

City of Lincoln Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2006**

City of Lincoln Park, Michigan

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-10
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17-18
Proprietary Funds:	
Statement of Net Assets	19
Statement of Revenue, Expenses, and Changes in Fund Net Assets	20
Statement of Cash Flows	21-22
Fiduciary Funds:	
Statement of Net Assets	23
Statement of Changes in Net Assets	24
Component Units:	
Statement of Net Assets	25
Statement of Activities	26-27
Notes to Financial Statements	28-49
Required Supplemental Information	50
Budgetary Comparison Schedule - General Fund	51-52
Budgetary Comparison Schedule - Major Special Revenue Fund - Community Development Block Grant Fund	53
Note to Required Supplemental Information - Reconciliation of Budgeted Amounts to the Basic Financial Statements	54

City of Lincoln Park, Michigan

Contents (Continued)

Required Supplemental Information (Continued)

Retirement Systems Schedules of Funding Progress and Employer

Contributions:

Municipal Employees' Retirement System	55
Police and Fire Retirement System	56

Other Supplemental Information

57

Nonmajor Governmental Funds:

Combining Balance Sheet	58-59
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	60-61

Nonmajor Proprietary Funds - Internal Service Funds:

Combining Statement of Net Assets	62
Combining Statement of Revenue, Expenses, and Changes in Fund Net Assets	63
Combining Statement of Cash Flows	64

Fiduciary Funds:

Combining Statement of Net Assets	65
Combining Statement of Changes in Net Assets	66

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, 2006, 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 maintained a complete record of its fixed assets due to the exclusion of certain City-owned land. The value of City-owned land, which has not been determined by the City, should be recorded in the capital assets of the governmental activities.

In our opinion, except for the effects on the financial statements of the omission of the City-owned land as explained in the third 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, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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 November 2, 2006 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

November 2, 2006

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, 2006. 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- 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 \$24.2 million and net assets of governmental activities were \$45.5 million.

- The current year's expense total was \$27.6 million as compared to the \$26.8 million generated in fees and charges, grants, general revenues, and taxes for governmental programs. In the previous year, expenses were \$29.8 million as compared to the \$27.5 million generated in tax and other revenues for governmental programs.
- For business-type activities, City revenues were \$9.3 million. Expenses were \$7.7 million.
- The annual cost of all City programs was \$35.3 million. The previous year's cost was \$36.8 million.

In an effort to bring costs under control, the City entered into an intergovernmental agreement with Allen Park, Melvindale, Wyandotte, Wayne County, Belleville, Huron Township, Romulus, Sumpter Township, and Van Buren Township. The agreement upgrades and links the Lincoln Park police communication system to Southgate's powerful system (developed by OSSI, Inc.). Savings are estimated at over \$350,000.

Another potential cost savings measure was taken when the City contracted with rink management services to handle day-to-day operations of the Lincoln Park Community Center (the "Center"). The City hopes to see a reduction in the \$150,000 subsidy spent to operate the Center in the previous fiscal year.

The City has switched active employees to a 10/20/30 co-pay plan for prescription drugs. Prescriptions are a large monthly expense and costs could be reduced under this plan. A goal for the future would be to move retirees to these types of plans.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Regarding the water and sewer system, the City has adjusted billing rates to offset the cost increases it incurs yearly. In addition there has been a more aggressive strategy to collect delinquent water and sewer bills.

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 a city's financial condition has improved or deteriorated as a result of the year's activities. All assets and liabilities are included in the statements using the accrual basis of accounting. The accrual method is comparable to the accounting used by most private corporations. All current year revenues and expenses are included. It does not matter when cash is paid or received.

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

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

- **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.
- **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. We provide water to residents, which we purchase from the Detroit water system. We provide sewage treatment through a county-operated sewage treatment plant.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

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.

- **Government Funds** - Basic services are reported in government funds. Government fund financial statements detail how money flows in and out of the funds and reports the balances left at year end that are on hand for disbursement. Government 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 the City charges for services it provides, both to City units and outside customers. Proprietary funds are reported in the statement of net assets and the statement of revenues, expenses, and changes in fund net assets. The City's Enterprise Funds, a component of proprietary funds, are the same as the business-type activities we report in the government-wide statements, but they give more detailed information such as cash flows.

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.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Table I - Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Assets						
Current and other assets	\$ 10,203.6	\$ 10,111.6	\$ 3,138.6	\$ 3,052.7	\$ 13,342.2	\$ 13,164.3
Capital and restricted assets	44,824.7	44,324.1	35,310.8	34,621.8	80,135.5	78,945.9
Total assets	55,028.3	54,435.7	38,449.4	37,674.5	93,477.7	92,110.2
Liabilities						
Current liabilities	5,500.6	5,712.6	1,813.2	2,189.9	7,313.8	7,902.5
Long-term liabilities	4,069.5	2,532.2	12,423.1	12,914.6	16,492.6	15,446.8
Total liabilities	9,570.1	8,244.8	14,236.3	15,104.5	23,806.4	23,349.3
Net Assets						
Invested in capital assets - Net of related debt	41,855.8	43,654.9	17,357.6	16,990.2	59,213.4	60,645.1
Restricted	2,491.4	2,173.3	4,713.4	3,849.3	7,204.8	6,022.6
Unrestricted	1,111.0	362.7	2,142.1	1,730.5	3,253.1	2,093.2
Total net assets	\$ 45,458.2	\$ 46,190.9	\$ 24,213.1	\$ 22,570.0	\$ 69,671.3	\$ 68,760.9

City as a Whole

The City's combined net assets from the previous year were \$68.8 million as compared to \$69.7 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.

The City's net assets for governmental activities were \$45.5 million this year as compared to \$46.2 million last year. Unrestricted net assets were \$362.7 thousand last year as compared to \$1.1 million this year. Unrestricted net assets are those that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net assets of the City's business-type activities were \$24.2 million this year as compared to \$22.6 million last year.

City revenues for the current year were \$37.8 million as compared to \$35.2 million in the previous year. The total yearly cost of all programs and services was \$36.9 million as compared to \$36.8 million in the previous year.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Table 2 - Change in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2006	2005	2006	2005	2006	2005
Revenues						
Program revenues - Restricted:						
Charges for services	\$ 3,359.3	\$ 2,881.0	\$ 7,600.2	\$ 5,974.3	\$ 10,959.5	\$ 8,855.3
Restricted operating grants	3,575.2	4,085.6	-	-	3,575.2	4,085.6
General revenue:						
Property taxes	14,728.6	14,555.9	1,587.1	1,709.7	16,315.7	16,265.6
Interest and investment income	498.5	218.6	160.0	54.2	658.5	272.8
Other general revenues	<u>6,319.4</u>	<u>5,731.0</u>	<u>-</u>	<u>-</u>	<u>6,319.4</u>	<u>5,731.0</u>
Total revenues	28,481.0	27,472.1	9,347.3	7,738.2	37,828.3	35,210.3
Expenses						
Program expenses:						
General government	2,741.6	4,035.0	-	-	2,741.6	4,035.0
Public safety	14,149.1	14,202.3	-	-	14,149.1	14,202.3
Public works	9,143.6	8,186.0	-	-	9,143.6	8,186.0
Culture and recreation	2,135.5	2,063.9	-	-	2,135.5	2,063.9
Community development	874.9	1,352.1	-	-	874.9	1,352.1
Interest on long-term debt	22.4	7.4	-	-	22.4	7.4
Loss on sale of assets	146.6	-	-	-	146.6	-
Business activities - Water and/or sewer	<u>-</u>	<u>-</u>	<u>7,704.2</u>	<u>6,937.3</u>	<u>7,704.2</u>	<u>6,937.3</u>
Total expenses	<u>29,213.7</u>	<u>29,846.7</u>	<u>7,704.2</u>	<u>6,937.3</u>	<u>36,917.9</u>	<u>36,784.0</u>
Increase (Decrease) in Net Assets	\$ (732.7)	\$ (2,374.6)	\$ 1,643.1	\$ 800.9	\$ 910.4	\$ (1,573.7)

Governmental Activities

This year's governmental activities revenues were \$28.5 million as compared to \$27.5 million last year. The year's governmental activities cost was \$29.2 million as compared to \$29.8 million in the previous year.

