

# **City of Lincoln Park, Michigan**

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**Financial Report  
with Supplemental Information  
June 30, 2007**

# City of Lincoln Park, Michigan

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## Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincoln Park, Michigan (the "City") as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of not recording City-owned land for the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincoln Park, Michigan as of June 30, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2007 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 19, 2007

# 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, 2007. Please review it conjunction with the City's financial statements.

### Reviewing the Annual Report

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

### Financial Highlights

Due to this year's operations, the City's net assets are as follows: Net assets of business-type activities were \$26.8 million and net assets of governmental activities were \$42.7 million.

- The current year's expense total was \$29.8 million as compared to the \$26.7 million generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$29.2 million as compared to the \$28.5 million generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, city revenues were \$10.2 million. Expenses were \$7.6 million.
- The annual cost of all city programs was \$37.4 million. The previous year's cost was \$36.9 million.

### The City as a Whole Analysis

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

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

# City of Lincoln Park, Michigan

## Management's Discussion and Analysis (Continued)

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

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

### Detailing the Most Important Funds

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

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

# City of Lincoln Park, Michigan

## Management's Discussion and Analysis (Continued)

### City Serving as Trustee

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

### Notes to Financial Statements

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

### Other Information

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

**Table I - Net Assets** (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b>Assets</b>						
Current and other assets	\$ 10,043.3	\$ 10,203.6	\$ 3,498.2	\$ 3,138.6	\$ 13,541.5	\$ 13,342.2
Noncurrent assets	42,581.9	44,824.7	36,481.3	35,310.8	79,063.2	80,135.5
Total assets	52,625.2	55,028.3	39,979.5	38,449.4	92,604.7	93,477.7
<b>Liabilities</b>						
Current liabilities	4,967.3	5,500.6	1,849.3	1,813.2	6,816.6	7,313.8
Long-term liabilities	4,954.3	4,069.5	11,325.3	12,423.1	16,279.6	16,492.6
Total liabilities	9,921.6	9,570.1	13,174.6	14,236.3	23,096.2	23,806.4
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	38,646.7	41,855.8	17,936.9	17,357.6	56,583.6	59,213.4
Restricted	2,463.3	2,491.4	6,316.6	4,713.4	8,779.9	7,204.8
Unrestricted	1,593.6	1,111.0	2,551.4	2,142.1	4,145.0	3,253.1
Total net assets	<u>\$ 42,703.6</u>	<u>\$ 45,458.2</u>	<u>\$ 26,804.9</u>	<u>\$ 24,213.1</u>	<u>\$ 69,508.5</u>	<u>\$ 69,671.3</u>

### City as a Whole

The City's combined net assets from the previous year were \$69.7 million as compared to \$69.5 million this year. However, net assets and expenses from governmental and business-type activities must be reviewed separately. Table I focuses on the net assets and Table 2 focuses on changes in the net assets of the City's governmental and business-type activities.

# City of Lincoln Park, Michigan

## Management's Discussion and Analysis (Continued)

The City's net assets for governmental activities were \$42.7 million this year as compared to \$45.5 million last year. Unrestricted net assets were \$1.1 million last year as compared to \$1.6 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 \$26.8 million this year as compared to \$24.2 million last year.

City revenues for the current year were \$36.9 million as compared to \$37.8 million in the previous year. The total yearly cost of all programs and services was \$37.4 million as compared to \$36.9 million in the previous year.

**Table 2 - Change in Net Assets** (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2007	2006	2007	2006	2007	2006
<b>Revenues</b>						
Program revenues - Restricted:						
Charges for services	\$ 2,966.8	\$ 3,359.3	\$ 7,944.1	\$ 7,600.2	\$ 10,910.9	\$ 10,959.5
Restricted operating grants	4,293.7	3,575.2	-	-	4,293.7	3,575.2
General revenue:						
Property taxes	13,645.1	14,728.6	1,481.3	1,587.1	15,126.4	16,315.7
Interest and investment income	526.7	498.5	348.0	160.0	874.7	658.5
Other general revenues including transfers	5,255.4	6,319.4	435.1	-	5,690.5	6,319.4
Total revenues	26,687.7	28,481.0	10,208.5	9,347.3	36,896.2	37,828.3
<b>Expenses</b>						
Program expenses:						
General government	3,737.1	2,741.6	-	-	3,737.1	2,741.6
Public safety	14,424.3	14,149.1	-	-	14,424.3	14,149.1
Public works	8,506.4	9,143.6	-	-	8,506.4	9,143.6
Culture and recreation	1,856.5	2,135.5	-	-	1,856.5	2,135.5
Community development	1,225.7	874.9	-	-	1,225.7	874.9
Interest on long-term debt	49.0	22.4	-	-	49.0	22.4
Loss on sale of assets	-	146.6	-	-	-	146.6
Business activities - Water and/or sewer	-	-	7,616.8	7,704.2	7,616.8	7,704.2
Total expenses	29,799.0	29,213.7	7,616.8	7,704.2	37,415.8	36,917.9
<b>Increase (Decrease) in Net Assets</b>	<b>\$ (3,111.3)</b>	<b>\$ (732.7)</b>	<b>\$ 2,591.7</b>	<b>\$ 1,643.1</b>	<b>\$ (519.6)</b>	<b>\$ 910.4</b>

### Governmental Activities

This year's governmental activities revenues were \$26.7 million as compared to \$28.5 million last year. The year's governmental activities cost was \$29.8 million as compared to \$29.2 million in the previous year. With the exception of the completion of the Honeywell Energy Efficiency Project, no new debt was added and the City continues to have very few long-term obligations.

