fair Value</u>	<u>Rating Organization</u>
Aaa	\$ 353,805	Moody's
Aa1	242,601	Moody's
Aa2	212,152	Moody's
Aa3	214,889	Moody's
A1	288,496	Moody's
A2	510,291	Moody's
A3	399,206	Moody's
Baa1	301,786	Moody's
Baa2	500,484	Moody's
Baa3	58,986	Moody's
Not Rated	<u>4,191,902</u>	Moody's
Total	<u>\$ 7,274,598</u>	

Risks and Uncertainties - The City invests in various securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the balance sheet.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. In addition, the City has made loans to homeowners and assessed liens for rehabilitation projects paid for with grant funds. Program income is recognized as the monies are received from HUD and loaned out again. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 94,293	\$ -
Grant payments not collected within 60 days	113,748	-
Rehabilitation liens and loans	-	2,374,688
Total	<u>\$ 208,041</u>	<u>\$ 2,374,688</u>

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
Capital assets being depreciated:				
Roads and sidewalks	\$ 96,381,038	\$ 389,744	\$ -	\$ 96,770,782
Buildings and improvements	6,080,293	112,900	-	6,193,193
Equipment	8,872,970	-	-	8,872,970
Subtotal	111,334,301	502,644	-	111,836,945
Accumulated depreciation:				
Roads and sidewalks	64,463,556	3,187,883	-	67,651,439
Buildings and improvements	4,992,157	101,770	-	5,093,927
Equipment	4,539,851	405,652	-	4,945,503
Subtotal	73,995,564	3,695,305	-	77,690,869
Net other governmental capital assets	<u>\$ 37,338,737</u>	<u>\$ (3,192,661)</u>	<u>\$ -</u>	<u>\$ 34,146,076</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

Internal Service Funds Assets	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets being depreciated:				
Vehicles	\$ 2,512,648	\$ 336,978	\$ 103,698	\$ 2,745,928
Machinery and equipment	158,109	46,749	-	204,858
Subtotal	2,670,757	383,727	103,698	2,950,786
Accumulated depreciation:				
Vehicles	603,524	385,401	103,698	885,227
Machinery and equipment	44,449	22,557	-	67,006
Subtotal	647,973	407,958	103,698	952,233
Net Internal Service Funds capital assets	<u>\$ 2,022,784</u>	<u>\$ (24,231)</u>	<u>\$ -</u>	<u>\$ 1,998,553</u>
Net governmental activity capital assets	<u>\$ 39,361,521</u>	<u>\$ (3,216,892)</u>	<u>\$ -</u>	<u>\$ 36,144,629</u>
Business-type Activities	Balance July 1, 2008	Additions	Deletions	Balance June 30, 2009
Capital assets not being depreciated - Land	\$ 16,540	\$ -	\$ -	\$ 16,540
Capital assets being depreciated:				
Water and sewer distribution systems	44,870,174	4,159,886	-	49,030,060
Buildings and building improvements	1,683,467	-	-	1,683,467
Machinery and equipment	2,542,950	-	-	2,542,950
Subtotal	49,096,591	4,159,886	-	53,256,477
Accumulated depreciation:				
Water and sewer distribution systems	15,617,091	1,046,982	-	16,664,073
Buildings and building improvements	1,408,101	15,056	-	1,423,157
Machinery and equipment	1,163,903	61,729	-	1,225,632
Subtotal	18,189,095	1,123,767	-	19,312,862
Net capital assets being depreciated	<u>30,907,496</u>	<u>3,036,119</u>	<u>-</u>	<u>33,943,615</u>
Net capital assets	<u>\$ 30,924,036</u>	<u>\$ 3,036,119</u>	<u>\$ -</u>	<u>\$ 33,960,155</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

Component Units	Balance	Additions	Deletions	Balance
	July 1, 2008			June 30, 2009
Capital assets not being depreciated - Land	\$ 172,070	\$ 91,423	\$ -	\$ 263,493
Capital assets being depreciated - Vehicles	-	25,134	-	25,134
Accumulated depreciation - Vehicles	-	5,027	-	5,027
Net capital assets being depreciated	-	20,107	-	20,107
Net capital assets	<u>\$ 172,070</u>	<u>\$ 111,530</u>	<u>\$ -</u>	<u>\$ 283,600</u>

Depreciation expense was charged to programs of the City as follows:

Governmental activities:

General government	\$ 287,209
Public safety	61,955
Public works	3,209,102
Recreation and culture	137,039
Internal Service Funds	407,958

Total governmental activities \$ 4,103,263

Business-type activities - Water and sewer \$ 1,123,767

Component unit - DDA \$ 5,027

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 333,096
	Water and Sewer Fund	3,297
	Nonmajor governmental funds	<u>633</u>
	Total General Fund	337,026
Nonmajor governmental funds	Community Development Block Grant	2,711
Internal Service Funds	General Fund	90,616
	Community Development Block Grant Fund	1,706
	Nonmajor governmental funds	47,148
	Water and Sewer Fund	<u>57,108</u>
	Total Internal Service Funds	<u>196,578</u>
	Total	<u><u>\$ 536,315</u></u>

