

City of Lincoln Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2010**

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, 2010, 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, 2010 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 17, 2010 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.

Plante & Moran, PLLC

December 17, 2010

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, 2010. 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 \$29.9 million and net assets of governmental activities were \$34.6 million.

- The current year's expense total was \$33.9 million as compared to the \$31.3 million generated in fees and charges, grants, general revenue, and taxes for governmental programs. In the previous year, expenses were \$33.7 million as compared to the \$29.8 million generated in tax and other revenue for governmental.
- For business-type activities, City revenue was \$9.2 million. Expenses were \$8.2 million. In the previous year, revenue was \$9.5 million and expenditures were \$8.5 million.
- The annual cost of all City programs was \$42.1 million. The previous year's cost was \$42.2 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 revenue 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 revenue, 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 cashflow.

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	
	2010	2009	2010	2009	2010	2009
Assets						
Current and other assets	\$ 14,810.8	\$ 12,175.2	\$ 3,573.4	\$ 3,294.9	\$ 18,384.2	\$ 15,470.1
Noncurrent assets	<u>32,883.6</u>	<u>36,144.6</u>	<u>41,713.5</u>	<u>41,726.7</u>	<u>74,597.1</u>	<u>77,871.3</u>
Total assets	47,694.4	48,319.8	45,286.9	45,021.6	92,981.3	93,341.4
Liabilities						
Current liabilities	4,608.2	3,925.1	2,508.4	668.5	7,116.6	4,593.6
Long-term liabilities	<u>8,472.5</u>	<u>7,175.7</u>	<u>12,920.1</u>	<u>15,483.7</u>	<u>21,392.6</u>	<u>22,659.4</u>
Total liabilities	<u>13,080.7</u>	<u>11,100.8</u>	<u>15,428.5</u>	<u>16,152.2</u>	<u>28,509.2</u>	<u>27,253.0</u>
Net Assets						
Invested in capital assets - Net of related debt	29,908.9	32,975.3	20,000.0	19,043.1	49,908.9	52,018.4
Restricted	4,277.9	2,703.9	8,161.3	8,123.3	12,439.2	10,827.2
Unrestricted	<u>426.9</u>	<u>1,539.8</u>	<u>1,697.1</u>	<u>1,703.0</u>	<u>2,124.0</u>	<u>3,242.8</u>
Total net assets	<u>\$ 34,613.7</u>	<u>\$ 37,219.0</u>	<u>\$ 29,858.4</u>	<u>\$ 28,869.4</u>	<u>\$ 64,472.1</u>	<u>\$ 66,088.4</u>

City as a Whole

The City's combined net assets from the previous year were \$66.1 million as compared to \$64.5 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 \$34.6 million this year as compared to \$37.2 million last year. Unrestricted net assets were \$1.5 million last year as compared to \$427,000 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 \$29.9 million this year as compared to \$28.9 million last year.

City revenue for the current year was \$40.5 million compared to \$39.3 million in the previous year. The total yearly cost of all programs and services was \$42.1 million as compared to \$42.2 million in the previous year.

Table 2 - Change in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue - Restricted:						
Charges for services	\$ 3,054.2	\$ 3,306.2	\$ 7,480.9	\$ 7,930.3	\$ 10,535.1	\$ 11,236.5
Operating and capital grants	5,407.2	3,180.0	223.5	-	5,630.7	3,180.0
General revenue:						
Property taxes	17,729.2	17,472.6	1,497.1	1,490.2	19,226.3	18,962.8
Interest and investment income	92.7	343.3	2.9	31.9	95.6	375.2
Other general revenue including transfers	5,016.9	5,535.0	-	-	5,016.9	5,535.0
Total revenue	31,300.2	29,837.1	9,204.4	9,452.4	40,504.6	39,289.5
Expenses						
Program expenses:						
General government	7,404.5	7,470.0	-	-	7,404.5	7,470.0
Public safety	15,568.7	15,268.1	-	-	15,568.7	15,268.1
Public works	7,615.2	8,477.1	-	-	7,615.2	8,477.1
Culture and recreation	1,152.5	1,486.5	-	-	1,152.5	1,486.5
Community development	2,032.1	829.9	-	-	2,032.1	829.9
Interest on long-term debt	132.4	141.1	-	-	132.4	141.1
Business activities - Water and/or sewer	-	-	8,215.3	8,507.0	8,215.3	8,507.0
Total expenses	33,905.4	33,672.7	8,215.3	8,507.0	42,120.7	42,179.7
(Decrease) Increase in Net Assets	\$ (2,605.2)	\$ (3,835.6)	\$ 989.1	\$ 945.4	\$ (1,616.1)	\$ (2,890.2)

Governmental Activities

This year's governmental activities revenue was \$31.3 million as compared to \$29.8 million last year. The year's governmental activities cost was \$33.9 million as compared to \$33.7 million in the previous year. No new debt was added and the City continues to have very few long-term obligations.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

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 revenue (see Table 2) was \$9.2 million as compared to \$9.5 million last year. This year's expenses were \$8.2 million as compared to \$8.5 million in the previous year. These figures are in part due to the following reasons:

General Fund Budgetary Statements

Continual steps must be taken to curb this trend in the near future. The City is still financially solvent, but the rising cost of employee benefits including health care and retiree pension plans is 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.

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.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

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 2010-2011 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 2010-2011 fiscal year as part of the revisions to the community development plan funded by Block Grant Funds (CDBG).

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 revenue includes 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 8, 2010.

City Funds

At year end, the City reported a total governmental fund balance of \$9.1 million as compared to \$7.2 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.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Capital Assets

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Land	\$ -	\$ -	\$ 16.5	\$ 16.5	\$ 16.5	\$ 16.5
Equipment	3,522.5	4,065.3	1,253.1	1,317.3	4,775.6	5,382.6
Buildings and improvements	1,025.3	1,099.3	245.3	260.3	1,270.6	1,359.6
Infrastructure	26,547.5	29,119.3	32,037.3	32,366.1	58,584.8	61,485.4
Vehicles	1,788.3	1,860.7	-	-	1,788.3	1,860.7
Total	\$ 32,883.6	\$ 36,144.6	\$ 33,552.2	\$ 33,960.2	\$ 66,435.8	\$ 70,104.8

At the close of the year, the City had invested \$66.4 million in capital assets such as land, buildings and improvements, and equipment or infrastructure (see Table 3). A total of \$70.1 million was invested in similar assets last year.

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

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
General obligation bonds (backed by the City)	\$ -	\$ -	\$ 13,552.2	\$ 14,917.0	\$ 13,552.2	\$ 14,917.0
Other bonds or outstanding obligations	4,912.8	5,124.1	146.0	192.0	5,058.8	5,316.1
Total	\$ 4,912.8	\$ 5,124.1	\$ 13,698.2	\$ 15,109.0	\$ 18,611.0	\$ 20,233.1

Debt Management

At the close of the year, the City had \$18.6 million in outstanding bonds and notes, as compared to the previous year of \$20.2 (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. The City 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 only after many reductions in staff levels, concession contracts, and elimination of capital expenditures for community and City facility structures, but still 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.

The 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 the City 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.