# City of Lincoln Park, Michigan

## Management's Discussion and Analysis (Continued)

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

In an effort to bring costs under control, the City entered into an intergovernmental agreement with Allen Park for the provision of animal shelter services, and demolished the old city-owned shelter building, reducing liability and building replacement costs.

Another cost savings measure was taken when the City contracted with Waste Management Services under new rubbish and trash collection services, reducing annual costs by \$105,000.

General insurances were bid and resulted in a reduced expenditure of \$107,000 with improved coverage and clarity.

To improve efficiency and timeliness and to reduce personnel time in corresponding and handling requests for service, a resident service request system enterprise-wide software tool was implemented in early 2007. Over 900 requests were processed by this paperless system.

By reprogramming economic development activities and becoming a "redevelopment ready community" in partnership with the City Economic Development Corporation/Brownfield Authority, one project of \$1 million of taxable value was attracted to the city and, in 2006/2007, approximately \$10 million of new commercial construction was underway, meeting the goal of attracting new commercial services and adding tax base to the City.

### **Business-type Activities**

This year's business-type activities revenues were \$10.2 million as compared to \$9.3 million last year (see Table 2). This year's expenses were \$7.6 million as compared to \$7.7 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, 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**

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

# City of Lincoln Park, Michigan

## Management's Discussion and Analysis (Continued)

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 do need to be taken to ensure that the City remains financially solvent.

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

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

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

A significant external input is the economic strategic plan (2006) that provides objectives and priorities for enhancement of the tax base and demographic characteristics such as housing, population, and commercial sales trends. Additionally, a city-wide survey date (2006) was used by city management concerning resident priorities in developing the recommendations for services and the financing of those services.

The master land use plan guides the development and use of properties upon which property tax is based. This plan (2007) was adopted following significant input from the public during three public hearings.

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

# City of Lincoln Park, Michigan

## Management's Discussion and Analysis (Continued)

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

This budget has been developed using the best available information concerning financial trends and community conditions. Additionally, two public meetings and two mayor and City Council work sessions were held seeking public input prior to budget adoption on June 4, 2007.

### City Funds

At year end, the City reported a total governmental fund balance of \$5.5 thousand as compared to \$5.4 thousand in the previous year. Of the other significant funds, the Water and Sewer Fund is the largest. In order for the City to update the rates to meet its inflationary expenditures, rates were raised 14 percent. This will offset a cost of \$498,049. A more aggressive collection of water/sewer funds was also put into place and has reduced delinquencies by 50 percent to date.

### Capital Assets

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ -	\$ -	\$ 16.5	\$ 16.5	\$ 16.5	\$ 16.5
Construction in progress	-	2,474.5	-	-	-	2,474.5
Equipment	4,751.2	1,518.1	1,440.8	1,482.8	6,192.0	3,000.9
Buildings and improvements	1,205.0	1,339.1	290.5	303.8	1,495.5	1,642.9
Infrastructure	34,805.8	37,600.2	28,369.1	28,794.3	63,174.9	66,394.5
Vehicles	1,735.0	1,892.8	-	-	1,735.0	1,892.8
<b>Total</b>	<b>\$ 42,497.0</b>	<b>\$ 44,824.7</b>	<b>\$ 30,116.9</b>	<b>\$ 30,597.4</b>	<b>\$ 72,613.9</b>	<b>\$ 75,422.1</b>

At the close of the year, the City had invested \$72.6 million in capital assets such as land, buildings and improvements, equipment, or infrastructure (see Table 3). A total of \$75.4 million was invested in similar assets last year.

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

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
General obligation bonds (backed by the City)	\$ -	\$ -	\$ 12,180.1	\$ 13,239.8	\$ 12,180.1	\$ 13,239.8
Other bonds or outstanding obligations	5,754.2	4,903.9	264.6	300.7	6,018.8	5,204.6
<b>Total</b>	<b>\$ 5,754.2</b>	<b>\$ 4,903.9</b>	<b>\$ 12,444.7</b>	<b>\$ 13,540.5</b>	<b>\$ 18,198.9</b>	<b>\$ 18,444.4</b>

# City of Lincoln Park, Michigan

## Management's Discussion and Analysis (Continued)

### Debt Management

At the close of the year, the City had \$18.2 million in outstanding bonds and notes as compared to \$18.4 million in the previous year (see Table 4).

### Economic Issues/Upcoming Yearly Budgets

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

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

Simply stated, municipal government in the state of Michigan is in a state of crisis. Nothing less than a profound change in our state's municipal finance mode will resolve this crisis in the long term. City government is working with other organizations to articulate this basic fact to the leaders at the state level of government in an attempt to accomplish that much-needed reform. We require a complete overhaul of how we finance municipal government in this state in order for the City of Lincoln Park, Michigan and other municipalities to thrive and to continue to offer the services that we offer. These services, such as police and fire protection, road maintenance, parks and recreation services, and garbage pickup, are critical to the daily quality of life in our communities. Municipal government is one of the best investments we can make in Michigan and our economic recovery and it is time that this investment was properly and adequately made.