In the past year, the government of the City of Lincoln Park has been able to take on necessary projects in tough financial times. Improvements in the service vehicle fleet as well as computer technology are now underway.

The Department of Public Services (DPS) is once again carrying out a sidewalk replacement program in the City. Safer sidewalks result in fewer injuries and may offer a decrease in costly lawsuits. The DPS will also have a large role in future improvements to City infrastructure. These improvements may include improvements to the sewer system and storm drains.

Employee learning is a key goal for the City of Lincoln Park. This will include department heads setting performance objectives for the coming year(s) in the budget and a plan for more training of all employees in the future.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

In addition, Lincoln Park has acquired a lot of property that it is unable to utilize. There is also a large amount of property in which ownership must be explored. This property is being evaluated and sold if applicable to bring in revenue for an otherwise stagnant property. This will give the City more of a tax stream and will also get the City out of paying maintenance costs associated with the upkeep of these unused properties.

Business-type Activities

This year's business-type activities revenues were \$9.3 million as compared to \$7.7 million last year (see Table 2). This year's expenses were \$7.7 million as compared to \$6.9 million in the previous year. These figures are due in part to the following reason:

Currently, the only business activity is the Water and Sewer Fund. This fund is still falling short of expenditures on a cash flow basis, even after the 14 percent rate increase that has been put into place. An evaluation of this fund will take place and rate adjustments will continue to be made based on the cost of running the system.

General Fund Budgetary Statements

The City Council revisits the budget several times during the year. The current year's budget focuses on the General Fund, major funds, and on availability of fund resources.

The General Fund has met the goal of continuing to provide services to residents while remaining financially solvent. During the year, the City used \$190,302 of fund balance. Continuing steps must be taken to further curb this trend in the near future. Lincoln Park is still financially solvent, but the rising costs of employee benefits, including health care and retiree pension plans, are quickly wearing away at the fund.

The mayor and City Council adopted successful plans, which have helped eliminate some spending from the General Fund fund balance. Further, renegotiating of contracts and implementing spending controls will need to be implemented in the next year.

The intention of City management is to eliminate the use of fund balance in the coming years, and the goal would be to begin to add to those funds within the next few years. Further measures need to be taken to ensure that the City remains financially solvent.

City Funds

The analysis for the City's major funds begins on page 14, following the government-wide financial statements. The City's major funds include the General Fund, the Community Development Block Grant Fund, and the Water and Sewer Fund. This report reflects that, at year end, the City reported a total governmental fund balance of \$5.1 million as compared to \$4.7 million in the previous year.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The General Fund supports most of the City's governmental services through the use of property taxes, state revenue sharing, and fees and charges. The largest expenditure incurred within the General Fund was in the area of public safety, which totaled \$13.9 million.

Although not a major fund, another key fund in Lincoln Park is the Street Improvement Fund. Funds were generated through property taxes for the specific use of improvements to aging infrastructure.

Capital Assets

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
Land	\$ -	\$ -	\$ 16.5	\$ 16.5	\$ 16.5	\$ 16.5
Construction in progress	2,474.5	-	-	-	2,474.5	-
Equipment	1,518.1	1,555.7	1,482.8	1,504.0	3,000.9	3,059.7
Buildings and improvements	1,339.1	1,371.6	303.8	333.8	1,642.9	1,705.4
Infrastructure	37,600.2	39,612.7	28,794.3	28,600.1	66,394.5	68,212.8
Vehicles	1,892.8	1,784.1	-	318.1	1,892.8	2,102.2
Total	\$ 44,824.7	\$ 44,324.1	\$ 30,597.4	\$ 30,772.5	\$ 75,422.1	\$ 75,096.6

At the close of the year, the City had invested \$75.4 million in capital assets such as land, buildings and improvements, equipment, or infrastructure (see Table 3). Last year, \$75.1 million was invested in similar assets.

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

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
General obligation bonds (backed by the City)	\$ -	\$ -	\$ 13,239.8	\$ 13,782.4	\$ 13,239.8	\$ 13,782.4
Other bonds or outstanding obligations	4,903.9	3,186.1	300.7	289.5	5,204.6	3,475.6
Total	\$ 4,903.9	\$ 3,186.1	\$ 13,540.5	\$ 14,071.9	\$ 18,444.4	\$ 17,258.0

Debt Management

At the close of the year, the City had \$18.4 million in outstanding bonds and notes as compared to \$17.2 million in the previous year (see Table 4).

Economic Issues/Upcoming Yearly Budgets

Elected officials considered many issues when establishing the upcoming year's budget, tax rates, and fees.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The main goal of the upcoming budget is to eliminate spending into reserves. It may be necessary to adopt further reductions in health care and institute the 10/20/30 prescription co-pay plan to retirees.

A problem the City will be facing in upcoming budgets will be the question of available funding for retiree health care. In the past, this retiree benefit has been directly expensed through the General Fund. With the financial implications this imposes on the General Fund, the plan is to eliminate funding for this expenditure. In future years, alternatives to the current method of funding will be researched and strongly considered.

The City would also like to embark in a five-year capital projects plan that will help to improve the aging infrastructure. This will include street improvements, sewer improvements, park updates, and the purchasing/maintenance of equipment that is vital for the City to continue to provide the highest quality services possible to its residents.

Contact Information

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

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City of Lincoln Park, Michigan

Statement of Net Assets June 30, 20066

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 4,757,428	\$ 190,957	\$ 4,948,385	\$ 855,241
Receivables:				
Taxes - Net of allowance for uncollectible taxes of \$87,000	1,227,690	103,595	1,331,285	-
Customers	-	2,912,731	2,912,731	-
Special assessments	14,082	-	14,082	-
Loans receivable	2,299,049	-	2,299,049	74,934
Accrued interest and other	194,895	1,486	196,381	-
Due from other governmental units	1,445,048	-	1,445,048	-
Internal balances	119,726	(119,726)	-	-
Due from component units	55,541	1,782	57,323	-
Deposits and other assets	5,213	-	5,213	-
Inventories	84,877	47,792	132,669	-
Restricted assets (Note 9)	-	4,713,444	4,713,444	-
Capital assets - Net (Note 5)	44,824,729	30,597,377	75,422,106	172,070
Total assets	55,028,278	38,449,438	93,477,716	1,102,245
Liabilities				
Accounts payable	1,008,674	665,907	1,674,581	2,892
Accrued and other liabilities	1,034,043	29,876	1,063,919	74,934
Due to primary government	-	-	-	57,323
Deferred revenue (Note 4)	2,623,445	-	2,623,445	-
Noncurrent liabilities (Note 8):				
Due within one year	834,427	1,117,395	1,951,822	60,000
Due in more than one year	4,069,500	12,423,120	16,492,620	60,000
Total liabilities	9,570,089	14,236,298	23,806,387	255,149
Net Assets				
Invested in capital assets - Net of related debt	41,855,754	17,357,578	59,213,332	172,070
Restricted:				
Streets and highways	2,026,449	-	2,026,449	-
Debt service	464,906	2,327,038	2,791,944	-
Sewer improvements	-	2,386,406	2,386,406	-
Unrestricted	1,111,080	2,142,118	3,253,198	675,026
Total net assets	<u>\$ 45,458,189</u>	<u>\$ 24,213,140</u>	<u>\$ 69,671,329</u>	<u>\$ 847,096</u>

City of Lincoln Park, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,741,573	\$ 476,561	\$ -	\$ -
Public safety	14,149,061	1,541,000	169,176	-
Public works	9,143,641	692,904	2,387,961	-
Community and economic development	874,868	-	1,006,865	-
Recreation and culture	2,135,498	648,786	11,237	-
Interest on long-term debt	22,343	-	-	-
Total governmental activities	29,066,984	3,359,251	3,575,239	-
Business-type activities - Water and sewer	7,386,005	7,600,184	-	-
Total primary government	<u>\$ 36,452,989</u>	<u>\$ 10,959,435</u>	<u>\$ 3,575,239</u>	<u>\$ -</u>
Component units:				
Downtown Development Authority	\$ 144,578	\$ -	\$ -	\$ -
Economic Development Corporation	30,346	36,761	16,000	-
Total component units	<u>\$ 174,924</u>	<u>\$ 36,761</u>	<u>\$ 16,000</u>	<u>\$ -</u>
General revenues:				
Property taxes:				
City operating and rubbish				
Retention basin and Downriver sewer system				
Road maintenance				
Downtown Development Authority				
Total property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Transfer of assets				
Loss on sale of assets				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2006