The 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:

- I. 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. The City terminated employees found in violation of the Standard Rules of Conduct and successfully defended the discharges in all forums. Because of tough economic times, the City has had to accept these reduced staffing levels as a new fact and has adjusted service means and methods around our new workforce size.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

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 the local government and our ability to provide the local services we all rely on. The City concluded binding arbitration under PA 312 with the largest City union of police patrol and prevailed on 26 of 28 issues and will now address our efforts toward a similar result with other City unions. The City negotiated concession labor contracts and began \$400,000 in reduced taxpayer costs.
3. Seeking new and improved ways to administer and provide the required pension and health-care obligations to employees. One example is successfully negotiating 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.
4. City and Court negotiated and entered into the first joint administrative service agreement
5. Contributed revenue to General Fund balance for the third consecutive year following a successful audit
6. Revised and disclosed to the public the five-year financial plan including multi-year budgets for transparency and professional responsibility purposes, continuing our competency stewardship of the public investment
7. Recovered over \$20,000 on insurance proceeds to provide for replacement of City IT servers damaged by a prior fiscal year weather event
8. Rebid trash collection contract, reducing taxpayer costs by over \$100,000

And finally, the 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:

- Obtained \$200,000 in green energy grants to upgrade and replace street lighting to improve safety and reduce costs. The City is a founding member of Southeast Michigan Regional Energy Office.
- 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 and in 2009-2010, the City formed a partnership in an intergovernmental agreement with Wyandotte and Southgate to create the Downriver Central Dispatch, one entity serving three cities with e-911 service for public safety dispatch.
- 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

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

- Contracting for animal shelter services with neighboring Allen Park, administering energy grants through the Michigan Suburbs Alliance

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 revenue is 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, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 6,706,242	\$ 534,133	\$ 7,240,375	\$ 1,651,243
Receivables:				
Taxes - Net of allowance for uncollectible taxes of \$46,000	1,556,622	155,004	1,711,626	-
Customers	-	3,140,318	3,140,318	-
Special assessments	23,499	-	23,499	-
Loans receivable	2,339,913	-	2,339,913	74,934
Accrued interest and other	411,003	1,355	412,358	-
Due from other governmental units	2,126,867	-	2,126,867	-
Due from component unit	20,578	-	20,578	-
Internal balances	257,410	(257,410)	-	-
Prepaid expenses	385,233	-	385,233	1,169
Restricted assets (Note 9)	-	8,161,288	8,161,288	-
Land and housing stock inventory held for resale	983,419	-	983,419	-
Capital assets - Net (Note 5)	32,883,601	33,552,248	66,435,849	278,573
Total assets	47,694,387	45,286,936	92,981,323	2,005,919
Liabilities				
Accounts payable	992,494	702,511	1,695,005	867
Accrued and other liabilities	635,726	267,573	903,299	-
Deferred revenue (Note 4)	2,368,288	-	2,368,288	74,934
Due to primary government	-	-	-	20,578
Noncurrent liabilities:				
Net retiree healthcare obligation	4,171,384	760,105	4,931,489	-
Due within one year (Note 8)	611,679	34,725	646,404	-
Due in more than one year (Note 8)	4,301,128	13,663,556	17,964,684	-
Total liabilities	13,080,699	15,428,470	28,509,169	96,379
Net Assets				
Invested in capital assets - Net of related debt	29,908,934	20,000,008	49,908,942	278,573
Restricted:				
Streets and highways	2,634,448	-	2,634,448	-
Debt service	2,267	1,520,311	1,522,578	-
Water and sewer improvements	-	6,640,977	6,640,977	-
Sanitation	244,699	-	244,699	-
Drug forfeiture	413,022	-	413,022	-
Assets held for resale	983,369	-	983,369	-
Unrestricted	426,949	1,697,170	2,124,119	1,630,967
Total net assets	\$ 34,613,688	\$ 29,858,466	\$ 64,472,154	\$ 1,909,540

City of Lincoln Park, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 7,404,528	\$ 658,242	\$ 20,017	\$ -
Public safety	15,568,653	1,465,379	112,068	-
Public works	7,615,203	780,400	2,259,556	-
Community and economic development	2,032,148	-	2,032,148	983,419
Recreation and culture	1,152,544	150,154	-	-
Interest on long-term debt	132,443	-	-	-
Total governmental activities	33,905,519	3,054,175	4,423,789	983,419
Business-type activities - Water and sewer	8,215,310	7,480,877	-	223,471
Total primary government	<u>\$ 42,120,829</u>	<u>\$ 10,535,052</u>	<u>\$ 4,423,789</u>	<u>\$ 1,206,890</u>
Component units:				
Downtown Development Authority	\$ 168,460	\$ -	\$ -	\$ -
Economic Development Corporation	6,354	11,468	-	-
Brownfield Development Area	28,636	-	-	-
Total component units	<u>\$ 203,450</u>	<u>\$ 11,468</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes:				
City operating and rubbish				
Retention basin and Downriver sewer system				
Downtown Development Authority				
Total property taxes				
State-shared revenue				
Unrestricted investment earnings				
Franchise fees				
Gain on sale of assets				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (6,726,269)	\$ -	\$ (6,726,269)	\$ -
(13,991,206)	-	(13,991,206)	-
(4,575,247)	-	(4,575,247)	-
983,419	-	983,419	-
(1,002,390)	-	(1,002,390)	-
(132,443)	-	(132,443)	-
(25,444,136)	-	(25,444,136)	-
-	(510,962)	(510,962)	-
(25,444,136)	(510,962)	(25,955,098)	-
-	-	-	(168,460)
-	-	-	5,114
-	-	-	(28,636)
-	-	-	(191,982)
17,729,216	-	17,729,216	-
-	1,497,167	1,497,167	-
-	-	-	535,307
17,729,216	1,497,167	19,226,383	535,307
4,446,450	-	4,446,450	-
92,709	2,902	95,611	6,980
557,276	-	557,276	-
13,220	-	13,220	-
22,838,871	1,500,069	24,338,940	542,287
(2,605,265)	989,107	(1,616,158)	350,305
37,218,953	28,869,359	66,088,312	1,559,235
\$ 34,613,688	\$ 29,858,466	\$ 64,472,154	\$ 1,909,540

City of Lincoln Park, Michigan

Governmental Funds Balance Sheet June 30, 2010

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
Assets				
Cash and investments (Note 3)	\$ 1,287,885	\$ 263,849	\$ 3,892,850	\$ 5,444,584
Receivables:				
Taxes	1,206,122	-	299,230	1,505,352
Special assessments	9,417	-	14,082	23,499
Loans receivable	-	2,339,913	-	2,339,913
Other	408,736	-	2,267	411,003
Due from other governmental units	1,089,149	679,153	358,565	2,126,867
Due from other funds (Note 6)	1,279,605	-	7,148	1,286,753
Due from component units	20,578	-	-	20,578
Land and housing stock inventory held for resale	-	983,419	-	983,419
Prepaid expenses	379,281	-	-	379,281
Total assets	\$ 5,680,773	\$ 4,266,334	\$ 4,574,142	\$ 14,521,249
Liabilities and Fund Balances (Deficit)				
Liabilities				
Accounts payable	\$ 457,964	\$ 163,399	\$ 316,060	\$ 937,423
Accrued and other liabilities	568,453	3,372	23,748	595,573
Due to other funds (Note 6)	-	747,856	257,204	1,005,060
Deferred revenue (Note 4)	197,407	2,664,414	14,082	2,875,903
Total liabilities	1,223,824	3,579,041	611,094	5,413,959
Fund Balances (Deficit)				
Reserved for:				
Prepaid expenses	379,281	-	-	379,281
Land and housing stock inventory held for resale	-	983,419	-	983,419
Unreserved - Reported in:				
General Fund	4,077,668	-	-	4,077,668
Special Revenue Funds	-	(296,126)	3,785,422	3,489,296
Debt Service Funds	-	-	2,267	2,267
Capital Projects Fund	-	-	175,359	175,359
Total fund balances (deficit)	4,456,949	687,293	3,963,048	9,107,290
Total liabilities and fund balances (deficit)	\$ 5,680,773	\$ 4,266,334	\$ 4,574,142	\$ 14,521,249