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

1. Working to find staff efficiencies to keep our level of employees reasonable, efficient, and affordable
2. Seeking cooperation from employees through the collective bargaining process to achieve meaningful and necessary cost reductions in order to maintain the viability of the local government and our ability to provide the local services we all rely on

# City of Lincoln Park, Michigan

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## Management's Discussion and Analysis (Continued)

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

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

- Being one of the first municipalities to join the Southeast Michigan Information Alliance, an intergovernmental agreement with several area municipalities, which provides our police department with a state-of-the-art communication and information system at a fraction of the cost of doing so independently
- Being a leader in winning and implementing a Center for Regional Excellence Grant from the State to fund and develop cooperative and collaborative relationships with other municipalities
- Fostering an increased focus on cooperation and collaboration among neighboring communities through our advocacy efforts with organizations such as the Downriver Community Conference and the Michigan Suburbs Alliance
- Being a leader and a force for change as a key member of a group of five communities working on the details of how to consolidate fire department operations in a way that will improve the level of service provided and accomplish meaningful cost reductions for participating communities

The City will also 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 of Lincoln Park, Michigan to continue to provide the highest quality services possible to its residents. The combined use of CDBG and motor vehicle highway revenue is the primary sources of funding for this program.

# **City of Lincoln Park, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Contact Information**

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

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# City of Lincoln Park, Michigan

## Statement of Net Assets June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 3,873,100	\$ 972,743	\$ 4,845,843	\$ 901,293
Receivables:				
Taxes - Net of allowance for uncollectible taxes of \$80,000	1,087,849	107,523	1,195,372	-
Customers	-	2,696,159	2,696,159	-
Special assessments	14,082	-	14,082	-
Loans receivable	2,460,680	-	2,460,680	74,934
Accrued interest and other	209,932	1,460	211,392	-
Due from other governmental units	1,892,792	-	1,892,792	-
Internal balances	279,678	(279,678)	-	-
Due from component units	26,091	-	26,091	-
Prepaid expenses	199,116	-	199,116	-
Inventories	84,877	47,792	132,669	-
Restricted assets (Note 9)	-	6,316,593	6,316,593	-
Capital assets - Net (Note 5)	42,496,986	30,116,919	72,613,905	172,070
<b>Total assets</b>	<b>52,625,183</b>	<b>39,979,511</b>	<b>92,604,694</b>	<b>1,148,297</b>
<b>Liabilities</b>				
Accounts payable	954,409	699,395	1,653,804	4,875
Accrued and other liabilities	746,183	30,544	776,727	74,934
Due to primary government	-	-	-	26,091
Deferred revenue (Note 4)	2,466,822	-	2,466,822	-
Noncurrent liabilities (Note 8):				
Due within one year	799,850	1,119,371	1,919,221	60,000
Due in more than one year	4,954,328	11,325,335	16,279,663	-
<b>Total liabilities</b>	<b>9,921,592</b>	<b>13,174,645</b>	<b>23,096,237</b>	<b>165,900</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	38,646,652	17,936,854	56,583,506	172,070
Restricted:				
Streets and highways	2,430,916	-	2,430,916	-
Debt service	32,395	2,231,629	2,264,024	-
Sewer improvements	-	4,084,964	4,084,964	-
Unrestricted	1,593,628	2,551,419	4,145,047	810,327
<b>Total net assets</b>	<b>\$ 42,703,591</b>	<b>\$ 26,804,866</b>	<b>\$ 69,508,457</b>	<b>\$ 982,397</b>

# City of Lincoln Park, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 3,737,043	\$ 598,418	\$ -	\$ -
Public safety	14,424,335	1,534,046	146,667	-
Public works	8,506,410	576,719	2,356,273	470,773
Community and economic development	1,225,659	-	1,320,020	-
Recreation and culture	1,856,520	257,574	-	-
Interest on long-term debt	48,977	-	-	-
Total governmental activities	29,798,944	2,966,757	3,822,960	470,773
Business-type activities - Water and sewer	7,616,807	7,944,067	-	-
Total primary government	<u><b>\$ 37,415,751</b></u>	<u><b>\$ 10,910,824</b></u>	<u><b>\$ 3,822,960</b></u>	<u><b>\$ 470,773</b></u>
Component units:				
Downtown Development Authority	\$ 60,934	\$ -	\$ -	\$ -
Economic Development Corporation	247,263	28,052	-	-
Total component units	<u><b>\$ 308,197</b></u>	<u><b>\$ 28,052</b></u>	<u><b>\$ -</b></u>	<u><b>\$ -</b></u>
General revenues:				
Property taxes:				
City operating and rubbish				
Retention basin and Downriver sewer system				
Downtown Development Authority				
Total property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Transfers				
Gain on sale of assets				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets</b> - Beginning of year (as adjusted in Note 1)				
<b>Net Assets</b> - End of year				