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,265,012)	\$ -	\$ (2,265,012)	\$ -
(12,438,885)	-	(12,438,885)	-
(6,062,776)	-	(6,062,776)	-
131,997	-	131,997	-
(1,475,475)	-	(1,475,475)	-
(22,343)	-	(22,343)	-
(22,132,494)	-	(22,132,494)	-
-	214,179	214,179	-
(22,132,494)	214,179	(21,918,315)	-
-	-	-	(144,578)
-	-	-	22,415
-	-	-	(122,163)
13,075,456	-	13,075,456	-
-	1,587,108	1,587,108	-
1,653,098	-	1,653,098	-
-	-	-	386,958
14,728,554	1,587,108	16,315,662	386,958
5,315,797	-	5,315,797	-
498,481	160,011	658,492	26,011
685,451	-	685,451	-
318,132	(318,132)	-	-
(146,611)	-	(146,611)	-
21,399,804	1,428,987	22,828,791	412,969
(732,690)	1,643,166	910,476	290,806
46,190,879	22,569,974	68,760,853	556,290
\$ 45,458,189	\$ 24,213,140	\$ 69,671,329	\$ 847,096

City of Lincoln Park, Michigan

Governmental Funds Balance Sheet June 30, 2006

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
Assets				
Cash and investments (Note 3)	\$ 1,606,194	\$ 400,267	\$ 2,551,874	\$ 4,558,335
Receivables:				
Taxes	813,690	-	245,081	1,058,771
Special assessments	-	-	14,082	14,082
Loans receivable	-	2,299,049	-	2,299,049
Other	192,628	-	2,267	194,895
Due from other governmental units	1,051,842	-	393,206	1,445,048
Due from other funds (Note 6)	140,348	-	159,440	299,788
Due from component units	34,685	-	20,856	55,541
Deposits and other assets	5,213	-	-	5,213
Inventories	84,877	-	-	84,877
Total assets	\$ 3,929,477	\$ 2,699,316	\$ 3,386,806	\$ 10,015,599
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 517,102	\$ 3,960	\$ 409,426	\$ 930,488
Accrued and other liabilities	990,483	1,234	20,579	1,012,296
Due to other funds (Note 6)	120,327	113,229	113,694	347,250
Deferred revenue (Note 4)	42,552	2,580,893	14,082	2,637,527
Total liabilities	1,670,464	2,699,316	557,781	4,927,561
Fund Balances				
Reserved for inventories	84,877	-	-	84,877
Unreserved - Reported in:				
General Fund	2,174,136	-	-	2,174,136
Special Revenue Funds - Undesignated	-	-	2,304,995	2,304,995
Debt Service Funds	-	-	464,906	464,906
Capital Projects Fund	-	-	59,124	59,124
Total fund balances	2,259,013	-	2,829,025	5,088,038
Total liabilities and fund balances	\$ 3,929,477	\$ 2,699,316	\$ 3,386,806	\$ 10,015,599

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2006

Fund Balance - Total Governmental Funds \$ 5,088,038

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	42,826,392
Special assessment and grant receivables are expected to be collected over several years and are not available to pay for current year expenditures	14,082
Personal property receivables are expected to be collected over several years and are not available to pay for current year expenditures	168,919
Accrued interest payable is recorded as a liability in governmental activities	(15,230)
Compensated absences are included as a liability in governmental activities	(1,854,952)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	(2,554,524)
Internal Service Funds are included as a part of governmental activities	<u>1,785,464</u>

Net Assets - Governmental Activities \$ 45,458,189

City of Lincoln Park, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2006

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
Revenue				
Property taxes	\$ 11,284,020	\$ -	\$ 3,651,754	\$ 14,935,774
Federal sources	14,646	1,008,690	-	1,023,336
State sources	5,463,490	-	2,381,338	7,844,828
Licenses and permits	1,738,853	-	324,774	2,063,627
Fines and forfeitures	1,468,791	-	-	1,468,791
Interest and rentals	400,148	-	92,378	492,526
Other	687,400	-	59,206	746,606
Total revenue	21,057,348	1,008,690	6,509,450	28,575,488
Expenditures				
Current:				
General government	3,757,463	-	-	3,757,463
Public safety	13,938,673	-	-	13,938,673
Public works	1,081,275	-	5,909,108	6,990,383
Community development	34,598	1,008,690	-	1,043,288
Recreation and culture	2,426,475	-	-	2,426,475
Capital outlay	2,474,524	-	-	2,474,524
Total expenditures	23,713,008	1,008,690	5,909,108	30,630,806
Excess of Revenues Over (Under) Expenditures	(2,655,660)	-	600,342	(2,055,318)
Other Financing Sources (Uses)				
Proceeds from long-term debt	2,474,524	-	-	2,474,524
Transfers in	107,934	-	491,655	599,589
Transfers out	(117,100)	-	(482,489)	(599,589)
Total other financing sources	2,465,358	-	9,166	2,474,524
Net Change in Fund Balance	(190,302)	-	609,508	419,206
Fund Balances - Beginning of year	2,449,315	-	2,219,517	4,668,832
Fund Balances - End of year	<u>\$ 2,259,013</u>	<u>\$ -</u>	<u>\$ 2,829,025</u>	<u>\$ 5,088,038</u>

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2006

Net Change in Fund Balances - Total Governmental Funds \$ 419,206

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	4,043,202
Governmental funds do not report a gain or loss on the disposal of assets, but record proceeds from disposal as revenue; in the statement of activities, the gain or loss on disposal is calculated based on the net book value of the asset and the proceeds received	(4,558)
Capital contributions for the transfer of capital assets from business-type funds to governmental funds are recorded as revenue in the statement of activities, but not in the governmental funds	318,132
Reduction of long-term debt for the personal property tax lawsuit settlement with the utility companies is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	690,000
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	(3,692,075)
Delinquent personal property tax revenues are recorded in the statement of activities when the revenue is earned; they are not reported in the funds until collected or collectible within 60 days of year end	(207,220)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(12,886)

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities (Continued) Year Ended June 30, 2006

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

Repayment of lawsuit settlement is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	\$ 40,000
Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred	3,775
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(147,962)
Long-term debt proceeds are not recorded as financing sources on the statement of activities	(2,474,524)
Internal service funds (income before capital contributions) are also included as governmental activities on the statement of activities	<u>292,220</u>
Change in Net Assets of Governmental Activities	<u>\$ (732,690)</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Net Assets June 30, 2006

	Major Fund	Nonmajor Fund	Enterprise Total	Governmental Activities
	Water and Sewer Fund	Development Fund		Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 108,935	\$ 82,022	\$ 190,957	\$ 199,093
Receivables:				
Taxes	103,595	-	103,595	-
Customers	2,912,731	-	2,912,731	-
Other	1,486	-	1,486	-
Due from other funds	18,256	-	18,256	181,168
Due from component unit	1,782	-	1,782	-
Inventories	47,792	-	47,792	-
Restricted assets - Current portion (Note 9)	<u>1,086,148</u>	<u>-</u>	<u>1,086,148</u>	<u>-</u>
Total current assets	4,280,725	82,022	4,362,747	380,261
Long-term assets:				
Restricted assets - Long-term portion (Note 9)	3,627,296	-	3,627,296	-
Capital assets (Note 5)	<u>30,597,377</u>	<u>-</u>	<u>30,597,377</u>	<u>1,998,337</u>
Total assets	38,505,398	82,022	38,587,420	2,378,598
Liabilities				
Current liabilities:				
Accounts payable	665,907	-	665,907	78,186
Accrued and other liabilities	29,876	-	29,876	6,517
Due to other funds (Note 6)	137,982	-	137,982	13,980
Current liabilities payable (Note 8)	31,247	-	31,247	180,282
Current liabilities payable from restricted assets (Note 8)	<u>1,086,148</u>	<u>-</u>	<u>1,086,148</u>	<u>-</u>
Total current liabilities	1,951,160	-	1,951,160	278,965
Long-term debt - Net of current portion (Note 8)	<u>12,423,120</u>	<u>-</u>	<u>12,423,120</u>	<u>314,169</u>
Total liabilities	<u>14,374,280</u>	<u>-</u>	<u>14,374,280</u>	<u>593,134</u>
Net Assets				
Invested in capital assets - Net of related debt	17,357,578	-	17,357,578	1,503,886
Restricted (Note 9)	4,713,444	-	4,713,444	-
Unrestricted and undesignated	<u>2,060,096</u>	<u>82,022</u>	<u>2,142,118</u>	<u>281,578</u>
Total net assets	<u>\$ 24,131,118</u>	<u>\$ 82,022</u>	<u>\$ 24,213,140</u>	<u>\$ 1,785,464</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2006