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2010

Fund Balance - Total Governmental Funds \$ 9,107,290

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	31,095,229
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	211,489
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	296,126
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	(32,375)
Compensated absences are included as a liability in governmental activities	(1,938,140)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	(2,974,667)
Net other postemployment benefits are not due and payable in the current period and are not reported in the funds	(4,171,384)
Internal Service Funds are included as a part of governmental activities	<u>2,968,850</u>

Net Assets - Governmental Activities **\$ 34,613,688**

City of Lincoln Park, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2010

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
Revenue				
Property taxes	\$ 15,524,341	\$ -	\$ 2,225,762	\$ 17,750,103
Federal sources	-	2,939,287	-	2,939,287
State sources	4,609,332	-	2,304,297	6,913,629
Licenses and permits	842,073	-	89,466	931,539
Fines and forfeitures	1,354,886	-	-	1,354,886
Interest and rentals	92,299	-	1,708	94,007
Other	1,266,166	-	58,780	1,324,946
Total revenue	23,689,097	2,939,287	4,680,013	31,308,397
Expenditures - Current				
General government	10,508,252	-	-	10,508,252
Public safety	11,106,565	-	115,776	11,222,341
Public works	619,711	-	3,939,628	4,559,339
Community development	17,904	2,138,246	-	2,156,150
Recreation and culture	1,002,076	-	-	1,002,076
Total expenditures	23,254,508	2,138,246	4,055,404	29,448,158
Excess of Revenue Over Expenditures	434,589	801,041	624,609	1,860,239
Other Financing Sources (Uses)				
Transfers in	-	-	363,127	363,127
Transfers out	(200,000)	-	(163,127)	(363,127)
Total other financing (uses) sources	(200,000)	-	200,000	-
Net Change in Fund Balances	234,589	801,041	824,609	1,860,239
Fund Balances (Deficit) - Beginning of year	4,222,360	(113,748)	3,138,439	7,247,051
Fund Balances (Deficit) - End of year	\$ 4,456,949	\$ 687,293	\$ 3,963,048	\$ 9,107,290

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, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 1,860,239

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	677,435
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	(3,728,282)
Revenue is recorded in the statement of activities when the revenue is earned; it is not reported in the funds until collected or collectible within 60 days of year end	299,573
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)	194,663
Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred	1,947
Decrease in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	16,660
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	(2,119,794)
Internal Service Funds are also included as governmental activities on the statement of activities	<u>192,294</u>

Change in Net Assets of Governmental Activities **\$ (2,605,265)**

City of Lincoln Park, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

	Major Fund	Nonmajor Fund	Enterprise Total	Governmental Activities Internal Service Funds
	Water and Sewer Fund	Development Fund		
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 534,133	\$ -	\$ 534,133	\$ 1,261,658
Receivables:				
Taxes	155,004	-	155,004	-
Customers	3,140,318	-	3,140,318	-
Other	-	-	-	-
Due from other funds	-	-	-	4,982
Prepaid expenses	1,355	-	1,355	5,952
Total current assets	3,830,810	-	3,830,810	1,272,592
Long-term assets:				
Restricted assets - Long-term portion (Note 9)	8,161,288	-	8,161,288	-
Capital assets (Note 5)	33,552,248	-	33,552,248	1,788,372
Total assets	45,544,346	-	45,544,346	3,060,964
Liabilities				
Current liabilities:				
Accounts payable	702,511	-	702,511	55,071
Accrued and other liabilities	267,573	-	267,573	7,778
Due to other funds (Note 6)	257,410	-	257,410	29,265
Current portion of long-term debt (Note 8)	34,725	-	34,725	-
Total current liabilities	1,262,219	-	1,262,219	92,114
Net retiree healthcare obligation	760,105	-	760,105	-
Long-term debt - Net of current portion (Note 8)	13,663,556	-	13,663,556	-
Total liabilities	15,685,880	-	15,685,880	92,114
Net Assets				
Invested in capital assets - Net of related debt	20,000,008	-	20,000,008	1,788,372
Restricted (Note 9)	8,161,288	-	8,161,288	-
Unrestricted and undesignated	1,697,170	-	1,697,170	1,180,478
Total net assets	<u>\$ 29,858,466</u>	<u>\$ -</u>	<u>\$ 29,858,466</u>	<u>\$ 2,968,850</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2010

	Major Fund	Nonmajor Fund	Enterprise	Governmental Activities
	Water and Sewer Fund	Development Fund	Total	Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,412,533	\$ -	\$ 2,412,533	\$ -
Sewage disposal charges	3,939,552	-	3,939,552	-
Charges for services	-	-	-	1,267,810
System maintenance charge	601,654	-	601,654	-
Other	527,138	-	527,138	13,120
Total operating revenue	7,480,877	-	7,480,877	1,280,930
Operating Expenses				
Cost of water	1,661,170	-	1,661,170	-
Cost of sewage disposal	1,740,795	-	1,740,795	-
Operation and maintenance	380,618	-	380,618	454,563
General and administrative	1,830,476	8	1,830,484	266,809
Depreciation	1,140,482	-	1,140,482	367,580
Other	865,356	-	865,356	-
Total operating expenses	7,618,897	8	7,618,905	1,088,952
Operating (Loss) Income	(138,020)	(8)	(138,028)	191,978
Nonoperating Revenue (Expense)				
Property taxes	1,497,167	-	1,497,167	-
Investment income	2,902	-	2,902	316
Interest expense	(596,405)	-	(596,405)	-
Total nonoperating revenue	903,664	-	903,664	316
Income (Loss) - Before contributions	765,644	(8)	765,636	192,294
Capital Contributions	223,471	-	223,471	-
Change in Net Assets	989,115	(8)	989,107	192,294
Net Assets - Beginning of year	28,869,351	8	28,869,359	2,776,556
Net Assets - End of year	<u>\$ 29,858,466</u>	<u>\$ -</u>	<u>\$ 29,858,466</u>	<u>\$ 2,968,850</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