Interfund transfers include the transfer of \$386,380 of Act 51 funding from the Major Streets Fund to the Local Streets Fund. Additionally, the General Fund transferred \$97,083 to the nonmajor funds to be used for operations.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Leases

Capital Leases - The City has entered into lease agreements as lessee for financing the purchase of heating and air conditioning units and various other City Hall renovations. These lease agreements qualify as capital leases for accounting purposes and therefore have been recorded at the present value of the future minimum lease payments as of the inception date (see Note 8). Construction of the assets under capital lease totaled \$3,580,000. Accumulated depreciation as of June 30, 2009 on the leased assets is \$716,000. The future minimum lease obligations for the years ending June 30, 2010 through June 30, 2022 and the net present value are as follows:

Years Ending June 30	Amount
2010	\$ 329,053
2011	329,053
2012	329,053
2013	329,053
2014	329,053
2015-2022	<u>2,550,164</u>
Total minimum payments	4,195,429
Less amount representing interest	<u>(1,026,099)</u>
Present value at June 30, 2009	<u>\$ 3,169,330</u>

Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. Capital lease obligations for the Honeywell agreement are recorded as amounts spent as long-term debt (see Note 7). County contractual agreements and installment purchase agreements are also general obligations of the City.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Other governmental obligations:							
Capital lease - Honeywell agreement:							
Amount of issue - \$3,580,000							
Maturing through 2022	4.00%	\$187,067	\$ 3,356,397	\$ -	\$ (187,067)	\$ 3,169,330	\$ 194,663
Employee compensated absences			1,894,121	60,679	-	1,954,800	453,692
Total other governmental obligations			5,250,518	60,679	(187,067)	5,124,130	648,355
Internal Service Fund - Installment purchase obligations:							
Amount of issue - \$1,889,373	4.00%-	\$1,687-					
Maturing through various dates	7.58%	\$148,555	148,555	-	(148,555)	-	-
Total governmental activities			\$ 5,399,073	\$ 60,679	\$ (335,622)	\$ 5,124,130	\$ 648,355
Business-type Activities							
General obligation debt (county contracts):							
Ecorse Creek Pollution Bond - Phase III:							
Amount of issue - \$10,250,000							
Maturing through 2012	5.00%	\$750,000	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ -
Ecorse Creek #1 Phase III:							
Amount of issue - \$8,295,000	5.30%-	\$505,000-					
Maturing through 2010	6.0%	\$750,000	2,215,000	-	(750,000)	1,465,000	740,000
Downriver Sewage Disposal Bonds:							
Amount of issue - \$12,344,844	2.00%-	\$65-					
Maturing through various dates	2.50%	\$645,000	8,864,162	3,732,820	(644,947)	11,952,035	682,627
Total general obligation bonds			12,579,162	3,732,820	(1,394,947)	14,917,035	1,422,627
Other long-term obligations:							
Basement flooding lawsuit settlement			150,000	-	(89,000)	61,000	-
Employee compensated absences			119,728	11,244	-	130,972	28,728
Total other long-term obligations			269,728	11,244	(89,000)	191,972	28,728
Total business-type activities			\$ 12,848,890	\$ 3,744,064	\$ (1,483,947)	\$ 15,109,007	\$ 1,451,355

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 8 - Long-term Debt (Continued)

Annual debt service requirements to maturity for the above debt obligations are as follows (excludes compensated absence and basement flooding liabilities):

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 194,663	\$ 134,390	\$ 329,053	\$ 1,422,627	\$ 418,504	\$ 1,841,131
2011	202,567	126,486	329,053	1,503,502	361,764	1,865,266
2012	210,792	118,261	329,053	1,599,922	298,917	1,898,839
2013	219,351	109,702	329,053	1,624,100	237,629	1,861,729
2014	228,258	100,796	329,054	898,912	194,264	1,093,176
2015-2019	1,288,071	357,196	1,645,267	4,310,979	600,485	4,911,464
2020-2024	825,628	79,269	904,897	1,683,763	205,739	1,889,502
2025-2029	-	-	-	1,601,008	49,619	1,650,627
2030-2031	-	-	-	272,222	-	272,222
Total	<u>\$ 3,169,330</u>	<u>\$ 1,026,100</u>	<u>\$ 4,195,430</u>	<u>\$ 14,917,035</u>	<u>\$ 2,366,921</u>	<u>\$ 17,283,956</u>

Note 9 - Restricted Assets

The restricted assets in the business-type activities consist of cash and cash equivalents restricted to provide for the replacement of Enterprise Fund assets. Also, monies received from a tax levy are restricted for the payment of outstanding Enterprise Fund debt. In addition, restricted assets result from the establishment of debt and operating reserves related to county sewage disposal system bonds. The restricted assets at June 30, 2009 consist of the following:

Cash and cash equivalents:

Ecorse Creek replacement reserve	\$ 1,000,000
Enterprise Fund debt service	362,281
Water and sewer capital improvement	2,090,230
Engineering and sewer improvement reserve	<u>1,768,717</u>

Total cash and cash equivalents 5,221,228

Customer receivables 356,637

Wayne County sewage disposal system:

Assets held at Wayne County for future debt payments	1,545,083
Assets held at Wayne County for sewer operations	<u>1,000,249</u>

Total restricted assets \$ 8,123,197

Note 9 - Restricted Assets (Continued)

The City has an obligation recorded for the Ecorse Creek pollution bonds and the Downriver Sewage Disposal System (Series A and B and State Revolving Fund) bonds, which are to be paid from a combination of debt levy revenue and through rates. Total tax collections received in the current year were \$659,577 compared to principal and interest payments of \$834,993 on related debt.

Note 10 - Risk Management

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

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

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Defined Benefit Pension Plan

Plan Descriptions - The Police and Fire Retirement System and the Municipal Employees' Retirement System are single-employer defined benefit pension plans administered by the City of Lincoln Park, Michigan. These plans cover all full-time police and fire employees and general employees of the City hired before December 1, 2004. The systems provide retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2008, the date of the most recent actuarial valuation, membership consisted of the following:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	149	149
Current employees:		
Fully vested	38	43
Nonvested	41	19
Total current employees	79	62

The plans do not issue a separate financial report.

Funding Policy - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plans are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

The funding progress of the plans as of the most recent valuation date is as follows:

Valuation as of June 30, 2008:	Police/Fire	Municipal
Actuarial value of assets	\$ 29,698,000	\$ 15,581,000
Actuarial accrued liability (AAL)	58,931,000	37,370,000
Unfunded AAL (UAAL)	29,233,000	21,789,000
Funded ratio	50.39%	41.69%
Annual covered payroll	4,734,000	3,103,000
Ratio of UAAL to covered payroll	617.51%	702.19%

Note 11 - Defined Benefit Pension Plan (Continued)

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The obligation to contribute to and maintain the systems for these employees was established by City ordinance and negotiation with the police, fire, and general employees' competitive bargaining units and requires a contribution from the employees of 8.18 percent of qualifying wages for police and fire employees, police chiefs with over 28 years of experience contribute 8.63 percent, and 8.41 percent of qualifying wages for general employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plans are financed through investment earnings.

Annual Pension Costs - For the year ended June 30, 2009, the City's annual pension cost was as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Annual pension cost	\$ 2,354,705	\$ 1,726,324
Actual and required contribution	2,354,705	1,726,324

The annual required contributions were determined as part of an experience study conducted during the year ended June 30, 2008, using the entry age cost method for both the Police and Fire Retirement System and the Municipal Employees' Retirement System. Significant actuarial assumptions for both systems include (i) an 8 percent to 8.25 percent investment rate of return and (ii) projected salary increases of 4.0 percent to 7.8 percent per year. Both plans assume that benefits will not increase after retirement, with the following exceptions: fire members retiring after January 1, 1996, police members retiring after September 6, 1996, and general municipal members retiring after August 1, 1996. These employees will receive an increase of \$300 in annual benefits each year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll over a closed period of 30 years. The remaining amortization period is 29 years. The unfunded actuarial liability for those individuals who retired under the early retirement window is being amortized on a closed basis. The remaining amortization period is 16 years.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Defined Benefit Pension Plan (Continued)

Reserves - As of June 30, 2009, the plans' legally required reserves have been funded as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Reserve for employees' contribution	\$ 5,465,578	\$ 5,840,394
Reserve for retired benefit payments	14,356,367	5,075,010

Financial Statement Information - As of June 30, 2009, the statement of net assets for the pension plans and other postemployment benefits is as follows:

	Pension and Other Employee Benefits Trust Funds			
	Police and Fire Retirement	Municipal Employees' Retirement	Retirees' Health Benefit	Total
Assets				
Cash and cash equivalents	\$ 3,447,439	\$ 2,320,498	\$ 92,486	\$ 5,860,423
Investments	16,341,162	8,557,234	-	24,898,396
Accrued interest and other	58,656	37,666	-	96,322
Total assets	19,847,257	10,915,398	92,486	30,855,141
Liabilities				
Accounts payable	25,312	4	-	25,316
Accrued and other liabilities	-	-	18,000	18,000
Total liabilities	25,312	4	18,000	43,316
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 19,821,945</u>	<u>\$ 10,915,394</u>	<u>\$ 74,486</u>	<u>\$ 30,811,825</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2009, the statement of changes in net assets for the pension plans is as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
Additions				
Contributions:				
Employer	\$ 2,354,705	\$ 1,726,324	\$ -	\$ 4,081,029
Plan members	391,700	273,596	-	665,296
Total contributions	2,746,405	1,999,920	-	4,746,325
Investment activity:				
Net decrease in fair value of investments	(4,649,172)	(2,880,038)	-	(7,529,210)
Interest and dividends	534,583	294,022	935	829,540
Investment expenses	(230,616)	(73,918)	-	(304,534)
Net investment activity	(4,345,205)	(2,659,934)	935	(7,004,204)
Total additions - Net	(1,598,800)	(660,014)	935	(2,257,879)
Deductions				
Benefit payments	4,664,400	3,102,739	-	7,767,139
Refunds of contributions	52,404	96,383	-	148,787
Administrative expenses	24,600	49,082	-	73,682
Total deductions	4,741,404	3,248,204	-	7,989,608
(Decrease) Increase in Plan Net Assets	(6,340,204)	(3,908,218)	935	(10,247,487)
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	26,162,149	14,823,612	73,551	41,059,312
End of year	<u>\$ 19,821,945</u>	<u>\$ 10,915,394</u>	<u>\$ 74,486</u>	<u>\$ 30,811,825</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Defined Benefit Pension Plan (Continued)

Three-year Trend Information

	Fiscal Year Ended June 30		
	2007	2008	2009
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 1,485,913	\$ 1,632,765	\$ 1,726,324
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 1,818,550	\$ 2,172,141	\$ 2,354,705
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Amounts are rounded to the nearest thousand.

Note 12 - Defined Contribution Pension Plan

The City established a defined contribution pension plan under Section 401(a) of the Internal Revenue Code with International City and County Management Association. The plan was approved by the City Council during the year ended June 30, 2005 and covers all full-time employees (with the exception of elected officials and commission or board members) hired on or after December 1, 2004.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Under the defined contribution plan, the City is required to contribute 7 percent of each participant's annual earnings. In accordance with the requirements, the City expensed \$52,486 during the current year.

Employees are permitted, but not required, to make contributions up the maximum allowed by law. For the year ended June 30, 2009, employee contributions were \$5,350.

Note 13 - Other Postemployment Benefits

Plan Description - The City provides healthcare benefits to all employees covered by the Police and Fire Retirement System and the Municipal Employees' Retirement System upon retirement, in accordance with labor contracts. Currently, there are approximately 132 police and fire retirees and 140 general retirees that are eligible. In addition, there are 61 active municipal employees and 79 active police and fire employees that may be entitled to benefits upon retirement. The municipal employees' plan was closed at the conclusion of the early retirement window at December 31, 2004. The police and fire plan remains open.

These are single employer defined benefit plans administered by the City of Lincoln Park, Michigan. The benefits are provided under collective bargaining agreements. The plans do not issue separate stand-alone financial statements. Administrative costs are paid by the plans through employer contributions.

Funding Policy - The labor contracts and City personnel policies as approved by City Council require no contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2009, the City made payments for postemployment health benefit premiums totaling approximately \$3,235,000, of which \$3,162,000 was paid from the governmental funds and \$73,000 was paid from the Water and Sewer Fund.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2009

Note 13 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

	Municipal	Police/Fire
	<u> </u>	<u> </u>
Annual required contribution	\$ 2,988,387	\$ 2,673,619
Interest on prior year's net OPEB obligation	-	-
Less adjustment for annual required contribution	-	-
Annual OPEB cost	<u>2,988,387</u>	<u>2,673,619</u>
Amounts contributed:		
Payments of current premiums	(1,665,411)	(1,570,245)
Advance funding	-	-
Increase in net OPEB obligation	<u>1,322,976</u>	<u>1,103,374</u>
OPEB obligation		
Beginning of the year	<u>-</u>	<u>-</u>
End of the year	<u>\$ 1,322,976</u>	<u>\$ 1,103,374</u>

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current year were as follows:

	Municipal	Police/Fire
	2009	2009
	<u> </u>	<u> </u>
Annual OPEB costs	\$ 2,988,387	\$ 2,673,619
Percentage contributed	44%	41%
Net OPEB obligation	\$ 1,322,976	\$ 1,103,374

Note 13 - Other Postemployment Benefits (Continued)

The funding progress of the plan as of the most recent valuation date is as follows:

Valuation as of June 30, 2008:	Municipal	Police/Fire
Actuarial value of assets *	\$ -	\$ -
Actuarial accrued liability (AAL)	42,695,191	50,471,469
Unfunded AAL (UAAL)	42,695,191	50,471,469
Funded ratio	0.00%	0.00%
Annual covered payroll	3,067,530	4,733,544
Ratio of UAAL to covered payroll	1392%	1066%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plans and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plans (the plans as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Note 13 - Other Postemployment Benefits (Continued)

In the June 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4 percent after 10 years. Both rates included a 4 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis for public safety members on a closed basis for municipal members. The remaining amortization period at June 30, 2008 for both plans was 30 years.