**Statement of Activities**  
**Year Ended June 30, 2007**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,138,625)	\$ -	\$ (3,138,625)	\$ -
(12,743,622)	-	(12,743,622)	-
(5,102,645)	-	(5,102,645)	-
94,361	-	94,361	-
(1,598,946)	-	(1,598,946)	-
(48,977)	-	(48,977)	-
(22,538,454)	-	(22,538,454)	-
-	327,260	327,260	-
(22,538,454)	327,260	(22,211,194)	-
-	-	-	(60,934)
-	-	-	(219,211)
-	-	-	(280,145)
13,645,113	-	13,645,113	-
-	1,481,341	1,481,341	-
-	-	-	371,348
13,645,113	1,481,341	15,126,454	371,348
5,157,493	-	5,157,493	-
526,670	348,023	874,693	44,098
468,387	-	468,387	-
(435,102)	435,102	-	-
64,641	-	64,641	-
19,427,202	2,264,466	21,691,668	415,446
(3,111,252)	2,591,726	(519,526)	135,301
45,814,843	24,213,140	70,027,983	847,096
<b>\$ 42,703,591</b>	<b>\$ 26,804,866</b>	<b>\$ 69,508,457</b>	<b>\$ 982,397</b>

# City of Lincoln Park, Michigan

## Governmental Funds Balance Sheet June 30, 2007

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 782,043	\$ 436,280	\$ 2,590,110	\$ 3,808,433
Receivables:				
Taxes	843,971	-	170,171	1,014,142
Special assessments	-	-	14,082	14,082
Loans receivable	-	2,460,680	-	2,460,680
Other	207,665	-	2,267	209,932
Due from other governmental units	1,429,630	76,605	386,557	1,892,792
Due from other funds (Note 6)	701,884	-	321,289	1,023,173
Due from component units	26,091	-	-	26,091
Prepaid expenses	199,116	-	-	199,116
Inventories	84,877	-	-	84,877
<b>Total assets</b>	<b>\$ 4,275,277</b>	<b>\$ 2,973,565</b>	<b>\$ 3,484,476</b>	<b>\$ 10,733,318</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 410,776	\$ 3,028	\$ 320,414	\$ 734,218
Accrued and other liabilities	674,016	538	19,088	693,642
Due to other funds (Note 6)	483,221	505,188	290,331	1,278,740
Deferred revenue (Note 4)	2,011	2,464,811	14,082	2,480,904
<b>Total liabilities</b>	<b>1,570,024</b>	<b>2,973,565</b>	<b>643,915</b>	<b>5,187,504</b>
<b>Fund Balances</b>				
Reserved for inventories	84,877	-	-	84,877
Reserved for forfeiture activity	414,533	-	-	414,533
Unreserved - Reported in:				
General Fund	2,205,843	-	-	2,205,843
Special Revenue Funds	-	-	2,733,705	2,733,705
Debt Service Funds	-	-	32,395	32,395
Capital Projects Fund	-	-	74,461	74,461
<b>Total fund balances</b>	<b>2,705,253</b>	<b>-</b>	<b>2,840,561</b>	<b>5,545,814</b>
<b>Total liabilities and fund balances</b>	<b>\$ 4,275,277</b>	<b>\$ 2,973,565</b>	<b>\$ 3,484,476</b>	<b>\$ 10,733,318</b>

# City of Lincoln Park, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2007

**Fund Balance - Total Governmental Funds** \$ 5,545,814

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	40,632,542
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	73,707
Accrued interest payable is recorded as a liability in governmental activities	(47,617)
Compensated absences are included as a liability in governmental activities	(1,863,844)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	(3,576,165)
Internal Service Funds are included as a part of governmental activities	<u>1,925,072</u>

**Net Assets - Governmental Activities** **\$ 42,703,591**

# City of Lincoln Park, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	Major Funds			Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Nonmajor Funds	
<b>Revenue</b>				
Property taxes	\$ 11,848,443	\$ -	\$ 1,891,882	\$ 13,740,325
Federal sources	-	1,315,917	-	1,315,917
State sources	5,336,197	-	2,354,283	7,690,480
Licenses and permits	1,367,331	-	77,156	1,444,487
Fines and forfeitures	1,535,064	-	-	1,535,064
Interest and rentals	398,494	-	129,446	527,940
Other	797,342	4,103	23,208	824,653
Total revenue	21,282,871	1,320,020	4,475,975	27,078,866
<b>Expenditures</b>				
Current:				
General government	4,293,193	-	-	4,293,193
Public safety	14,151,230	-	-	14,151,230
Public works	952,018	-	4,036,330	4,988,348
Community development	53,439	1,320,020	-	1,373,459
Recreation and culture	1,736,412	-	-	1,736,412
Capital outlay	1,105,476	-	-	1,105,476
Total expenditures	22,291,768	1,320,020	4,036,330	27,648,118
<b>Excess of Revenues Over (Under) Expenditures</b>	(1,008,897)	-	439,645	(569,252)
<b>Other Financing Sources (Uses)</b>				
Proceeds from long-term debt	1,105,476	-	-	1,105,476
Transfers in	-	-	475,186	475,186
Transfers out	(6,993)	-	(903,295)	(910,288)
Total other financing sources (uses)	1,098,483	-	(428,109)	670,374
<b>Net Change in Fund Balance</b>	89,586	-	11,536	101,122
<b>Fund Balances - Beginning of year (as adjusted in Note 1)</b>	2,615,667	-	2,829,025	5,444,692
<b>Fund Balances - End of year</b>	<u>\$ 2,705,253</u>	<u>\$ -</u>	<u>\$ 2,840,561</u>	<u>\$ 5,545,814</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, 2007