	Major Fund	Nonmajor Fund	Enterprise	Governmental Activities
	Water and Sewer Fund	Development Fund	Enterprise Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,290,709	\$ -	\$ 7,290,709	\$ 1,501,791
Payment to suppliers	(3,285,294)	(8)	(3,285,302)	(454,731)
Payments to employees for wages and benefits	(1,445,131)	-	(1,445,131)	(266,809)
Other payments	(865,356)	-	(865,356)	-
Net cash provided by (used in) operating activities	1,694,928	(8)	1,694,920	780,251
Cash Flows from Capital and Related Financing Activities				
Collection of property taxes	1,497,167	-	1,497,167	-
Payment to County Debt Service Fund	(651,052)	-	(651,052)	-
Payments to other funds	-	-	-	-
Purchase of capital assets	(480,517)	-	(480,517)	(157,400)
Principal paid on debt	(785,931)	-	(785,931)	-
Interest paid on debt	(387,592)	-	(387,592)	-
Net cash used in capital and related financing activities	(807,925)	-	(807,925)	(157,400)
Cash Flows from Investing Activities - Interest received on investments				
	2,902	-	2,902	316
Net Increase (Decrease) in Cash and Cash Equivalents				
	889,905	(8)	889,897	623,167
Cash and Cash Equivalents - July 1, 2009				
	5,221,228	8	5,487,893	638,491
Cash and Cash Equivalents - June 30, 2010				
	\$ 6,111,133	\$ -	\$ 6,111,133	\$ 1,261,658
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 534,133	\$ -	\$ 534,133	\$ 1,261,658
Restricted assets (Note 9)	5,577,000	-	5,577,000	-
Total	\$ 6,111,133	\$ -	\$ 6,111,133	\$ 1,261,658
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (138,020)	\$ (8)	\$ (138,028)	\$ 191,978
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	1,140,482	-	1,140,482	367,580
Changes in assets and liabilities:				
Accounts receivable	(190,168)	-	(190,168)	191,596
Prepaid expenses and other assets	(1,355)	-	(1,355)	(5,952)
Due to other funds	197,005	-	197,005	29,265
Accounts payable	73,331	-	73,331	7,644
Accrued and other liabilities	228,308	-	228,308	(1,860)
Net OPEB obligation	385,345	-	385,345	-
Net cash provided by (used in) operating activities	\$ 1,694,928	\$ (8)	\$ 1,694,920	\$ 780,251

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2010

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2010, 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, 2009	\$ 2,545,332
Interest earned on investments	(28,587)
Judgment levy	651,052
Increase in working capital as a result of billings to the City	250,099
Principal paid	(624,795)
Interest paid	<u>(208,813)</u>
 Assets on Hand - June 30, 2010	 <u>\$ 2,584,288</u>

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2010

	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 6,700,269	\$ 108,411
Investments at fair value:		
Common stock	12,664,186	-
U.S. government securities	3,575,419	-
Corporate bonds	4,209,076	-
Mutual funds	3,927,941	-
Accrued interest and other	86,668	-
Total assets	31,163,559	\$ 108,411
Liabilities		
Accounts payable	25,312	\$ -
Accrued and other liabilities	29,175	108,411
Total liabilities	54,487	\$ 108,411
Net Assets - Held in trust for pension and other employee benefits	\$ 31,109,072	

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2010

	Pension and Other Employee Benefits Trust Funds
Additions	
Contributions:	
Employer	\$ 4,380,706
Plan members	<u>652,751</u>
Total contributions	5,033,457
Investment activity:	
Net increase in fair value of investments	3,010,527
Interest and dividends	596,388
Less investment expenses	<u>(130,014)</u>
Net investment activity	<u>3,476,901</u>
Total additions - Net	8,510,358
Deductions	
Benefit payments	7,694,353
Refunds of contributions	398,811
Administrative expenses	<u>119,947</u>
Total deductions	<u>8,213,111</u>
Increase in Plan Net Assets	297,247
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>30,811,825</u>
End of year	<u><u>\$ 31,109,072</u></u>

City of Lincoln Park, Michigan

Component Units Statement of Net Assets June 30, 2010

	Downtown Development Authority	Economic Development Corporation	Brownfield Development Area
Assets			
Cash and cash equivalents	\$ 1,470,201	\$ 181,042	\$ -
Loans receivable	-	74,934	-
Other	1,169	-	-
Capital assets (Note 5)	<u>278,573</u>	<u>-</u>	<u>-</u>
Total assets	1,749,943	255,976	-
Liabilities			
Accounts payable	867	-	-
Deferred revenue	-	74,934	-
Due to primary government	<u>20,578</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>21,445</u>	<u>74,934</u>	<u>-</u>
Net Assets			
Invested in capital assets	278,573	-	-
Unrestricted	<u>1,449,925</u>	<u>181,042</u>	<u>-</u>
Total net assets	<u><u>\$ 1,728,498</u></u>	<u><u>\$ 181,042</u></u>	<u><u>\$ -</u></u>

City of Lincoln Park, Michigan

	Expenses	Program Revenue	
		Charges for Services	Operating Grants/Contributions
Governmental activities:			
Downtown Development Authority	\$ 168,460	\$ -	\$ -
Economic Development Corporation	6,354	11,468	
Brownfield Development Area	28,636	-	-
	<u>203,450</u>	<u>11,468</u>	<u>-</u>
Total governmental activities	<u>\$ 203,450</u>	<u>\$ 11,468</u>	<u>\$ -</u>

General revenue:

Property taxes

Interest

Total general revenue

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2010**

Net (Expense) Revenue and Changes in Net Assets			
Downtown Development Authority	Economic Development Corporation	Brownfield Development Area	Total
\$ (168,460)	\$ -	\$ -	\$ (168,460)
	5,114	-	5,114
<u>-</u>	<u>-</u>	<u>(28,636)</u>	<u>(28,636)</u>
(168,460)	5,114	(28,636)	(191,982)
506,671	-	28,636	535,307
<u>5,098</u>	<u>1,882</u>	<u>-</u>	<u>6,980</u>
<u>511,769</u>	<u>1,882</u>	<u>28,636</u>	<u>542,287</u>
343,309	6,996	-	350,305
<u>1,385,189</u>	<u>174,046</u>	<u>-</u>	<u>1,559,235</u>
<u>\$ 1,728,498</u>	<u>\$ 181,042</u>	<u>\$ -</u>	<u>\$ 1,909,540</u>

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. The EDC's governing body, which consists of nine individuals, is selected by the City Council and the mayor.

- c. The Brownfield Development Area - The Brownfield Development Area (the "Area") was created to facilitate the implementation of plans for the identification, treatment, and revitalization of an environmentally distressed area within the City designated as a Brownfield Development Area. The Area's governing body, which consists of nine individuals, is selected by the City Council and the 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.

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 revenue, 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 revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function 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 revenue are reported instead as general revenue.

Note I - 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 revenue to be available if it is 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.

Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes 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 1 - Summary of Significant Accounting Policies (Continued)

Community Development Block Grant Fund - The Community Development Block Grant Fund accounts for the resources of federal grant revenue, 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 revenue reported for the various functions concerned.

Note I - 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 2009 taxable valuation of the City totaled \$791 million, on which ad valorem taxes levied consisted of 15.5209 mills for the City's operating purposes, 3.4591 mills for police and fire protection, .35000 mills for the library operations, 2.3278 mills for refuse, .9737 mills for Ecorse Creek debt, and .9225 mills for Downriver Sewage Disposal System debt. This resulted in \$12.0 million for operating, \$2.7 million for police and fire protection, \$271,000 for library operations, \$1.8 million for rubbish, \$771,000 for Ecorse Creek, and \$730,000 for the 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.

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.

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's staff and discussion between the mayor and the City Council, goals and objectives are prioritized by the City Council for the next fiscal year.

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, 2010 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)."

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

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

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.

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:			
Municipal building	\$ 1,061,887	\$ 1,069,888	\$ (8,001)
Parks	155,585	284,926	(129,341)
Library	241,012	258,307	(17,295)
Transfer to other funds	-	200,000	(200,000)
Total	<u>\$ 1,458,484</u>	<u>\$ 1,813,121</u>	<u>\$ (354,637)</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.