	Major Fund	Nonmajor Fund	Enterprise Total	Governmental Activities Internal Service Funds
	Water and Sewer Fund	Development Fund		
Operating Revenue				
Sale of water	\$ 2,602,147	\$ -	\$ 2,602,147	\$ -
Sewage disposal charges	4,089,123	-	4,089,123	-
Charges for services	-	-	-	1,674,747
Other	908,914	-	908,914	1,603
Total operating revenue	7,600,184	-	7,600,184	1,676,350
Operating Expenses				
Cost of water	1,351,333	-	1,351,333	-
Cost of sewage disposal	1,853,633	-	1,853,633	-
Operation and maintenance	410,771	-	410,771	499,323
General and administrative	1,577,702	-	1,577,702	466,971
Depreciation	1,003,000	-	1,003,000	239,505
Other	672,532	-	672,532	-
Total operating expenses	6,868,971	-	6,868,971	1,205,799
Operating Income	731,213	-	731,213	470,551
Nonoperating Revenue (Expense)				
Property taxes	1,587,108	-	1,587,108	-
Investment income	156,555	3,456	160,011	1,500
Loss on sale of assets	-	-	-	(153,234)
Interest expense	(517,034)	-	(517,034)	(26,597)
Total nonoperating revenue (expense)	1,226,629	3,456	1,230,085	(178,331)
Income - Before contributions	1,957,842	3,456	1,961,298	292,220
Capital Contributions - Donated assets	(318,132)	-	(318,132)	1,493,244
Change in Net Assets	1,639,710	3,456	1,643,166	1,785,464
Net Assets - Beginning of year	22,491,408	78,566	22,569,974	-
Net Assets - End of year	<u>\$ 24,131,118</u>	<u>\$ 82,022</u>	<u>\$ 24,213,140</u>	<u>\$ 1,785,464</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2006

	Major Fund	Nonmajor Fund	Activities
	Water and Sewer Fund	Development Fund	Internal Service Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,887,540	\$ -	\$ 1,676,350
Payment to suppliers	(4,646,193)	(2,315)	(421,137)
Payments to employees for wages and benefits	(1,579,218)	-	(460,454)
Other payments	(442,155)	-	9,828
Net cash provided by (used in) operating activities	219,974	(2,315)	804,587
Cash Flows from Capital and Related Financing Activities			
Collection of property taxes	1,587,108	-	-
Payment to County Debt Service Fund	(660,489)	-	-
Payments to other funds	-	-	(177,016)
Proceeds from sale of assets	-	-	50,604
Purchase of capital assets	(635,437)	-	(279,286)
Principal paid on debt	(520,000)	-	(174,699)
Interest paid on debt	(294,205)	-	(26,597)
Net cash used in capital and related financing activities	(523,023)	-	(606,994)
Cash Flows from Investing Activities - Interest received on investments			
	113,920	3,456	1,500
Net Increase (Decrease) in Cash and Cash Equivalents			
	(189,129)	1,141	199,093
Cash and Cash Equivalents - July 1, 2005			
	2,958,575	80,881	-
Cash and Cash Equivalents - June 30, 2006			
	<u>\$ 2,769,446</u>	<u>\$ 82,022</u>	<u>\$ 199,093</u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 108,935	\$ 82,022	\$ 199,093
Restricted assets (Note 9)	2,660,511	-	-
Total	<u>\$ 2,769,446</u>	<u>\$ 82,022</u>	<u>\$ 199,093</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 731,213	\$ -	\$ 470,551
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	1,003,000	-	239,505
Changes in assets and liabilities:			
Accounts receivable	(712,644)	-	-
Due to other funds	(438,629)	-	9,828
Accounts payable	(357,924)	(2,315)	78,186
Compensated absences	11,186	-	-
Accrued and other liabilities	(16,228)	-	6,517
Net cash provided by operating activities	<u>\$ 219,974</u>	<u>\$ (2,315)</u>	<u>\$ 804,587</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2006

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2006, the following activities occurred at the County of Wayne that were not reflected in the statement of cash flows:

Assets on Hand - July 1, 2005		\$ 2,066,012
Interest earned on investment	42,635	
Judgment levy	660,489	
Debt proceeds	547,400	
Capital asset purchases	(470,814)	
Principal paid	(569,961)	
Interest paid	(222,828)	
		<u> </u>
Assets on Hand - June 30, 2006		<u><u>\$ 2,052,933</u></u>

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2006

	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 8,133,450	\$ 34,734
Investments at fair value:		
Common stock	23,235,649	-
U.S. government securities	5,413,786	-
U.S. government agencies	4,625,490	-
Corporate bonds	2,780,872	-
Mutual funds	3,887,911	-
Accrued interest	146,805	-
	48,223,963	\$ <u><u>34,734</u></u>
Total assets		
Liabilities		
Accounts payable	2,938	-
Accrued and other liabilities	18,000	34,734
	20,938	\$ <u><u>34,734</u></u>
Total liabilities		
Net Assets - Held in trust for pension and other employee benefits	\$ 48,203,025	

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2006

	Pension and Other Employee Benefits Trust Funds
Additions	
Contributions:	
Employer	\$ 2,383,136
Plan members	792,287
Health benefit	<u>437,539</u>
Total contributions	3,612,962
Investment earnings:	
Net increase in fair value of investments	1,336,008
Interest and dividends	1,808,301
Less investment expenses	<u>(348,037)</u>
Net investment earnings	<u>2,796,272</u>
Total additions	6,409,234
Deductions	
Benefit payments	8,583,369
Refunds of contributions	177,938
Administrative expenses	<u>51,424</u>
Total deductions	<u>8,812,731</u>
Decrease in Plan Net Assets	(2,403,497)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>50,606,522</u>
End of year	<u><u>\$ 48,203,025</u></u>

City of Lincoln Park, Michigan

Component Units Statement of Net Assets June 30, 2006

	Downtown Development Authority	Economic Development Corporation	Total
Assets			
Cash and cash equivalents	\$ 474,650	\$ 380,591	\$ 855,241
Loans receivable	-	74,934	74,934
Land	172,070	-	172,070
Total assets	646,720	455,525	1,102,245
Liabilities			
Accounts payable	134	2,758	2,892
Deferred revenue	-	74,934	74,934
Due to primary government	42,753	10	42,763
Due to component unit	14,560	-	14,560
Noncurrent liabilities (Note 8):			
Due within one year	60,000	-	60,000
Due in more than one year	60,000	-	60,000
Total liabilities	177,447	77,702	255,149
Net Assets			
Invested in capital assets	172,070	-	172,070
Unrestricted	297,203	377,823	675,026
Total net assets	<u>\$ 469,273</u>	<u>\$ 377,823</u>	<u>\$ 847,096</u>

City of Lincoln Park, Michigan

		Program Revenues	
	Expenses	Charges for Services	Operating Grants/ Contributions
Governmental activities:			
Downtown Development Authority	\$ 144,578	\$ -	\$ -
Economic Development Corporation	30,346	36,761	16,000
Total governmental activities	\$ 174,924	\$ 36,761	\$ 16,000

General revenues:

 Property taxes

 Interest

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2006**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Economic Development Corporation	Total
\$ (144,578)	\$ -	\$ (144,578)
-	22,415	22,415
(144,578)	22,415	(122,163)
386,958	-	386,958
10,059	15,952	26,011
397,017	15,952	412,969
252,439	38,367	290,806
216,834	339,456	556,290
\$ 469,273	\$ 377,823	\$ 847,096

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 to promote economic growth within the downtown district. The Authority’s governing body, which consists of eight individuals, is appointed by the mayor. The appointment is subject to approval by the City Council. In addition, the Authority’s budget is subject to approval by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

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

The component units above do not issue separate financial statements.