In addition, the City has established a Retirement Health Savings Plan with International City and County Management Association. Under the plan, the City contributes 2 percent of covered payroll for employees hired after December 1, 2004. In accordance with the requirements, the City expensed \$11,335 during the current year. Employees may also contribute to the plan.

Note 14 - 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. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - June 30, 2008	\$ (767,763)
Building permit revenue	337,235
Related direct expenditures	<u>(486,377)</u>
Cumulative shortfall - June 30, 2009	<u>\$ (916,905)</u>

Note 15 - Contingent Liability

The City is involved in certain legal matters that have not progressed to a point where any ultimate liability can be determined. Settlement payments on certain cases, but potentially not all cases, would be covered by the insurance pool noted in Note 10. No liability has been reflected in these financial statements.

Required Supplemental Information

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance - Beginning of year	\$ 3,219,216	\$ 3,219,216	\$ 3,219,216	\$ -
Resources (Inflows)				
Property taxes:				
Real and personal property taxes	15,400,272	14,700,642	15,369,390	668,748
Payments in lieu of taxes	70,500	37,092	92,327	55,235
Total property taxes	15,470,772	14,737,734	15,461,717	723,983
State sources:				
Revenue-sharing	5,157,493	5,275,648	5,117,537	(158,111)
State grants	90,998	93,671	119,265	25,594
Liquor license fees	24,000	22,074	22,074	-
Total state sources	5,272,491	5,391,393	5,258,876	(132,517)
Licenses and permits:				
Building, electrical, heating, and plumbing permits	534,630	588,156	661,788	73,632
Recreation programs	469,000	270,454	299,392	28,938
Cable television franchise fee	350,000	439,048	439,236	188
Rental and inspection	130,000	109,810	109,810	-
Total licenses and permits	1,483,630	1,407,468	1,510,226	102,758
Fines and forfeitures	1,450,000	1,450,000	1,428,089	(21,911)
Interest and rentals	390,000	390,000	333,765	(56,235)
Other	543,963	648,366	645,902	(2,464)
Total resources (inflows)	24,610,856	24,024,961	24,638,575	613,614
Charges to Appropriations (Outflows)				
General government:				
General government	8,581,125	8,567,502	7,687,720	879,782
Mayor and City Council	78,593	74,830	74,922	(92)
City clerk	200,955	187,103	188,955	(1,852)
Election commission	74,728	48,269	48,190	79
City assessor	121,337	116,273	116,011	262
City attorney	178,700	278,289	278,362	(73)
City controller	274,167	274,590	272,779	1,811
Treasury department	214,032	201,914	201,914	-
Municipal building	1,307,902	1,226,951	1,210,565	16,386
Total general government	11,031,539	10,975,721	10,079,418	896,303

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2009

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Amended Budget</u>
Charges to Appropriations (Outflows)				
(Continued)				
Public safety:				
Police	\$ 6,073,290	\$ 5,667,598	\$ 5,762,100	\$ (94,502)
Fire	3,470,071	3,386,987	3,403,862	(16,875)
Building department	539,737	531,086	530,456	630
District Court	<u>1,442,845</u>	<u>1,442,845</u>	<u>1,442,845</u>	<u>-</u>
Total public safety	11,525,943	11,028,516	11,139,263	(110,747)
Public works:				
Department of Public Works	136,892	123,613	175,920	(52,307)
Planning Commission	8,300	15,274	15,274	-
Street lighting	<u>505,060</u>	<u>464,751</u>	<u>464,751</u>	<u>-</u>
Total public works	650,252	603,638	655,945	(52,307)
Community and economic development	15,764	17,068	19,361	(2,293)
Recreation and culture:				
Historical museum	17,000	17,000	17,000	-
Parks	373,137	315,663	326,988	(11,325)
Recreation and culture	433,032	358,543	366,974	(8,431)
Library	271,251	260,749	247,761	12,988
Social services	162,225	115,135	115,136	(1)
Community center	<u>510,415</u>	<u>252,515</u>	<u>570,502</u>	<u>(317,987)</u>
Total recreation and culture	1,767,060	1,319,605	1,644,361	(324,756)
Transfer to other funds	<u>-</u>	<u>-</u>	<u>97,083</u>	<u>(97,083)</u>
Total charges to appropriations (outflows)	<u>24,990,558</u>	<u>23,944,548</u>	<u>23,635,431</u>	<u>309,117</u>
Fund Balance - End of year	<u>\$ (379,702)</u>	<u>\$ 80,413</u>	<u>\$ 1,003,144</u>	<u>\$ 922,731</u>

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Community Development Block Grant Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows) - Federal sources	1,965,355	1,687,399	763,582	(923,817)
Charges to Appropriations (Outflows) - Health and welfare	<u>1,965,355</u>	<u>1,687,399</u>	<u>877,330</u>	<u>810,069</u>
Fund Balance (Deficit) - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (113,748)</u>	<u>\$ (113,748)</u>