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 101,122
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	1,823,174
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	(4,017,024)
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	(95,212)
Repayment of long-term debt is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	83,835
Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred	(32,387)
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(8,892)
Long-term debt proceeds are not recorded as financing sources on the statement of activities	(1,105,476)
Internal Service Funds are also included as governmental activities on the statement of activities	<u>139,608</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u><u>\$ (3,111,252)</u></u></b>

# City of Lincoln Park, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2007

	Major Fund	Nonmajor Fund	Enterprise Total	Governmental Activities
	Water and Sewer Fund	Development Fund		Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 887,019	\$ 85,724	\$ 972,743	\$ 64,667
Receivables:				
Taxes	107,523	-	107,523	-
Customers	2,696,159	-	2,696,159	-
Other	1,460	-	1,460	-
Due from other funds	18,256	-	18,256	535,788
Inventories	47,792	-	47,792	-
Restricted assets - Current portion (Note 9)	<u>1,091,248</u>	<u>-</u>	<u>1,091,248</u>	<u>-</u>
Total current assets	4,849,457	85,724	4,935,181	600,455
Long-term assets:				
Restricted assets - Long-term portion (Note 9)	5,225,345	-	5,225,345	-
Capital assets (Note 5)	<u>30,116,919</u>	<u>-</u>	<u>30,116,919</u>	<u>1,864,444</u>
Total assets	40,191,721	85,724	40,277,445	2,464,899
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	699,395	-	699,395	220,191
Accrued and other liabilities	30,544	-	30,544	4,924
Due to other funds (Note 6)	297,934	-	297,934	543
Current liabilities payable (Note 8)	28,123	-	28,123	165,614
Current liabilities payable from restricted assets (Note 8)	<u>1,091,248</u>	<u>-</u>	<u>1,091,248</u>	<u>-</u>
Total current liabilities	2,147,244	-	2,147,244	391,272
Long-term debt - Net of current portion (Note 8)	<u>11,325,335</u>	<u>-</u>	<u>11,325,335</u>	<u>148,555</u>
Total liabilities	<u>13,472,579</u>	<u>-</u>	<u>13,472,579</u>	<u>539,827</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	17,936,854	-	17,936,854	1,550,275
Restricted (Note 9)	6,316,593	-	6,316,593	-
Unrestricted and undesignated	<u>2,465,695</u>	<u>85,724</u>	<u>2,551,419</u>	<u>374,797</u>
Total net assets	<u>\$ 26,719,142</u>	<u>\$ 85,724</u>	<u>\$ 26,804,866</u>	<u>\$ 1,925,072</u>

# City of Lincoln Park, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2007

	Major Fund	Nonmajor Fund	Enterprise Total	Governmental Activities Internal Service Funds
	Water and Sewer Fund	Development Fund		
<b>Operating Revenue</b>				
Sale of water	\$ 2,528,849	\$ -	\$ 2,528,849	\$ -
Sewage disposal charges	4,093,388	-	4,093,388	-
Charges for services	-	-	-	1,382,431
System maintenance charge	974,815	-	-	-
Other	347,015	-	347,015	-
Total operating revenue	7,944,067	-	7,944,067	1,382,431
<b>Operating Expenses</b>				
Cost of water	1,543,283	-	1,543,283	-
Cost of sewage disposal	1,966,570	-	1,966,570	-
Operation and maintenance	472,919	-	472,919	446,351
General and administrative	1,528,886	-	1,528,886	378,522
Depreciation	982,651	-	982,651	402,850
Other	650,882	-	650,882	-
Total operating expenses	7,145,191	-	7,145,191	1,227,723
<b>Operating Income</b>	798,876	-	798,876	154,708
<b>Nonoperating Revenue (Expense)</b>				
Property taxes	1,481,341	-	1,481,341	-
Investment income	344,321	3,702	348,023	1,490
Interest expense	(471,616)	-	(471,616)	(16,590)
Total nonoperating revenue (expense)	1,354,046	3,702	1,357,748	(15,100)
<b>Income - Before contributions</b>	2,152,922	3,702	2,156,624	139,608
<b>Transfers from Other Funds</b>	435,102	-	435,102	-
<b>Change in Net Assets</b>	2,588,024	3,702	2,591,726	139,608
<b>Net Assets - Beginning of year</b>	24,131,118	82,022	24,213,140	1,785,464
<b>Net Assets - End of year</b>	<u>\$ 26,719,142</u>	<u>\$ 85,724</u>	<u>\$ 26,804,866</u>	<u>\$ 1,925,072</u>