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

Government-wide and Fund Financial Statements

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

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

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.

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following three 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.

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

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

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

All trade 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 2005 taxable valuation of the City totaled \$711 million, on which ad valorem taxes levied consisted of 15.6775 mills for the City's operating purposes, 2.3514 mills for refuse, 2.6595 mills for road construction, 1.2325 mills for Ecorse Creek debt, and 1.0088 mills for Downriver Sewage Disposal System debt. The ad valorem taxes levied are recognized in the respective General, Special Revenue, and Water and Sewer Funds financial statements as taxes receivable - current or as tax revenue.

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

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City 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.

Buildings, equipment, and vehicles 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, proprietary, and fiduciary fund financial statements.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - Stewardship, Compliance, and Accountability

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

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

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.

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

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, 2006 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, with the following exceptions:

- Operating transfers have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)."
- Capital outlay financed with debt is budgeted net of the related debt proceeds.

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, there were no significant expenditures in excess of the amounts budgeted.

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.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

Note 3 - Deposits and Investments (Continued)

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.

The City has designated one bank for the deposit of its funds. The investment policy adopted by the board 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 \$525,199 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Investment	Fair Value	Weighted Average Maturity
U.S. Treasury securities	\$ 5,476,364	2.6 years
U.S. agency securities	4,676,013	3.5 years
Corporate bonds	2,788,034	5.0 years

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

Note 3 - Deposits and Investments (Continued)

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

<u>Rating</u>	<u>Fair Value</u>	<u>Rating Organization</u>
AAA	\$ 1,993,947	S&P
AA	205,864	S&P
AA-	343,695	S&P
A+	840,472	S&P
A	662,711	S&P
A-	338,855	S&P
BBB+	45,046	S&P
BBB	81,905	S&P
BBB-	40,523	S&P
Not Rated	10,598,494	N/A

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 loan to homeowners and assessed liens for rehabilitation projects paid for with grant funds. Program income is recognized as the loans and liens are repaid. 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	\$ 14,082	\$ -
Grant and program income payments received prior to meeting all eligibility requirements	-	324,395
Rehabilitation liens and loans	-	2,299,050
Total	<u>\$ 14,082</u>	<u>\$ 2,623,445</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

Note 5 - Capital Assets

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

	Balance July 1, 2005	Additions	Disposals	Balance June 30, 2006
Governmental Activities				
Capital assets not being depreciated -				
Construction in progress	\$ -	\$ 2,474,524	\$ -	\$ 2,474,524
Capital assets being depreciated:				
Roads and sidewalks	93,988,408	1,434,490	-	95,422,898
Buildings and improvements	6,031,103	49,190	-	6,080,293
Vehicles	4,241,159	-	4,241,159	-
Equipment	5,169,317	84,998	121,138	5,133,177
Subtotal	109,429,987	1,568,678	4,362,297	106,636,368
Accumulated depreciation:				
Roads and sidewalks	54,375,708	3,446,947	-	57,822,655
Buildings and improvements	4,659,465	81,697	-	4,741,162
Vehicles	2,457,064	-	2,457,064	-
Equipment	3,613,666	163,431	56,414	3,720,683
Subtotal	65,105,903	3,692,075	2,513,478	66,284,500
Net capital assets being depreciated	44,324,084	(2,123,397)	1,848,819	40,351,868
Net other governmental capital assets	\$ 44,324,084	\$ 351,127	\$ 1,848,819	\$ 42,826,392
Internal Service Funds Assets				
Capital assets being depreciated:				
Vehicles	\$ -	\$ 2,323,390	\$ 203,838	2,119,552
Machinery and equipment	-	118,290	-	118,290
Subtotal		2,441,680	203,838	2,237,842
Accumulated depreciation:				
Vehicles	-	226,729	-	226,729
Machinery and equipment	-	12,776	-	12,776
Subtotal	-	239,505	-	239,505
Net Internal Service Funds capital assets	\$ -	\$ 2,202,175	\$ 203,838	\$ 1,998,337
Governmental capital assets not being depreciated	\$ -	\$ 2,474,524	\$ -	\$ 2,474,524
Net governmental capital assets being depreciated	44,324,084	78,778	2,052,657	42,350,205
Net governmental activity capital assets	\$ 44,324,084	\$ 2,553,302	\$ 2,052,657	\$ 44,824,729

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance	Additions	Deletions	Balance
	July 1, 2005			June 30, 2006
Capital assets not being depreciated - Land	\$ 16,540	\$ -	\$ -	\$ 16,540
Capital assets being depreciated:				
Water and sewer distribution systems	41,429,612	1,100,198	-	42,529,810
Buildings and building improvements	1,673,822	9,645	-	1,683,467
Vehicles	563,996	-	563,996	-
Machinery and equipment	2,492,349	36,099	-	2,528,448
Subtotal	46,159,779	1,145,942	563,996	46,741,725
Accumulated depreciation:				
Water and sewer distribution systems	12,829,513	906,086	-	13,735,599
Buildings and building improvements	1,340,044	39,642	-	1,379,686
Vehicles	245,864	-	245,864	-
Machinery and equipment	988,331	57,272	-	1,045,603
Subtotal	15,403,752	1,003,000	245,864	16,160,888
Net capital assets being depreciated	30,756,027	142,942	318,132	30,580,837
Net capital assets	<u>\$ 30,772,567</u>	<u>\$ 142,942</u>	<u>\$ 318,132</u>	<u>\$ 30,597,377</u>

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

Governmental activities:

General government	\$ 29,935
Public safety	52,260
Public works	3,489,828
Recreation and culture	<u>120,052</u>

Total governmental activities \$ 3,692,075

Business-type activities - Water and sewer \$ 1,003,000

A considerable amount of the current year capital asset activity occurred due to the transfer of assets from other governmental and business type activities to the new internal service funds.

Component Units - Capital assets of the component units consist of a parcel of land purchased by the Downtown Development Authority in 2005. The City created two new Internal Service Funds during the year, a Motor Pool Fund and an Information Technology Fund.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Community Development Block Grant Fund	\$ 64,839
	Water and Sewer Fund	20,302
	Nonmajor governmental funds	41,227
	Internal Service Funds	13,980
	Total General Fund	140,348
Nonmajor governmental funds:		
Special Revenue Funds:		
Major Streets Fund	Community Development Block Grant Fund	20,722
Local Streets Fund	Community Development Block Grant Fund	6,769
Compensated Absences Fund	General Fund	9,542
Street Improvement Fund	General Fund	77,114
Capital Projects Fund	General Fund	3,543
Sanitation Fund	Water and Sewer Fund	11,622
Debt Service Funds - Water Bond Debt Fund	General Fund	30,128
	Total nonmajor funds	159,440
Water and Sewer Fund	Community Development Block Grant Fund	18,256
Internal Service Funds	General Fund	2,643
Internal Service Funds	Nonmajor governmental funds	72,467
Internal Service Funds	Water and Sewer Fund	106,058
	Total nonmajor governmental funds	181,168
	Total	\$ 499,212

Interfund transfers include the transfer of \$374,555 of Act 51 funding from Major Streets Fund to Local Streets Fund. Interfund transfers also include the transfer of \$117,100 from the General Fund to the newly created Sanitation Fund for accumulated tax revenue. The General Debt Fund transferred \$107,934 to the General Fund.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

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 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 were in progress as of June 30, 2006 and totaled \$2,474,524. The entire project is expected to total \$3,580,000 when completed in fiscal year 2007. The future minimum lease obligations for the years ending June 30, 2007 through June 30 2021 and the net present value are as follows:

Years Ending June 30	Amount
2007	\$ 321,989
2008	321,989
2009	321,989
2010	321,989
2012	321,989
2013-2021	<u>3,219,890</u>
Total minimum payments	4,829,835
Less amount representing interest	<u>(1,249,835)</u>
Present value at June 30, 2006	<u>\$ 3,580,000</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 of June 30, 2006 (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, 2006