Note 3 - Deposits and Investments (Continued)

The City has designated two banks for the deposit of its funds. The investment policy adopted by the City Council, in accordance with Public Act 196 of 1997, has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City'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 \$12,877,559 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. At year end, the Downtown Development Authority had \$1,220,201 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:

Municipal Employee System

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 989,736.45	1.26
U.S. agency securities	382,726.14	17.10
Corporate bonds	793,067.55	1.03

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 3 - Deposits and Investments (Continued)

Police and Fire System

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 2,153,526.65	2.79
U.S. agency securities	49,429.64	2.97
Corporate bonds	3,400,665.24	5.07

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:

Rating	Fair Value	Rating Organization
AAA	\$ 1,110,287	Moody's
A1	304,803	Moody's
AA1	106,446	Moody's
A2	500,588	Moody's
AA2	271,217	Moody's
A3	342,559	Moody's
AA3	213,007	Moody's
BA1	9,375	Moody's
BAA1	341,687	Moody's
BAA2	368,583	Moody's
BAA3	15,468	Moody's
Undefined	1,041,870	Moody's
Total	<u>\$ 4,625,890</u>	

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 3 - Deposits and Investments (Continued)

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.

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:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 211,489	\$ -
Grant payments not collected within 60 days	296,126	-
Rehabilitation liens and loans	<u>-</u>	<u>2,368,288</u>
Total	<u>\$ 507,615</u>	<u>\$ 2,368,288</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets

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

	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
Governmental Activities				
Capital assets being depreciated:				
Roads and sidewalks	\$ 96,770,782	\$ 641,225	\$ -	\$ 97,412,007
Buildings and improvements	6,193,193	36,210	-	6,229,403
Equipment	8,872,970	-	-	8,872,970
Subtotal	111,836,945	677,435	-	112,514,380
Accumulated depreciation:				
Roads and sidewalks	67,651,439	3,213,122	-	70,864,561
Buildings and improvements	5,093,927	110,198	-	5,204,125
Equipment	4,945,503	404,962	-	5,350,465
Subtotal	77,690,869	3,728,282	-	81,419,151
Net other governmental capital assets	<u>\$ 34,146,076</u>	<u>\$ (3,050,847)</u>	<u>\$ -</u>	<u>\$ 31,095,229</u>
Internal Service Funds Assets				
Capital assets being depreciated:				
Vehicles	\$ 2,745,928	\$ 148,192	\$ 167,722	\$ 2,726,398
Machinery and equipment	204,858	9,208	-	214,066
Subtotal	2,950,786	157,400	167,722	2,940,464
Accumulated depreciation:				
Vehicles	885,227	343,026	167,721	1,060,532
Machinery and equipment	67,006	24,554	-	91,560
Subtotal	952,233	367,580	167,721	1,152,092
Net Internal Service Funds capital assets	<u>\$ 1,998,553</u>	<u>\$ (210,180)</u>	<u>\$ 1</u>	<u>\$ 1,788,372</u>
Net governmental activity capital assets	<u>\$ 36,144,629</u>	<u>\$ (3,261,027)</u>	<u>\$ 1</u>	<u>\$ 32,883,601</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Additions	Deletions	Balance
	July 1, 2009			June 30, 2010
Capital assets not being depreciated - Land	\$ 16,540	\$ -	\$ -	\$ 16,540
Capital assets being depreciated:				
Water and sewer distribution systems	49,030,060	732,575	-	49,762,635
Buildings and building improvements	1,683,467	-	-	1,683,467
Machinery and equipment	2,542,950	-	-	2,542,950
Subtotal	53,256,477	732,575	-	53,989,052
Accumulated depreciation:				
Water and sewer distribution systems	16,664,073	1,061,241	-	17,725,314
Buildings and building improvements	1,423,157	15,056	-	1,438,213
Machinery and equipment	1,225,632	64,185	-	1,289,817
Subtotal	19,312,862	1,140,482	-	20,453,344
Net capital assets being depreciated	33,943,615	(407,907)	-	33,535,708
Net capital assets	<u>\$ 33,960,155</u>	<u>\$ (407,907)</u>	<u>\$ -</u>	<u>\$ 33,552,248</u>
Component Units				
Capital assets not being depreciated - Land	\$ 263,493	\$ -	\$ -	\$ 263,493
Capital assets being depreciated - Vehicles	25,134	-	-	25,134
Accumulated depreciation - Vehicles	5,027	5,027	-	10,054
Net capital assets being depreciated	20,107	(5,027)	-	15,080
Net capital assets	<u>\$ 283,600</u>	<u>\$ (5,027)</u>	<u>\$ -</u>	<u>\$ 278,573</u>

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

Governmental activities:	
General government	\$ 287,640
Public safety	61,909
Public works	3,229,061
Recreation and culture	149,672
Internal Service Funds	367,580
Total governmental activities	<u>\$ 4,095,862</u>
Business-type activities - Water and sewer	<u>\$ 1,140,482</u>
Component unit - DDA	<u>\$ 5,027</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

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	\$ 735,726
	Water and Sewer Fund	257,410
	Nonmajor governmental funds	257,204
	Internal Service Funds	<u>29,265</u>
	Total General Fund	1,279,605
Nonmajor governmental funds	Community Development Block Grant	7,148
Internal Service Funds	Community Development Block Grant Fund	<u>4,982</u>
	Total	<u>\$ 1,291,735</u>

Interfund transfers include the transfer of \$163,127 of Act 51 funding from the Major Streets Fund to the Street Improvement Fund. The General Fund transferred \$200,000 to the nonmajor governmental funds to be used for future capital projects and employee obligations.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

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, 2010 on the leased assets is \$954,667. The future minimum lease obligations for the years ending June 30, 2011 through June 30, 2022 and the net present value are as follows:

Years Ending June 30	Amount
2011	\$ 329,053
2012	329,053
2013	329,053
2014	329,053
2015	329,053
2016-2022	<u>2,221,111</u>
Total minimum payments	3,866,376
Less amount representing interest	<u>(891,709)</u>
Present value at June 30, 2010	<u>\$ 2,974,667</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, 2010

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:							
		\$202,567-					
Amount of issue - \$3,580,000	4.00%	\$301,595	\$ 3,169,330	\$ -	\$ (194,663)	\$ 2,974,667	\$ 202,567
Maturing through 2022			1,954,800	-	(16,660)	1,938,140	409,112
Employee compensated absences							
Total governmental activities			\$ 5,124,130	\$ -	\$ (211,323)	\$ 4,912,807	\$ 611,679
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%-						
Maturing through 2011	6.0%	\$725,000	1,465,000	-	(740,000)	725,000	-
Downriver Sewage Disposal Bonds:							
Amount of issue - \$12,344,844	2.00%-	\$645,000-					
Maturing through various dates	2.50%	\$778,502	11,952,035	-	(624,795)	11,327,240	-
Total general obligation bonds			14,917,035	-	(1,364,795)	13,552,240	-
Other long-term obligations:							
Basement flooding lawsuit settlement			61,000	-	(61,000)	-	-
Employee compensated absences			130,972	15,069	-	146,041	34,725
Total other long-term obligations			191,972	15,069	(61,000)	146,041	34,725
Total business-type activities			\$ 15,109,007	\$ 15,069	\$ (1,425,795)	\$ 13,698,281	\$ 34,725

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
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	1,288,071	357,196	1,645,267	897,184	168,507	1,065,691
2016-2020	825,628	79,269	904,897	3,820,799	487,757	4,308,556
2021-2025	-	-	-	1,608,576	171,459	1,780,035
2026-2030	-	-	-	1,469,459	28,120	1,497,579
2031	-	-	-	129,786	-	129,786
Total	\$ 2,974,667	\$ 891,710	\$ 3,866,377	\$ 13,552,240	\$ 1,948,417	\$ 15,500,657