City of Lincoln Park, Michigan

Note to Required Supplemental Information June 30, 2009

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

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

	General Fund	
	Resources	Charges to
	(Inflows)	Appropriations
		(Outflows)
Amounts per operating statement	\$ 24,638,575	\$ 23,538,348
Beginning fund balance	3,219,216	-
Transfers to/from other funds	-	97,083
Amounts per budget statement	<u>\$ 27,857,791</u>	<u>\$ 23,635,431</u>

City of Lincoln Park, Michigan

Required Supplemental Information Retirement Systems Schedule of Funding Progress Municipal Employees' Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/03	\$ 21,182,000	\$ 30,852,000	\$ 9,670,000	69	\$ 4,926,000	196
06/30/04	21,194,000	36,581,000	15,387,000	58	3,901,000	394
06/30/05*	16,342,000	35,581,000	19,239,000	46	3,230,000	596
06/30/06	15,410,000	37,149,000	21,739,000	42	3,593,000	605
06/30/07	15,553,000	37,010,000	21,457,000	42	3,187,000	673
06/30/08	15,581,000	37,370,000	21,789,000	42	3,103,000	702

* At conclusion of early retirement window at December 31, 2004

Retirement Systems Schedule of Employer Contributions Municipal Employees' Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2004	\$ 905,000	\$ 905,000	100
2005	936,000	936,000	100
2006	1,067,548 *	1,067,548	100
2007	1,485,913	1,485,913	100
2008	1,632,765	1,632,765	100
2009	1,726,324	1,726,324	100

* During the year ended June 30, 2006, the City had an experience study performed that changed the amortization period for those individuals that retired under the early retirement window. The study also changed the inflation factor from 4.5 percent to 4.0 percent.

The information presented above was determined as part of an actuarial valuation as of June 30, 2008. Additional information on assumptions used in the study is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Amortization period*	30 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25
Projected salary increases**	4.0%
**Includes inflation at	4.0%
Additional salary increases attributable to seniority/merit	0% to 3.8%

* 16-year remaining amortization period on a closed basis for those individuals who retired under the early retirement window

City of Lincoln Park, Michigan

Required Supplemental Information Retirement Systems Schedule of Funding Progress Police and Fire Retirement System

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/03	\$ 46,303,000	\$ 47,487,000	\$ 1,184,000	98	\$ 5,588,000	21
06/30/04	43,611,000	54,615,000	11,004,000	80	4,347,000	253
06/30/05 *	35,339,000	53,553,000	18,214,000	66	4,293,000	424
06/30/06	32,519,000	55,488,000	22,969,000	59	4,970,000	462
06/30/07	31,170,000	57,948,000	26,778,000	54	4,455,000	601
06/30/08	29,698,000	58,931,000	29,233,000	50	4,734,000	618

* At conclusion of early retirement window at December 31, 2004

Retirement Systems Schedule of Employer Contributions Police and Fire Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2004	\$ 834,000	\$ 834,000	100
2005	928,000	928,000	100
2006	1,315,588 *	1,315,588	100
2007	1,818,550	1,818,550	100
2008	2,172,141	2,172,141	100
2009	2,354,705	2,354,705	100

* During the year ended June 30, 2006, the City had an experience study performed that changed the amortization period for those individuals that retired under the early retirement window. The study also changed the inflation factor from 4.5 percent to 4.0 percent.

The information presented above was determined as part of an actuarial valuation as of June 30, 2008. Additional information on assumptions used in the study is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Amortization period*	30 years
Asset valuation method	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases**	4.0%
**Includes inflation at	4.0%
Additional salary increases attributable to seniority/merit	0% to 3.8%

* 16-year remaining amortization period on a closed basis for those individuals who retired under the early retirement window

Other Supplemental Information

City of Lincoln Park, Michigan

	Special Revenue Funds						
	Major	Local	Sanitation	Street	Compensated		Drug
	Streets Funds	Streets Funds	Fund	Improvement Funds	Absences Funds	Cable Fund	Forfeiture Fund
Assets							
Cash and cash equivalents	\$ 1,385,911	\$ 513,593	\$ 50,794	\$ 97,089	\$ 5,240	\$ 354,900	\$ 415,720
Receivables:							
Taxes	-	-	178,759	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other governmental units	269,424	90,369	-	-	-	-	-
Due from other funds	-	2,711	-	-	-	-	-
Total assets	\$ 1,655,335	\$ 606,673	\$ 229,553	\$ 97,089	\$ 5,240	\$ 354,900	\$ 415,720
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 28,345	\$ 384	\$ 195,415	\$ 1,851	\$ -	\$ 4	\$ 2,117
Accrued and other liabilities	21,547	5,363	-	-	-	852	-
Due to other funds	26,074	21,707	-	-	-	-	-
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	75,966	27,454	195,415	1,851	-	856	2,117
Fund Balances - Undesignated	1,579,369	579,219	34,138	95,238	5,240	354,044	413,603
Total liabilities and fund balances	\$ 1,655,335	\$ 606,673	\$ 229,553	\$ 97,089	\$ 5,240	\$ 354,900	\$ 415,720