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Other governmental obligations:							
Capital lease - Honeywell agreement:							
Amount of issue - \$2,474,524							
Maturing though 2021							
4.00%	\$178,789-	\$ -	\$ 2,474,524	\$ -	\$ -	2,474,524	\$ 178,789
	\$309,686	1,706,989	147,963	-	-	1,854,952	435,356
		120,000	-	(40,000)	80,000	40,000	
			690,000	-	(690,000)	-	-
			2,516,989	2,622,487	(730,000)	4,409,476	654,145
Subtotal - Other governmental obligations							
Internal Service Fund - Installment purchase obligations:							
Amount of issue - \$1,889,373							
4.00% -	\$1,687-						
7.58%	\$48,038	669,150	-	(174,699)	494,451	180,282	
			\$ 3,186,139	\$ 2,622,487	\$ (904,699)	\$ 4,903,927	\$ 834,427
Total governmental activities							
Business-type Activities - General obligation bonds:							
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							
Maturing through 2010							
5.30% -	\$485,000-	3,755,000	-	(520,000)	3,235,000	515,000	
6.0%	\$750,000						
Downriver Sewage Disposal Bonds:							
Amount of issue - \$12,344,844							
2.00% -	\$62-	8,527,360	547,400	(569,961)	8,504,799	571,148	
2.50%	\$515,000						
		13,782,360	547,400	(1,089,961)	13,239,799	1,086,148	
Total general obligation bonds							
Other long-term obligations:							
Basement flooding lawsuit settlement							
		150,000	-	-	150,000	-	
Employee compensated absences							
		139,530	11,186	-	150,716	31,247	
		289,530	11,186	-	300,716	31,247	
Total other long-term obligations							
		\$ 14,071,890	\$ 558,586	\$ (1,089,961)	\$ 13,540,515	\$ 1,117,395	
Total business-type activities							
Component Units - Other long-term obligations -							
Lawsuit settlement							
		\$ 180,000	\$ -	\$ (60,000)	\$ 120,000	\$ 60,000	

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

Note 8 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	\$ 399,072	\$ 162,647	\$ 561,719	\$ 1,086,147	\$ 467,535	\$ 1,553,682	\$ 60,000	\$ -	\$ 60,000
2008	391,555	148,499	540,054	1,091,248	423,201	1,514,449	60,000	-	60,000
2009	341,933	134,879	476,812	1,350,181	370,766	1,720,947	-	-	-
2010	201,113	120,876	321,989	1,356,382	310,502	1,666,884	-	-	-
2011	209,158	112,831	321,989	1,358,478	250,429	1,608,907	-	-	-
2012-2016	1,178,181	431,764	1,609,945	4,823,159	581,770	5,404,929	-	-	-
2017-2021	1,433,439	176,507	1,609,946	2,013,783	109,669	2,123,452	-	-	-
2022-2026	-	-	-	160,421	7,438	167,859	-	-	-
Total	\$ 4,154,451	\$ 1,288,003	\$ 5,442,454	\$ 13,239,799	\$ 2,521,310	\$ 15,761,109	\$ 120,000	\$ -	\$ 120,000

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, 2006 consist of the following:

Cash and cash equivalents:

Ecorse Creek replacement reserve	\$ 1,000,000
Enterprise Fund debt service	609,279
Water and sewer capital improvement	691,476
Engineering and sewer improvement reserve	<u>359,756</u>
Total cash and cash equivalents	2,660,511

Wayne County sewage disposal system:

Assets held at the County for future debt payments	1,717,759
Sewer operation reserve	<u>335,174</u>
Total restricted assets	<u>\$ 4,713,444</u>

Current liabilities to be paid from restricted assets of \$1,086,147 at June 30, 2006 consist of the current portion of the Ecorse Creek pollution bonds and the Downriver Sewage Disposal System (Series A&B and State Revolving Fund) bonds, which are to be paid from debt levy revenue.

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.

Note 11 - Defined Benefit Pension Plan and Postretirement Benefits

Plan Descriptions - The Police and Fire Retirement System and the Municipal Employees' Retirement System are single-employer defined benefit pension plans that are administered by the City of Lincoln Park, Michigan. These plans cover all full-time police and fire employees and general employees of the City. The systems provide retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2005, 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	145	157
Current employees:		
Fully vested	34	36
Nonvested	50	34
Total current employees	84	70

The plans do not issue a separate financial report.

Note 11 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

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 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 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, 2006, the City's annual pension cost was as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Annual pension cost	\$ 1,315,588	\$ 1,067,548
Actual and required contribution	1,315,588	1,067,548

The annual required contributions were determined as part of an experience study conducted during the year ended June 30, 2006, using the entry age cost method for both the Police and Fire Retirement System and the Municipal Employees' Retirement System. Significant actuarial assumptions for both systems include: (i) an 8 percent to 8.25 percent investment rate of return, (ii) projected salary increases of 4.2 percent to 7.8 percent per year, and (iii) 4.0 percent per year cost of living adjustments. Both plans assume that benefits will not increase after retirement, with the exception of police members retiring after January 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 on an open basis. The remaining amortization period is 30 years. The unfunded actuarial liability for those individuals who retired under the early retirement window is being amortized on a closed basis over a 20-year amortization period.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

Note 11 - Defined Benefit Pension Plan and Postretirement Benefits (Continued)

Reserves - As of June 30, 2006, the plans' legally required reserves have been fully funded as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Reserve for employees' contribution	\$ 4,983,954	\$ 4,410,731
Reserve for retired benefit payments	24,686,837	11,442,540

Three-year Trend Information

	Fiscal Year Ended June 30		
	2004	2005	2006
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 905,000	\$ 936,000	\$ 1,068,000
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 834,000	\$ 928,000	\$ 1,316,000
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. The plan was approved by 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.

Note 12 - Defined Contribution Pension Plan (Continued)

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 \$40,212 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, 2006, employee contributions were \$6,350.

Note 13 - Other Postemployment Benefits

The City provides health care 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, 302 retirees are eligible. The City includes pre-Medicare retirees and their spouses in its insured health care plan, with no contribution required by the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized in the General Fund, Water Fund, Major and Local Streets Funds, and Community Development Block Grant Fund as the insurance premiums become due; during the year, this totaled \$1,821,654.

The City has established a Retirees Health Care Trust Fund that currently has \$2,679,303 of net assets.

In addition, the City has established a Retirement Health Savings Plan. Under the plan, the City contributes 2 percent of covered payroll for employees hired after December 1, 2004. Employees may also contribute to the plan.

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year beginning July 1, 2008.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2006

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, 2005	\$ (383,817)
Building permit revenue	462,269
Related direct expenditures	<u>(586,808)</u>
Cumulative shortfall - June 30, 2006	<u>\$ (508,356)</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. As such, no liability has been reflected in these financial statements.

Note 16 - Commitment

The City had been named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver sewage treatment system. Several other communities, including Wayne County, were also named as defendants. Under terms of the consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the project is approximately \$300,000,000, with the City's share estimated to be approximately \$14,000,000. To date, the City has issued bonds of approximately \$12,500,000 to finance construction. The remaining liability to the City is estimated to be approximately \$1,500,000. The bonds are being paid through a court-ordered judgment levy.

Capital improvement and project completion bonds in the amount of \$437,575 and \$992,079, respectively, were approved for issuance by the City Council. The County expects to issue these bonds during the next fiscal year.

City of Lincoln Park, Michigan

**Notes to Financial Statements
June 30, 2006**

Note 16 - Commitment (Continued)

The City entered into a capital lease agreement during the year in the amount of \$3,580,000 for the purchase of heating and air conditioning units and various other City renovations. Costs of \$2,474,524 were incurred for the construction of this project during the fiscal year. At year end, remaining construction costs for the project totaled \$1,105,476.