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

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, 2010 consist of the following:

Cash and cash equivalents:

Ecorse Creek replacement reserve	\$ 1,000,000
Enterprise Fund debt service	186,371
Water and sewer capital improvement	2,415,286
Engineering and sewer improvement reserve	<u>1,975,343</u>

Total cash and cash equivalents 5,577,000

Wayne County sewage disposal system:

Assets held at Wayne County for future debt payments	1,333,940
Assets held at Wayne County for sewer operations	<u>1,250,348</u>

Total restricted assets \$ 8,161,288

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 sewer rates. Total tax collections received in the current year were \$651,052 compared to principal and interest payments of \$833,608 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, 2010

Note 11 - Defined Benefit Pension Plans

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, 2009, 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	144	149
Current employees:		
Fully vested	38	47
Nonvested	42	14
Total current employees	80	61

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:

	Police/Fire	Municipal
Valuation as of June 30, 2009:		
Actuarial value of assets	\$ 24,777,000	\$ 13,644,000
Actuarial accrued liability (AAL)	\$ 59,537,000	\$ 38,468,000
Unfunded AAL (UAAL)	\$ 34,760,000	\$ 24,824,000
Funded ratio	41.62%	35.47%
Annual covered payroll	\$ 4,805,000	\$ 3,011,000
Ratio of UAAL to covered payroll	723.41%	824.44%

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 11 - Defined Benefit Pension Plans (Continued)

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multi-year 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, 2010, the City's annual pension cost was as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Reserve for employees' contribution	\$ 5,419,204	\$ 6,082,143
Reserve for retired benefit payments	14,455,876	5,076,612

Note 11 - Defined Benefit Pension Plans (Continued)

The annual required contributions were determined as part of an actuarial valuation conducted during the year ended June 30, 2009 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 investment rate of return for the Police and Fire Retirement System and an 8.25 percent investment rate of return for the Municipal Employees' Retirement System and (ii) projected salary increases of 4.0 percent to 7.8 percent per year. Both (i) and (ii) include inflation at 4 percent. Both plans assume that benefits will not increase after retirement, with the following exceptions: fire members retiring after January 1, 1995, 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 27 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 15 years.

Reserves - As of June 30, 2010, the plans' legally required reserves have been funded as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Reserve for employees' contribution	\$ 5,419,204	\$ 6,082,143
Reserve for retired benefit payments	14,455,876	5,076,612

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 11 - Defined Benefit Pension Plans (Continued)

Financial Statement Information - As of June 30, 2010, the statement of net assets for the pension plans and other postemployment benefits is as follows:

	Pension and Other Employee Benefits Trust Funds			
	Municipal			Total
	Police and Fire Retirement	Employees' Retirement	Retirees' Health Benefit	
Assets				
Cash and cash equivalents	\$ 3,628,286	\$ 2,978,746	\$ 93,237	\$ 6,700,269
Common stock	8,765,329	3,898,857	-	12,664,186
U.S. government securities	2,202,956	1,372,463	-	3,575,419
Corporate bonds	3,416,008	793,068	-	4,209,076
Mutual funds	1,827,222	2,100,719	-	3,927,941
Accrued interest and other	60,591	26,077	-	86,668
Total assets	19,900,392	11,169,930	93,237	31,163,559
Liabilities				
Accounts payable	25,312	-	-	25,312
Accrued and other liabilities	-	11,175	18,000	29,175
Total liabilities	25,312	11,175	18,000	54,487
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 19,875,080</u>	<u>\$ 11,158,755</u>	<u>\$ 75,237</u>	<u>\$ 31,109,072</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 11 - Defined Benefit Pension Plans (Continued)

For the year ended June 30, 2010, the statement of changes in net assets for the pension and other postemployment benefit plans is as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
Additions				
Contributions:				
Employer	\$ 2,569,039	\$ 1,811,667	\$ -	\$ 4,380,706
Plan members	<u>411,002</u>	<u>241,749</u>	<u>-</u>	<u>652,751</u>
Total contributions	2,980,041	2,053,416	-	5,033,457
Investment activity:				
Net increase in fair value of investments	1,789,076	1,221,451	-	3,010,527
Interest and dividends	389,611	206,026	751	596,388
Investment expenses	<u>(74,197)</u>	<u>(55,817)</u>	<u>-</u>	<u>(130,014)</u>
Net investment activity	<u>2,104,490</u>	<u>1,371,660</u>	<u>751</u>	<u>3,476,901</u>
Total additions - Net	5,084,531	3,425,076	751	8,510,358
Deductions				
Benefit payments	4,591,796	3,102,557	-	7,694,353
Refunds of contributions	364,543	34,268	-	398,811
Administrative expenses	<u>75,057</u>	<u>44,890</u>	<u>-</u>	<u>119,947</u>
Total deductions	<u>5,031,396</u>	<u>3,181,715</u>	<u>-</u>	<u>8,213,111</u>
Increase in Plan Net Assets	53,135	243,361	751	297,247
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	<u>19,821,945</u>	<u>10,915,394</u>	<u>74,486</u>	<u>30,811,825</u>
End of year	<u>\$ 19,875,080</u>	<u>\$ 11,158,755</u>	<u>\$ 75,237</u>	<u>\$ 31,109,072</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 11 - Defined Benefit Pension Plans (Continued)

Three-year Trend Information

	Fiscal Year Ended June 30		
	2008	2009	2010
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 1,632,765	\$ 1,726,324	\$ 1,811,667
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 2,172,141	\$ 2,354,705	\$ 2,569,039
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 \$39,304 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, 2010, employee contributions were \$5,200.

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, 2010, the City made payments for postemployment health benefit premiums totaling approximately \$3,348,000, of which \$3,280,000 was paid from the governmental funds and \$68,000 was paid from the Water and Sewer Fund.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2010

Note 13 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2010, 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
Annual required contribution	\$ 2,975,353	\$ 2,780,564
Interest on prior year's net OPEB obligation	48,689	48,365
Less adjustment for annual required contribution	-	-
Annual OPEB cost	3,024,042	2,828,929
Amounts contributed:		
Payments of current premiums	(1,713,531)	(1,634,301)
Advance funding	-	-
Increase in net OPEB obligation	1,310,511	1,194,628
OPEB obligation - Beginning of the year	1,322,976	1,103,374
OPEB obligation - End of the year	\$ 2,633,487	\$ 2,298,002

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
Annual OPEB costs	\$ 3,024,042	\$ 2,828,929
Percentage contributed	57%	58%
Net OPEB obligation	\$ 1,310,511	\$ 1,194,628

Note 13 - Other Postemployment Benefits (Continued)

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

	<u>Municipal</u>	<u>Police/Fire</u>
Valuation as of June 30, 2008:		
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 and 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 \$9,118 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, 2009	\$ (916,905)
Building permit revenue	322,985
Related direct expenditures	<u>(360,561)</u>
Cumulative shortfall - June 30, 2010	<u>\$ (954,481)</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.

Note 16 - Subsequent Event

On September 13, 2010, the City issued \$3.4 million in bonded debt for a City-wide electronic water meter replacement project. The bonds are payable over a 20-year period and will be paid for through water rates.