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

Special Revenue		
Funds		
Water Bonds		Total Nonmajor
Debt Service	Capital Projects	Governmental
Fund	Fund	Funds
\$ -	\$ 75,320	\$ 2,898,567
-	-	178,759
-	14,083	14,083
2,267	-	2,267
-	-	359,793
-	-	2,711
<u>\$ 2,267</u>	<u>\$ 89,403</u>	<u>\$ 3,456,180</u>

\$ -	\$ -	\$ 228,116
-	-	27,762
-	-	47,781
<u>-</u>	<u>14,082</u>	<u>14,082</u>
-	14,082	317,741
<u>2,267</u>	<u>75,321</u>	<u>3,138,439</u>
<u>\$ 2,267</u>	<u>\$ 89,403</u>	<u>\$ 3,456,180</u>

City of Lincoln Park, Michigan

	Special Revenue Funds						
	Major	Local	Sanitation	Street	Compensated		Drug
	Streets Fund	Streets Fund	Fund	Improvement	Absences Fund	Cable Fund	Forfeiture
				Fund			Fund
Revenue							
Property taxes	\$ -	\$ -	\$ 2,017,257	\$ 4,954	\$ -	\$ -	\$ -
State sources	1,668,670	559,607	-	-	-	-	117,686
Cable franchise fees	-	-	-	-	-	87,865	-
Interest and rentals	4,047	1,931	-	256	14	789	1,002
Other	32,679	43,812	1,220	-	-	1,614	-
Total revenue	1,705,396	605,350	2,018,477	5,210	14	90,268	118,688
Expenditures - Current							
Public works	1,277,018	1,167,552	1,984,339	150,566	-	42,842	47,054
Public safety	-	-	-	-	-	-	26,449
Total expenditures	1,277,018	1,167,552	1,984,339	150,566	-	42,842	73,503
Excess of Revenue Over (Under) Expenditures	428,378	(562,202)	34,138	(145,356)	14	47,426	45,185
Other Financing Sources (Uses)							
Transfers in	-	386,380	97,083	-	-	-	-
Transfers out	(386,380)	-	-	-	-	-	-
Total other financing sources (uses)	(386,380)	386,380	97,083	-	-	-	-
Net Change in Fund Balances	41,998	(175,822)	131,221	(145,356)	14	47,426	45,185
Fund Balances (Deficit) - Beginning of year	1,537,371	755,041	(97,083)	240,594	5,226	306,618	368,418
Fund Balances - End of year	\$ 1,579,369	\$ 579,219	\$ 34,138	\$ 95,238	\$ 5,240	\$ 354,044	\$ 413,603

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended June 30, 2009

Water Bonds Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,022,211
-	-	2,345,963
-	-	87,865
-	196	8,235
-	-	<u>79,325</u>
-	196	4,543,599
-	-	4,669,371
-	-	<u>26,449</u>
-	-	<u>4,695,820</u>
-	196	(152,221)
-	-	483,463
-	-	<u>(386,380)</u>
-	-	<u>97,083</u>
-	196	(55,138)
<u>2,267</u>	<u>75,125</u>	<u>3,193,577</u>
<u>\$ 2,267</u>	<u>\$ 75,321</u>	<u>\$ 3,138,439</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Nonmajor Proprietary Funds - Internal Service Funds June 30, 2009

	Motor Pool Fund	Information Technology Fund	Total
Assets			
Current assets:			
Cash and investments	\$ 515,684	\$ 122,807	\$ 638,491
Due from other funds	<u>194,872</u>	<u>1,706</u>	<u>196,578</u>
Total current assets	710,556	124,513	835,069
Noncurrent assets - Capital assets	<u>1,946,626</u>	<u>51,926</u>	<u>1,998,552</u>
Total assets	2,657,182	176,439	2,833,621
Liabilities - Current			
Accounts payable	35,089	12,338	47,427
Accrued and other liabilities	<u>8,546</u>	<u>1,092</u>	<u>9,638</u>
Total liabilities	<u>43,635</u>	<u>13,430</u>	<u>57,065</u>
Net Assets			
Invested in capital assets - Net of related debt	1,946,626	51,926	1,998,552
Unrestricted	<u>666,921</u>	<u>111,083</u>	<u>778,004</u>
Total net assets	<u><u>\$ 2,613,547</u></u>	<u><u>\$ 163,009</u></u>	<u><u>\$ 2,776,556</u></u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets - Nonmajor Proprietary Funds Internal Service Funds Year Ended June 30, 2009