Required Supplemental Information

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance - Beginning of year	\$ 2,449,315	\$ 2,449,315	\$ 2,449,315	\$ -
Resources (Inflows)				
Property taxes:				
Real and personal property taxes	11,461,047	11,282,342	11,264,167	(18,175)
Payments in lieu of taxes	32,000	19,853	19,853	-
Total property taxes	11,493,047	11,302,195	11,284,020	(18,175)
Federal sources	13,200	18,037	14,646	(3,391)
State sources:				
Revenue-sharing	5,430,000	5,321,164	5,322,382	1,218
State grants	118,000	117,162	117,492	330
Liquor license fees	22,000	23,616	23,616	-
Total state sources	5,570,000	5,461,942	5,463,490	1,548
Licenses and permits:				
Building, electrical, heating, and plumbing permits	705,714	656,742	658,027	1,285
Recreation programs	604,800	631,672	634,049	2,377
Cable television franchise fee	325,000	364,785	364,692	(93)
Rental and inspection	19,000	82,085	82,085	-
Total licenses and permits	1,654,514	1,735,284	1,738,853	3,569
Fines and forfeitures	1,303,000	1,432,475	1,468,791	36,316
Interest and rentals	212,500	266,010	400,148	134,138
Transfer from other funds	-	107,585	107,934	349
Other	602,023	683,530	687,400	3,870
Total resources (inflows)	23,297,599	23,456,373	23,614,597	158,224
Charges to Appropriations (Outflows) -				
General government:				
General government	1,365,795	1,571,797	1,516,316	55,481
Mayor and Council	79,262	82,661	81,726	935
City Clerk	230,537	230,495	223,882	6,613
Election Commission	54,455	53,682	52,246	1,436
City Assessor	122,165	132,961	132,390	571
City Attorney	128,500	143,900	145,801	(1,901)
City Controller	357,239	369,895	370,244	(349)
Treasury department	271,248	301,750	297,789	3,961
Municipal building	866,720	946,684	937,069	9,615
Total general government	3,475,921	3,833,825	3,757,463	76,362

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Charges to Appropriations (Outflows) (Continued)				
Public safety:				
Police	\$ 7,215,937	\$ 7,755,151	\$ 7,458,793	\$ 296,358
Fire	3,995,263	4,622,228	4,450,420	171,808
Civil defense	47,370	32,449	31,349	1,100
Building department	540,219	586,512	587,422	(910)
District Court	1,490,000	1,410,690	1,410,689	1
Total public safety	13,288,789	14,407,030	13,938,673	468,357
Public works:				
Department of Public Works	568,584	594,864	589,477	5,387
Planning Commission	7,500	6,740	6,523	217
Motor pool	-	2,590	2,590	-
Sidewalks	-	231	230	1
Street lighting	535,000	485,000	482,455	2,545
Total public works	1,111,084	1,089,425	1,081,275	8,150
Community and economic development	20,621	35,086	34,598	488
Recreation and culture:				
Kennedy Memorial Building	-	32	32	-
Historical museum	21,000	21,000	21,000	-
Parks	591,711	576,431	568,635	7,796
Recreation and culture	592,928	580,081	558,845	21,236
Library	318,478	319,002	268,087	50,915
Social services	200,000	170,000	132,949	37,051
Community center	974,198	914,547	876,927	37,620
Total recreation and culture	2,698,315	2,581,093	2,426,475	154,618
Transfer to other funds	168,548	168,548	117,100	51,448
Total charges to appropriations (outflows)	20,763,278	22,115,007	21,355,584	759,423
Fund Balance - End of year	\$ 2,534,321	\$ 1,341,366	\$ 2,259,013	\$ 917,647

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Community Development Block Grant Fund Year Ended June 30, 2006

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows) - Federal sources	934,952	2,071,282	1,008,690	(1,062,592)
Charges to Appropriations (Outflows) - Health and welfare	<u>934,952</u>	<u>2,071,282</u>	<u>1,008,690</u>	<u>1,062,592</u>
Fund Balance - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lincoln Park, Michigan

Note to Required Supplemental Information June 30, 2006

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

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

	General Fund	
	Resources	Charges to
	(Inflows)	Appropriations
		(Outflows)
Amounts per operating statement	\$ 21,057,348	\$ 23,713,008
Beginning fund balance	2,449,315	-
Transfers to/from other funds	107,585	117,100
Capital outlay expenditures budgeted - Net of related debt proceeds	-	(2,474,524)
Amounts per budget statement	<u>\$ 23,614,248</u>	<u>\$ 21,355,584</u>

City of Lincoln Park, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/00	\$ 20,997,000	\$ 29,888,000	\$ 8,891,000	70	\$ 4,642,000	192
06/30/01	21,783,000	30,193,000	8,410,000	72	4,837,000	174
06/30/02	21,612,000	30,844,000	9,232,000	70	4,936,000	187
06/30/03	21,182,000	30,852,000	9,670,000	69	4,926,000	196
06/30/04	21,194,000	36,581,000	15,387,000	58	3,901,000	394
06/30/05*	16,342,000	35,581,000	19,239,000	46	3,230,000	596

Retirement Systems Schedule of Employer Contributions Municipal Employees' Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution
2001	\$ 892,000	\$ 892,000
2002	841,000	841,000
2003	833,000	833,000
2004	905,000	905,000
2005	936,000	936,000
2006	1,067,548 *	1,067,548

* 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 results of the experience study were used to arrive at the June 30, 2006 required contribution; however, the results of those actuarial assumption changes have not yet been incorporated into the actuarial accrued liability calculation in the first table.

The information presented above was determined as part of an actuarial valuation as of June 30, 2005. Additional information on assumptions used in the study is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period (perpetual)*	30 years
Asset valuation method	4-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%

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

City of Lincoln Park, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/00	\$ 45,090,000	\$ 42,431,000	\$ (2,659,000)	106	\$ 5,231,000	-
06/30/01	46,725,000	44,235,000	(2,490,000)	106	5,366,000	-
06/30/02	46,939,000	46,333,000	(606,000)	101	5,611,000	-
06/30/03	46,303,000	47,487,000	1,184,000	98	5,588,000	21
06/30/04	43,611,000	54,615,000	11,004,000	80	4,347,000	253
06/30/05 *	35,339,000	53,553,000	18,214,000	66	4,293,082	424.3

Retirement Systems Schedule of Employer Contributions Police and Fire Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution
2001	\$ 551,000	551,000
2002	631,000	631,000
2003	683,000	683,000
2004	834,000	834,000
2005	928,000	928,000
2006	1,315,588 *	1,315,588

* 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 results of the experience study were used to arrive at the June 30, 2006 required contribution; however, the results of those actuarial assumption changes have not yet been incorporated into the actuarial accrued liability calculation in the first table.

The information presented above was determined as part of an actuarial valuation as of June 30, 2005. Additional information on assumptions used in the study is as follows:

Actuarial cost method	Entry age
Amortization method	Level percent, open
Amortization period (perpetual)*	30 years
Asset valuation method	4-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%

* 20-year 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 Streets	Local Streets	Street Improvement	Compensated Absences	Sanitation Fund	Cable Fund
Assets						
Cash and cash equivalents	\$ 688,236	\$ 542,246	\$ 536,410	\$ 4,880	\$ 16,386	\$ 275,624
Receivables:						
Taxes	-	-	103,569	-	141,512	-
Special assessments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other governmental units	294,563	98,643	-	-	-	-
Due from component units	9,358	-	6,296	-	5,202	-
Due from other funds	20,722	6,769	77,114	9,542	11,622	-
Total assets	\$ 1,012,879	\$ 647,658	\$ 723,389	\$ 14,422	\$ 174,722	\$ 275,624
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 135,625	\$ 9,652	\$ 78,693	\$ 9,542	\$ 174,570	\$ 1,344
Accrued and other liabilities	8,093	12,486	-	-	-	-
Due to other funds	40,519	72,409	-	-	-	766
Deferred revenue	-	-	-	-	-	-
Total liabilities	184,237	94,547	78,693	9,542	174,570	2,110
Fund Balance - Undesignated	828,642	553,111	644,696	4,880	152	273,514
Total liabilities and fund balances	\$ 1,012,879	\$ 647,658	\$ 723,389	\$ 14,422	\$ 174,722	\$ 275,624

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2006**

Debt Service Funds			Total Nonmajor Governmental Funds
General Debt	Water Bonds Debt	Capital Projects Fund	
\$ -	\$ 432,511	\$ 55,581	\$ 2,551,874
-	-	-	245,081
-	-	14,082	14,082
-	2,267	-	2,267
-	-	-	393,206
-	-	-	20,856
-	30,128	3,543	159,440
\$ -	\$ 464,906	\$ 73,206	\$ 3,386,806
\$ -	\$ -	\$ -	\$ 409,426
-	-	-	20,579
-	-	-	113,694
-	-	14,082	14,082
-	-	14,082	557,781
-	464,906	59,124	2,829,025
\$ -	\$ 464,906	\$ 73,206	\$ 3,386,806