Required Supplemental Information

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance - Beginning of year	\$ 4,222,360	\$ 4,222,360	\$ 4,222,360	\$ -
Resources (Inflows)				
Property taxes	15,284,614	15,569,789	15,524,341	(45,448)
State sources	4,498,867	4,517,578	4,609,332	91,754
Licenses and permits	970,220	977,601	842,073	(135,528)
Fines and forfeitures	1,450,000	1,334,062	1,354,886	20,824
Interest and rentals	92,000	28,391	92,299	63,908
Transfer from other funds	35,000	21,000	-	(21,000)
Other	1,021,946	1,417,345	1,266,166	(151,179)
Total resources (inflows)	23,352,647	23,865,766	23,689,097	(176,669)
Charges to Appropriations (Outflows)				
General government:				
General government	8,152,204	8,229,151	7,948,696	280,455
Mayor and City Council	78,367	73,046	73,041	5
City clerk	200,089	187,659	190,448	(2,789)
Election commission	60,226	34,275	34,211	64
City assessor	116,304	112,839	114,177	(1,338)
City attorney	198,700	329,856	331,066	(1,210)
City controller	282,245	276,300	275,919	381
City manager	319,609	303,168	305,521	(2,353)
Treasury department	126,641	160,164	165,285	(5,121)
Municipal building	1,113,864	1,061,887	1,069,888	(8,001)
Total general government	10,648,249	10,768,345	10,508,252	260,093

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Charges to Appropriations (Outflows)				
(Continued)				
Public safety:				
Police	\$ 5,832,568	\$ 5,567,397	\$ 5,571,921	\$ (4,524)
Fire	3,487,886	3,612,682	3,617,367	(4,685)
Civil defense	-	-	475	(475)
Building department	419,055	389,717	385,448	4,269
District Court	<u>1,342,845</u>	<u>1,342,920</u>	<u>1,531,354</u>	<u>(188,434)</u>
Total public safety	11,082,354	10,912,716	11,106,565	(193,849)
Public works:				
Department of Public Works	82,939	65,042	64,798	244
Planning Commission	13,000	14,267	14,267	-
Street lighting	<u>484,893</u>	<u>540,646</u>	<u>540,646</u>	<u>-</u>
Total public works	580,832	619,955	619,711	244
Community and economic development	16,825	15,922	17,904	(1,982)
Recreation and culture:				
Historical museum	17,000	17,000	17,000	-
Parks	182,568	155,585	284,926	(129,341)
Recreation and culture	391,696	271,542	271,339	203
Library	270,898	241,012	258,307	(17,295)
Social services	162,225	212,294	156,354	55,940
Community center	<u>-</u>	<u>14,150</u>	<u>14,150</u>	<u>-</u>
Total recreation and culture	1,024,387	911,583	1,002,076	(90,493)
Transfer to other funds	<u>-</u>	<u>-</u>	<u>200,000</u>	<u>(200,000)</u>
Total charges to appropriations (outflows)	<u>23,352,647</u>	<u>23,228,521</u>	<u>23,454,508</u>	<u>(225,987)</u>
Fund Balance - End of year	<u>\$ 4,222,360</u>	<u>\$ 4,859,605</u>	<u>\$ 4,456,949</u>	<u>\$ (402,656)</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, 2010

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance (Deficit) - Beginning of year	\$ (113,748)	\$ (113,748)	\$ (113,748)	\$ -
Resources (Inflows) - Federal sources	1,030,425	1,030,425	2,939,287	1,908,862
Charges to Appropriations (Outflows) - Health and welfare	<u>1,030,425</u>	<u>1,030,425</u>	<u>2,138,246</u>	<u>(1,107,821)</u>
Fund Balance (Deficit) - End of year	<u>\$ (113,748)</u>	<u>\$ (113,748)</u>	<u>\$ 687,293</u>	<u>\$ 801,041</u>

City of Lincoln Park, Michigan

Note to Required Supplemental Information June 30, 2010

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 revenue, expenditures, and changes in fund balances):

	General Fund	
	Resources (Inflows)	Charges to Appropriations (Outflows)
Amounts per operating statement	\$ 23,689,097	\$ 23,254,508
Beginning fund balance	4,222,360	-
Transfers to/from other funds	-	200,000
Amounts per budget statement	<u>\$ 27,911,457</u>	<u>\$ 23,454,508</u>

City of Lincoln Park, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/04	\$ 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
06/30/09	13,644,000	38,468,000	24,824,000	35	3,011,000	824

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
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
2010	1,811,667	1,811,667	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, 2009. Additional information on assumptions used in the study is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period**	27 years
Asset valuation method	Five-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%

** 15-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 and Employer Contributions 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
06/30/04	\$ 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
06/30/09	24,777,000	59,537,000	34,760,000	42	4,805,000	723

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
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
2010	2,569,039	2,569,039	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, 2009. 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%

** 15-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 Fund	Streets Fund	Fund	Improvement Fund	Absences Fund	Cable Fund	Forfeiture Fund
Assets							
Cash and cash equivalents	\$ 2,072,229	\$ 306,840	\$ 314,814	\$ 112,361	\$ 105,243	\$ 390,401	\$ 415,603
Receivables:							
Taxes	-	-	299,230	-	-	-	-
Special assessments	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Due from other governmental units	268,494	90,071	-	-	-	-	-
Due from other funds	-	7,148	-	-	-	-	-
Total assets	\$ 2,340,723	\$ 404,059	\$ 614,044	\$ 112,361	\$ 105,243	\$ 390,401	\$ 415,603
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ 61,633	\$ 43,987	\$ 203,362	\$ 5,517	\$ -	\$ 100	\$ 1,461
Accrued and other liabilities	15,909	5,600	-	-	-	2,239	-
Due to other funds (Note 6)	50,744	39,305	165,983	-	-	52	1,120
Deferred revenue	-	-	-	-	-	-	-
Total liabilities	128,286	88,892	369,345	5,517	-	2,391	2,581
Fund Balances - Undesignated	2,212,437	315,167	244,699	106,844	105,243	388,010	413,022
Total liabilities and fund balances	\$ 2,340,723	\$ 404,059	\$ 614,044	\$ 112,361	\$ 105,243	\$ 390,401	\$ 415,603

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

Special Revenue		
Funds		
Water Bonds		Total Nonmajor
Debt Service	Capital Projects	Governmental
Fund	Fund	Funds
\$ -	\$ 175,359	\$ 3,892,850
-	-	299,230
-	14,082	14,082
2,267	-	2,267
-	-	358,565
-	-	7,148
<u>\$ 2,267</u>	<u>\$ 189,441</u>	<u>\$ 4,574,142</u>

\$ -	\$ -	\$ 316,060
-	-	23,748
-	-	257,204
-	14,082	14,082
-	14,082	611,094
<u>2,267</u>	<u>175,359</u>	<u>3,963,048</u>
<u>\$ 2,267</u>	<u>\$ 189,441</u>	<u>\$ 4,574,142</u>