# City of Lincoln Park, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Major Fund	Nonmajor Fund	Enterprise Total	Governmental Activities
	Water and Sewer Fund	Development Fund		Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 7,597,022	\$ -	\$ 7,597,022	\$ 1,382,431
Payment to suppliers	(4,600,166)	-	(4,600,166)	(307,048)
Payments to employees for wages and benefits	(1,565,293)	-	(1,565,293)	(380,115)
Other payments	160,952	-	160,952	(9,285)
Net cash provided by operating activities	1,592,515	-	1,592,515	685,983
<b>Cash Flows from Capital and Related Financing Activities</b>				
Collection of property taxes	1,481,341	-	1,481,341	-
Payment to County Debt Service Fund	(651,658)	-	(651,658)	-
Payments to other funds	-	-	-	1,513
Purchase of capital assets	(502,193)	-	(502,193)	(268,957)
Principal paid on debt	(544,734)	-	(544,734)	(180,282)
Interest paid on debt	(226,709)	-	(226,709)	(16,590)
Transfers from other funds	435,102	-	435,102	-
Net cash used in capital and related financing activities	(8,851)	-	(8,851)	(464,316)
<b>Cash Flows from Non-capital Financing Activities - Payments to other funds</b>	-	-	-	(357,583)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	278,856	3,702	282,558	1,490
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,862,520	3,702	1,866,222	(134,426)
<b>Cash and Cash Equivalents - July 1, 2006</b>	2,769,446	82,022	2,851,468	199,093
<b>Cash and Cash Equivalents - June 30, 2007</b>	<b>\$ 4,631,966</b>	<b>\$ 85,724</b>	<b>\$ 4,717,690</b>	<b>\$ 64,667</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and cash equivalents	\$ 887,019	\$ 85,724	\$ 972,743	\$ 64,667
Restricted assets (Note 9)	3,744,947	-	3,744,947	-
Total	<b>\$ 4,631,966</b>	<b>\$ 85,724</b>	<b>\$ 4,717,690</b>	<b>\$ 64,667</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income	\$ 798,876	\$ -	\$ 798,876	\$ 154,708
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	982,651	-	982,651	402,850
Changes in assets and liabilities:				
Accounts receivable	214,452	-	214,452	-
Due (to) from other funds	168,976	-	168,976	(9,285)
Accounts payable	(537,033)	-	(537,033)	139,303
Compensated absences	(36,075)	-	(36,075)	-
Accrued and other liabilities	668	-	668	(1,593)
Net cash provided by operating activities	<b>\$ 1,592,515</b>	<b>\$ -</b>	<b>\$ 1,592,515</b>	<b>\$ 685,983</b>

# City of Lincoln Park, Michigan

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## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2007

**Noncash Investing, Capital, and Financing Activities** - During the year ended June 30, 2007, the following activities occurred with the assets held at Wayne County on behalf of the City that were not reflected in the statement of cash flows:

<b>Assets on Hand - July 1, 2006</b>		\$ 2,052,933
Interest earned on investment	\$ 65,465	
Judgment levy	651,622	
Increase in working capital as a result of billings to the City	561,497	
Principal paid	(544,734)	
Interest paid	<u>(215,137)</u>	
<b>Assets on Hand - June 30, 2007</b>		<b><u>\$ 2,571,646</u></b>

# City of Lincoln Park, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2007

	Pension and Other Employee Benefits Trust Funds	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 3,888,590	\$ 180,939
Investments at fair value:		
Common stock	27,231,379	-
U.S. government securities	6,959,807	-
U.S. government agencies	2,660,432	-
Corporate bonds	2,781,489	-
Mutual funds	6,023,733	-
Accrued interest	202,271	-
Total assets	49,747,701	<u><u>\$ 180,939</u></u>
<b>Liabilities</b>		
Accounts payable	613,893	\$ -
Accrued and other liabilities	18,000	180,939
Total liabilities	631,893	<u><u>\$ 180,939</u></u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<b>\$ 49,115,808</b>	

# City of Lincoln Park, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2007

	Pension and Other Employee Benefits Trust Funds
<b>Additions</b>	
Contributions:	
Employer	\$ 3,419,671
Plan members	651,821
	<hr/>
Total contributions	4,071,492
Investment earnings:	
Net increase in fair value of investments	5,526,723
Interest and dividends	1,432,703
Less investment expenses	(321,766)
	<hr/>
Net investment earnings	6,637,660
	<hr/>
Total additions	10,709,152
<b>Deductions</b>	
Benefit payments	8,966,402
Refunds of contributions	695,295
Administrative expenses	134,672
	<hr/>
Total deductions	9,796,369
	<hr/>
<b>Increase in Plan Net Assets</b>	912,783
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	
Beginning of year	48,203,025
	<hr/>
End of year	<u><u>\$ 49,115,808</u></u>

# City of Lincoln Park, Michigan

## Component Units Statement of Net Assets June 30, 2007

	Downtown Development Authority	Economic Development Corporation	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 706,761	\$ 194,532	\$ 901,293
Loans receivable	-	74,934	74,934
Land (Note 5)	172,070	-	172,070
Total assets	878,831	269,466	1,148,297
<b>Liabilities</b>			
Accounts payable	1,990	2,885	4,875
Deferred revenue	-	74,934	74,934
Due to primary government	15,026	11,065	26,091
Due to component unit	-	-	-
Noncurrent liabilities - Due within one year (Note 8)	60,000	-	60,000
Total liabilities	77,016	88,884	165,900
<b>Net Assets</b>			
Invested in capital assets	172,070	-	172,070
Unrestricted	629,745	180,582	810,327
Total net assets	<u>\$ 801,815</u>	<u>\$ 180,582</u>	<u>\$ 982,397</u>