	Motor Pool Fund	Information Technology Fund	Total
Operating Revenue			
Charges for services	\$ 1,323,133	\$ 215,072	\$ 1,538,205
Other	8,686	-	8,686
Total operating revenue	1,331,819	215,072	1,546,891
Operating Expenses			
Operation and maintenance	498,143	70,298	568,441
General and administrative	205,425	112,489	317,914
Depreciation	395,192	12,766	407,958
Total operating expenses	1,098,760	195,552	1,294,312
Operating Income	233,059	19,520	252,579
Nonoperating Revenue (Expense)			
Investment income	396	234	630
Interest expense	(5,793)	-	(5,793)
Total nonoperating revenue (expense)	(5,397)	234	(5,163)
Change in Net Assets	227,662	19,754	247,416
Net Assets - Beginning of year	2,385,885	143,255	2,529,140
Net Assets - End of year	<u>\$ 2,613,547</u>	<u>\$ 163,009</u>	<u>\$ 2,776,556</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Proprietary Funds - Internal Service Funds Year Ended June 30, 2009

	Motor Pool Fund	Information Technology Fund	Total
Cash Flows from Operating Activities			
Receipts from other funds	\$ 1,331,819	\$ 215,072	\$ 1,546,891
Payments to suppliers	(553,702)	(62,928)	(616,630)
Payments to employees	(204,575)	(112,207)	(316,782)
Other payments	-	(216)	(216)
Net cash provided by operating activities	573,542	39,721	613,263
Cash Flows from Capital and Related Financing Activities			
Payments to other funds	-	4,058	4,058
Purchase of capital assets	(346,948)	(36,777)	(383,725)
Principal paid on debt	(148,555)	-	(148,555)
Interest paid on debt	(5,793)	-	(5,793)
Net cash used in capital and related financing activities	(501,296)	(32,719)	(534,015)
Cash Flows from Noncapital Financing Activities - Payments to other funds	443,042	-	443,042
Cash Flows from Investing Activities - Interest income	396	234	630
Net Increase in Cash and Cash Equivalents	515,684	7,236	522,920
Cash and Cash Equivalents - July 1, 2008	-	115,571	115,571
Cash and Cash Equivalents - June 30, 2009	<u>\$ 515,684</u>	<u>\$ 122,807</u>	<u>\$ 638,491</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 233,059	\$ 19,520	\$ 252,579
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	395,192	12,766	407,958
Changes in assets and liabilities:			
Accounts payable	(55,559)	7,370	(48,189)
Accrued and other liabilities	850	281	1,131
Due to other funds	-	(216)	(216)
Net cash provided by operating activities	<u>\$ 573,542</u>	<u>\$ 39,721</u>	<u>\$ 613,263</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2009

	Pension and Other Employee Benefits Trust Funds				Agency Funds		
	Police and Fire Retirement	Municipal Employees' Retirement	Retirees' Health Benefit	Total	Current Tax Collection	Payroll	Total
Assets							
Cash and cash equivalents	\$ 3,447,439	\$ 2,320,498	\$ 92,486	\$ 5,860,423	\$ 58,102	\$ 55,187	\$ 113,289
Investments	16,341,162	8,557,234	-	24,898,396	-	-	-
Accrued interest and other	58,656	37,666	-	96,322	-	-	-
Total assets	19,847,257	10,915,398	92,486	30,855,141	<u>\$ 58,102</u>	<u>\$ 55,187</u>	<u>\$ 113,289</u>
Liabilities							
Accounts payable	25,312	4	-	25,316	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	18,000	18,000	58,102	55,187	113,289
Total liabilities	25,312	4	18,000	43,316	<u>\$ 58,102</u>	<u>\$ 55,187</u>	<u>\$ 113,289</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 19,821,945</u>	<u>\$ 10,915,394</u>	<u>\$ 74,486</u>	<u>\$ 30,811,825</u>			

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2009

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
Additions				
Contributions:				
Employer	\$ 2,354,705	\$ 1,726,324	\$ -	\$ 4,081,029
Plan members	391,700	273,596	-	665,296
Total contributions	2,746,405	1,999,920	-	4,746,325
Investment activity:				
Net decrease in fair value of investments	(4,649,172)	(2,880,038)	-	(7,529,210)
Interest and dividends	534,583	294,022	935	829,540
Investment expenses	(230,616)	(73,918)	-	(304,534)
Net investment activity	(4,345,205)	(2,659,934)	935	(7,004,204)
Total additions - Net	(1,598,800)	(660,014)	935	(2,257,879)
Deductions				
Benefit payments	4,664,400	3,102,739	-	7,767,139
Refunds of contributions	52,404	96,383	-	148,787
Administrative expenses	24,600	49,082	-	73,682
Total deductions	4,741,404	3,248,204	-	7,989,608
(Decrease) Increase in Plan Net Assets	(6,340,204)	(3,908,218)	935	(10,247,487)
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	26,162,149	14,823,612	73,551	41,059,312
End of year	<u>\$ 19,821,945</u>	<u>\$ 10,915,394</u>	<u>\$ 74,486</u>	<u>\$ 30,811,825</u>