City of Lincoln Park, Michigan

Special Revenue Funds

	Major Streets Fund	Local Streets Fund	Sanitation Fund	Street Improvement Fund	Compensated Absences Fund	Cable Fund	Drug Forfeiture Fund
Revenue							
Property taxes	\$ -	\$ -	\$ 2,223,010	\$ 2,752	\$ -	\$ -	\$ -
State sources	1,639,374	549,939	-	-	-	-	114,984
Cable franchise fees	-	-	-	-	-	89,466	-
Interest and rentals	899	261	-	87	3	209	211
Other	36,466	21,727	278	-	-	309	-
Total revenue	1,676,739	571,927	2,223,288	2,839	3	89,984	115,195
Expenditures - Current							
Public works	880,544	835,979	2,012,727	154,360	-	56,018	-
Public safety	-	-	-	-	-	-	115,776
Total expenditures	880,544	835,979	2,012,727	154,360	-	56,018	115,776
Excess of Revenue Over (Under) Expenditures	796,195	(264,052)	210,561	(151,521)	3	33,966	(581)
Other Financing Sources (Uses)							
Transfers in	-	-	-	163,127	100,000	-	-
Transfers out	(163,127)	-	-	-	-	-	-
Total other financing sources (uses)	(163,127)	-	-	163,127	100,000	-	-
Net Change in Fund Balances	633,068	(264,052)	210,561	11,606	100,003	33,966	(581)
Fund Balances - Beginning of year	1,579,369	579,219	34,138	95,238	5,240	354,044	413,603
Fund Balances - End of year	\$ 2,212,437	\$ 315,167	\$ 244,699	\$ 106,844	\$ 105,243	\$ 388,010	\$ 413,022

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2010

Special Revenue
 Funds

Water Bonds Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 2,225,762
-	-	2,304,297
-	-	89,466
-	38	1,708
-	-	58,780
-	38	4,680,013
-	-	3,939,628
-	-	115,776
-	-	4,055,404
-	38	624,609
-	100,000	363,127
-	-	(163,127)
-	100,000	200,000
-	100,038	824,609
2,267	75,321	3,138,439
\$ 2,267	\$ 175,359	\$ 3,963,048

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Nonmajor Proprietary Funds - Internal Service Funds June 30, 2010

	Motor Pool Fund	Information Technology Fund	Total
Assets			
Current assets:			
Cash and investments	\$ 1,043,623	\$ 218,035	\$ 1,261,658
Due from other funds	-	4,982	4,982
Prepaid expenses	3,332	2,620	5,952
Total current assets	1,046,955	225,637	1,272,592
Noncurrent assets - Capital assets	1,750,427	37,945	1,788,372
Total assets	2,797,382	263,582	3,060,964
Liabilities - Current			
Accounts payable	33,955	21,116	55,071
Accrued and other liabilities	6,590	1,188	7,778
Due to other funds	28,893	372	29,265
Total liabilities	69,438	22,676	92,114
Net Assets			
Invested in capital assets - Net of related debt	1,750,427	37,945	1,788,372
Unrestricted	977,517	202,961	1,180,478
Total net assets	<u>\$ 2,727,944</u>	<u>\$ 240,906</u>	<u>\$ 2,968,850</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, 2010

	Motor Pool Fund	Information Technology Fund	Total
Operating Revenue			
Charges for services	\$ 1,037,156	\$ 230,654	\$ 1,267,810
Other	13,120	-	13,120
Total operating revenue	1,050,276	230,654	1,280,930
Operating Expenses			
Operation and maintenance	408,008	46,555	454,563
General and administrative	174,545	92,264	266,809
Depreciation	353,599	13,981	367,580
Total operating expenses	936,152	152,800	1,088,952
Operating Income	114,124	77,854	191,978
Nonoperating Revenue -			
Investment income	273	43	316
Change in Net Assets	114,397	77,897	192,294
Net Assets - Beginning of year	2,613,547	163,009	2,776,556
Net Assets - End of year	<u><u>\$ 2,727,944</u></u>	<u><u>\$ 240,906</u></u>	<u><u>\$ 2,968,850</u></u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Proprietary Funds - Internal Service Funds Year Ended June 30, 2010

	Motor Pool Fund	Information Technology Fund	Total
Cash Flows from Operating Activities			
Receipts from other funds	\$ 1,274,041	\$ 227,750	\$ 1,501,791
Payments to suppliers	(414,430)	(40,301)	(454,731)
Payments to employees	(174,545)	(92,264)	(266,809)
Net cash provided by operating activities	685,066	95,185	780,251
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(157,400)	-	(157,400)
Principal paid on debt	-	-	-
Interest paid on debt	-	-	-
Net cash used in capital and related financing activities	(157,400)	-	(157,400)
Cash Flows from Noncapital Financing Activities - Payments to other funds	-	-	-
Cash Flows from Investing Activities - Interest income	273	43	316
Net Increase in Cash and Cash Equivalents	527,939	95,228	623,167
Cash and Cash Equivalents - July 1, 2009	515,684	122,807	638,491
Cash and Cash Equivalents - June 30, 2010	<u>\$ 1,043,623</u>	<u>\$ 218,035</u>	<u>\$ 1,261,658</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 114,124	\$ 77,854	\$ 191,978
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	353,599	13,981	367,580
Changes in assets and liabilities:			
Due from other funds	194,872	(3,276)	191,596
Prepaid costs and other assets	(3,332)	(2,620)	(5,952)
Deposits	-	-	-
Accounts payable	(1,134)	8,778	7,644
Accrued and other liabilities	(1,956)	96	(1,860)
Due to other funds	28,893	372	29,265
Net cash provided by operating activities	<u>\$ 685,066</u>	<u>\$ 95,185</u>	<u>\$ 780,251</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2010

	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	\$ 3,628,286	\$ 2,978,746	\$ 93,237	\$ 6,700,269	\$ 50,169	\$ 58,242	\$ 108,411
Common stock	8,765,329	3,898,857	-	12,664,186			
U.S. government securities	2,202,956	1,372,463	-	3,575,419			
Corporate bonds	3,416,008	793,068	-	4,209,076			
Mutual funds	1,827,222	2,100,719	-	3,927,941			
Accrued interest and other	60,591	26,077	-	86,668	-	-	-
Total assets	19,900,392	11,169,930	93,237	31,163,559	<u>\$ 50,169</u>	<u>\$ 58,242</u>	<u>\$ 108,411</u>
Liabilities							
Accounts payable	25,312	-	-	25,312	-	-	-
Accrued and other liabilities	-	11,175	18,000	29,175	50,169	58,242	108,411
Total liabilities	25,312	11,175	18,000	54,487	<u>\$ 50,169</u>	<u>\$ 58,242</u>	<u>\$ 108,411</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 19,875,080</u>	<u>\$ 11,158,755</u>	<u>\$ 75,237</u>	<u>\$ 31,109,072</u>			

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2010

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
Additions				
Contributions:				
Employer	\$ 2,569,039	\$ 1,811,667	\$ -	\$ 4,380,706
Plan members	411,002	241,749	-	652,751
Total contributions	2,980,041	2,053,416	-	5,033,457
Investment activity:				
Net increase in fair value of investments	1,789,076	1,221,451	-	3,010,527
Interest and dividends	389,611	206,026	751	596,388
Investment expenses	(74,197)	(55,817)	-	(130,014)
Net investment activity	2,104,490	1,371,660	751	3,476,901
Total additions - Net	5,084,531	3,425,076	751	8,510,358
Deductions				
Benefit payments	4,591,796	3,102,557	-	7,694,353
Refunds of contributions	364,543	34,268	-	398,811
Administrative expenses	75,057	44,890	-	119,947
Total deductions	5,031,396	3,181,715	-	8,213,111
Increase in Plan Net Assets	53,135	243,361	751	297,247
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	19,821,945	10,915,394	74,486	30,811,825
End of year	<u>\$ 19,875,080</u>	<u>\$ 11,158,755</u>	<u>\$ 75,237</u>	<u>\$ 31,109,072</u>