# City of Lincoln Park, Michigan

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	Program Revenues		
	Expenses	Charges for Services	Operating Grants/ Contributions
Governmental activities:			
Downtown Development Authority	\$ 60,934	\$ -	\$ -
Economic Development Corporation	247,263	28,052	-
Total governmental activities	<b>\$ 308,197</b>	<b>\$ 28,052</b>	<b>\$ -</b>

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, 2007**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Economic Development Corporation	Total
\$ (60,934)	\$ -	\$ (60,934)
-	(219,211)	(219,211)
(60,934)	(219,211)	(280,145)
371,348	-	371,348
22,128	21,970	44,098
393,476	21,970	415,446
332,542	(197,241)	135,301
469,273	377,823	847,096
<b>\$ 801,815</b>	<b>\$ 180,582</b>	<b>\$ 982,397</b>

## **Note I - Summary of Significant Accounting Policies**

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

### **Reporting Entity**

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

### **Blended Component Units**

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

### **Discretely Presented Component Units**

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

## **Note I - Summary of Significant Accounting Policies (Continued)**

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

The component units above do not issue separate financial statements.

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

### **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 two major governmental funds:

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

**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)**

The City reports the following major enterprise fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

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 I - 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 2006 taxable valuation of the City totaled \$746 million, on which ad valorem taxes levied consisted of 15.5567 mills for the City's operating purposes, 2.3332 mills for refuse, 1.0285 mills for Ecorse Creek debt, and 1.0490 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. The General Fund fund balance has been reserved in an amount equal to the cost of the inventory. The inventory includes gasoline and supplies for machinery and equipment.

**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 I - 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 and proprietary 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.

**Net Assets** - Net assets in the General Fund and the governmental activities have been restated to reflect revenue recognition for drug forfeiture receipts which were previously reported as deferred revenue. As a result, net assets of the General Fund and governmental net assets as of July 1, 2006 increased by \$356,654.

## **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.

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

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

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

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2007 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, the General Fund incurred expenditures in excess of budget for the following:

	Budget	Actual	Unfavorable Variance
General Fund expenditures:			
General government	\$ 1,476,382	\$ 1,740,382	\$ (264,000)
Parks	<u>338,820</u>	<u>472,584</u>	<u>(133,764)</u>
Total	<u>\$ 1,815,202</u>	<u>\$ 2,212,966</u>	<u>\$ (397,764)</u>

## **Note 3 - Deposits and Investments**

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

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

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

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

**Custodial Credit Risk of Bank Deposits** - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$8,771,303 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. At year end, the Downtown Development Authority and the Economic Development Corporation had \$494,476 and \$85,588, respectively, of bank deposits 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.

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### Note 3 - Deposits and Investments (Continued)

**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:

<u>Investment</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
U.S. Treasury securities	\$ 6,959,807	3.00 years
U.S. agency securities	2,660,432	4.01 years
Corporate bonds	2,781,489	4.10 years

**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	\$ 995,570	S&P
AA	113,608	S&P
AA-	404,185	S&P
A+	533,722	S&P
A	229,969	S&P
A-	208,890	S&P
BBB+	181,019	S&P
BBB	150,714	S&P
BBB-	80,200	S&P
Not Rated	20,334,555	N/A

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### 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 monies are received from HUD and loaned out again. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 14,082	\$ -
Grant and program income payments received prior to meeting all eligibility requirements	-	2,011
Rehabilitation liens and loans	<u>-</u>	<u>2,464,811</u>
Total	<u>\$ 14,082</u>	<u>\$ 2,466,822</u>

### Note 5 - Capital Assets

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

	Balance July 1, 2006	Additions	Disposals	Balance June 30, 2007
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Construction in progress	\$ 2,474,524	\$ -	\$ 2,474,524	\$ -
Capital assets being depreciated:				
Roads and sidewalks	95,422,898	684,363	-	96,107,261
Buildings and improvements	6,080,293	-	-	6,080,293
Equipment	<u>5,133,177</u>	<u>3,613,335</u>	-	<u>8,746,512</u>
Subtotal	106,636,368	4,297,698	-	110,934,066
Accumulated depreciation:				
Roads and sidewalks	57,822,655	3,478,845	-	61,301,500
Buildings and improvements	4,741,162	134,118	-	4,875,280
Equipment	<u>3,720,683</u>	<u>404,061</u>	-	<u>4,124,744</u>
Subtotal	<u>66,284,500</u>	<u>4,017,024</u>	-	<u>70,301,524</u>
Net capital assets being depreciated	<u>40,351,868</u>	<u>280,674</u>	-	<u>40,632,542</u>
Net other governmental capital assets	<u>\$ 42,826,392</u>	<u>\$ 280,674</u>	<u>\$ 2,474,524</u>	<u>\$ 40,632,542</u>