City of Lincoln Park, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Street Improvement	Compensated Absences	Sanitation Fund	Cable Fund
Revenue						
Property taxes	\$ -	\$ -	\$ 1,860,318	\$ -	\$ 1,791,436	\$ -
Federal grants	-	-	-	-	-	-
State sources	1,783,939	597,399	-	-	-	-
Cable franchise fees	-	-	-	-	-	324,774
Interest and rentals	31,618	17,367	25,935	150	1,882	-
Other	36,773	5,984	-	-	-	21
Total revenue	1,852,330	620,750	1,886,253	150	1,793,318	324,795
Expenditures - Current -						
Public works	1,199,058	1,093,806	1,654,697	-	1,910,266	51,281
Excess of Revenue Over (Under)						
Expenditures	653,272	(473,056)	231,556	150	(116,948)	273,514
Other Financing Sources (Uses)						
Transfers in	-	374,555	-	-	117,100	-
Transfers out	(374,555)	-	-	-	-	-
Total other financing sources (uses)	(374,555)	374,555	-	-	117,100	-
Net Change in Fund Balance	278,717	(98,501)	231,556	150	152	273,514
Fund Balances - Beginning of year	549,925	651,612	413,140	4,730	-	-
Fund Balances - End of year	\$ 828,642	\$ 553,111	\$ 644,696	\$ 4,880	\$ 152	\$ 273,514

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2006

Debt Service Funds			
General Debt	Water Bonds Debt	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 3,651,754
-	-	-	-
-	-	-	2,381,338
-	-	-	324,774
2,378	11,880	1,168	92,378
-	-	16,428	59,206
2,378	11,880	17,596	6,509,450
-	-	-	5,909,108
2,378	11,880	17,596	600,342
-	-	-	491,655
(107,934)	-	-	(482,489)
(107,934)	-	-	9,166
(105,556)	11,880	17,596	609,508
105,556	453,026	41,528	2,219,517
\$ -	\$ 464,906	\$ 59,124	\$ 2,829,025

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Nonmajor Proprietary Funds - Internal Service Funds June 30, 2006

	Motor Pool Fund	Information Technology Fund	Total
Assets			
Current assets:			
Cash and investments	\$ 120,279	\$ 78,814	\$ 199,093
Due from other funds	177,057	4,111	181,168
Total current assets	297,336	82,925	380,261
Noncurrent assets - Capital assets	1,967,013	31,324	1,998,337
Total assets	2,264,349	114,249	2,378,598
Liabilities			
Current liabilities:			
Accounts payable	36,397	41,789	78,186
Accrued and other liabilities	5,175	1,342	6,517
Due to other funds	4,152	9,828	13,980
Current portion of long-term debt	180,282	-	180,282
Total current liabilities	226,006	52,959	278,965
Noncurrent liabilities - Long-term debt - Net of current portion	314,169	-	314,169
Total liabilities	540,175	52,959	593,134
Net Assets			
Invested in capital assets - Net of related debt	1,472,562	31,324	1,503,886
Unrestricted	251,612	29,966	281,578
Total net assets	<u>\$ 1,724,174</u>	<u>\$ 61,290</u>	<u>\$ 1,785,464</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, 2006

	Motor Pool Fund	Information Technology Fund	Total
Operating Revenue			
Charges for services	\$ 1,469,614	\$ 205,133	\$ 1,674,747
Other	1,422	181	1,603
Total operating revenue	1,471,036	205,314	1,676,350
Operating Expenses			
Operation and maintenance	411,979	87,344	499,323
General and administrative	383,255	83,716	466,971
Depreciation	234,025	5,480	239,505
Total operating expenses	1,029,259	176,540	1,205,799
Operating Income	441,777	28,774	470,551
Nonoperating Revenue (Expense)			
Investment income	1,000	500	1,500
Loss on sale of assets	(153,234)	-	(153,234)
Interest expense	(26,597)	-	(26,597)
Total nonoperating income (expense)	(178,831)	500	(178,331)
Income - Before capital contributions	262,946	29,274	292,220
Capital Contributions - Donated assets	1,461,228	32,016	1,493,244
Change in Net Assets	1,724,174	61,290	1,785,464
Net Assets - Beginning of year	-	-	-
Net Assets - End of year	<u>\$ 1,724,174</u>	<u>\$ 61,290</u>	<u>\$ 1,785,464</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Proprietary Funds - Internal Service Funds June 30, 2006

	Motor Pool Fund	Information Technology Fund	Total
Cash Flows from Operating Activities			
Receipts from other funds	\$ 1,471,036	\$ 205,314	\$ 1,676,350
Payments to suppliers	(375,582)	(45,555)	(421,137)
Payments to employees	(378,080)	(82,374)	(460,454)
Other payments	-	9,828	9,828
Net cash provided by operating activities	717,374	87,213	804,587
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of assets	50,604	-	50,604
Payments to other funds	(172,905)	(4,111)	(177,016)
Purchase of capital assets	(274,498)	(4,788)	(279,286)
Principal paid on debt	(174,699)	-	(174,699)
Interest paid on debt	(26,597)	-	(26,597)
Net cash used in capital and related financing activities	(598,095)	(8,899)	(606,994)
Cash Flows from Investing Activities - Interest received on investments			
	1,000	500	1,500
Net Increase in Cash and Cash Equivalents	120,279	78,814	199,093
Cash and Cash Equivalents - July 1, 2005	-	-	-
Cash and Cash Equivalents - June 30, 2006	<u>\$ 120,279</u>	<u>\$ 78,814</u>	<u>\$ 199,093</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 441,777	\$ 28,774	\$ 470,551
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	234,025	5,480	239,505
Changes in assets and liabilities:			
Increase in accounts payable	36,397	41,789	78,186
Increase in accrued and other liabilities	5,175	1,342	6,517
Increase in due to other funds	-	9,828	9,828
Net cash provided by operating activities	<u>\$ 717,374</u>	<u>\$ 87,213</u>	<u>\$ 804,587</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2006

	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	\$ 5,966,037	\$ 692,399	\$ 1,475,014	\$ 8,133,450	\$ 10,113	\$ 24,621	\$ 34,734
Investments	23,601,942	15,119,477	1,222,289	39,943,708	-	-	-
Accrued interest	105,376	41,429	-	146,805	-	-	-
Total assets	29,673,355	15,853,305	2,697,303	48,223,963	<u>\$ 10,113</u>	<u>\$ 24,621</u>	<u>\$ 34,734</u>
Liabilities							
Accounts payable	2,904	34	-	2,938	-	-	-
Accrued and other liabilities	-	-	18,000	18,000	10,113	24,621	34,734
Total liabilities	2,904	34	18,000	20,938	<u>\$ 10,113</u>	<u>\$ 24,621</u>	<u>\$ 34,734</u>
Net Assets - Held in trust for pension and other employee benefits							
	<u>\$ 29,670,451</u>	<u>\$ 15,853,271</u>	<u>\$ 2,679,303</u>	<u>\$ 48,203,025</u>			

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2006

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
Additions				
Contributions:				
Employer	\$ 1,315,588	\$ 1,067,548	\$ -	\$ 2,383,136
Plan members	431,886	360,401	-	792,287
Health benefit	-	-	437,539	437,539
Total contributions	1,747,474	1,427,949	437,539	3,612,962
Investment earnings:				
Net increase (decrease) in fair value of investments	428,729	921,797	(14,518)	1,336,008
Interest and dividends	1,029,593	662,842	115,866	1,808,301
Investment expenses	(212,257)	(127,366)	(8,414)	(348,037)
Total investment earnings	1,246,065	1,457,273	92,934	2,796,272
Total additions	2,993,539	2,885,222	530,473	6,409,234
Deductions				
Benefit payments	4,312,461	3,047,991	1,222,917	8,583,369
Refunds of contributions	44,505	133,433	-	177,938
Administrative expenses	23,777	27,647	-	51,424
Total deductions	4,380,743	3,209,071	1,222,917	8,812,731
Decrease in Plan Net Assets	(1,387,204)	(323,849)	(692,444)	(2,403,497)
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	31,057,655	16,177,120	3,371,747	50,606,522
End of year	<u>\$ 29,670,451</u>	<u>\$ 15,853,271</u>	<u>\$ 2,679,303</u>	<u>\$ 48,203,025</u>