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<b>Internal Service Funds Assets</b>				
Capital assets being depreciated:				
Vehicles	\$ 2,119,552	\$ 229,138	\$ -	2,348,690
Machinery and equipment	118,290	39,819	-	158,109
Subtotal	2,237,842	268,957	-	2,506,799
Accumulated depreciation:				
Vehicles	226,729	386,930	-	613,659
Machinery and equipment	12,776	15,920	-	28,696
Subtotal	239,505	402,850	-	642,355
Net Internal Service Funds capital assets	<u>\$ 1,998,337</u>	<u>\$ (133,893)</u>	<u>\$ -</u>	<u>\$ 1,864,444</u>
Governmental capital assets not being depreciated	\$ 2,474,524	\$ -	\$ 2,474,524	\$ -
Net governmental capital assets being depreciated	42,350,205	146,781	-	42,496,986
Net governmental activity capital assets	<u>\$ 44,824,729</u>	<u>\$ 146,781</u>	<u>\$ 2,474,524</u>	<u>\$ 42,496,986</u>
<b>Business-type Activities</b>				
	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Capital assets not being depreciated - Land	\$ 16,540	\$ -	\$ -	\$ 16,540
Capital assets being depreciated:				
Water and sewer distribution systems	42,529,810	487,691	-	43,017,501
Buildings and building improvements	1,683,467	-	-	1,683,467
Machinery and equipment	2,528,448	14,502	-	2,542,950
Subtotal	46,741,725	502,193	-	47,243,918
Accumulated depreciation:				
Water and sewer distribution systems	13,735,599	912,811	-	14,648,410
Buildings and building improvements	1,379,686	13,267	-	1,392,953
Machinery and equipment	1,045,603	56,573	-	1,102,176
Subtotal	16,160,888	982,651	-	17,143,539
Net capital assets being depreciated	30,580,837	(480,458)	-	30,100,379
Net capital assets	<u>\$ 30,597,377</u>	<u>\$ (480,458)</u>	<u>\$ -</u>	<u>\$ 30,116,919</u>

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 277,661
Public safety	64,381
Public works	3,520,489
Recreation and culture	154,493
Internal Service Funds	<u>402,850</u>
Total governmental activities	<u>\$ 4,419,874</u>
Business-type activities - Water and sewer	<u>\$ 982,651</u>

**Component Units** - Capital assets of the component units consist of a parcel of land purchased by the Downtown Development Authority in 2005 for \$172,070.

### Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Community Development Block Grant Fund	\$ 417,843
	Water and Sewer Fund	128,056
	Nonmajor governmental funds	155,442
	Internal Service Funds	<u>543</u>
	Total General Fund	701,884
Nonmajor governmental funds	General Fund	239,447
	Community Development Block Grant Fund	67,397
	Water and Sewer Fund	<u>14,445</u>
	Total nonmajor governmental funds	321,289
Water and Sewer Fund	Community Development Block Grant Fund	18,256
Internal Service Funds	General Fund	243,774
	Community Development Block Grant Fund	1,692
	Nonmajor governmental funds	134,889
	Water and Sewer Fund	<u>155,433</u>
	Total Internal Service Funds	<u>535,788</u>
	Total	<u>\$ 1,577,217</u>

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers include the transfer of \$468,193 of Act 51 funding from the Major Streets Fund to the Local Streets Fund. Additionally, the General Fund transferred \$6,993 to the Sanitation Fund in order to eliminate a fund deficit. Interfund transfers also include the transfer of \$435,102 from the Water Bond Debt Service Fund to the Water and Sewer Fund. This amount has been restricted for capital improvements.

### 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 completed during fiscal year 2007 and totaled \$3,580,000. Accumulated depreciation as of June 30, 2007 on the leased assets is \$238,667. The future minimum lease obligations for the years ending June 30, 2008 through June 30, 2022 and the net present value are as follows:

Years Ending June 30	Amount
2008	\$ 329,053
2009	329,053
2010	329,053
2011	329,053
2012	329,053
2013-2022	<u>3,208,267</u>
Total minimum payments	4,853,532
Less amount representing interest	<u>(1,317,372)</u>
Present value at June 30, 2007	<u>\$ 3,536,165</u>

### Note 8 - Long-term Debt

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

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### 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
<b>Governmental Activities</b>							
Other governmental obligations:							
Capital lease - Honeywell agreement:							
Amount of issue - \$3,580,000							
Maturing through 2022							
4.00%	\$179,768	\$ 2,474,524	\$ 1,105,476	\$ (43,835)	3,536,165	\$ 179,768	
	\$301,595	1,854,952	8,892	-	1,863,844	414,468	
		80,000	-	(40,000)	40,000	40,000	
Employee compensated absences							
Lawsuit settlement							
Total other governmental obligations			4,409,476	1,114,368	(83,835)	5,440,009	634,236
Internal Service Fund - Installment purchase obligations:							
Amount of issue - \$1,889,373							
4.00%-	\$1,687-						
7.58%	\$48,038	494,451	-	(180,282)	314,169	165,614	
Total governmental activities			\$ 4,903,927	\$ 1,114,368	\$ (264,117)	\$ 5,754,178	\$ 799,850
<b>Business-type Activities</b>							
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							
5.30%-	\$505,000-						
6.0%	\$750,000	3,235,000	-	(515,000)	2,720,000	505,000	
Downriver Sewage Disposal Bonds:							
Amount of issue - \$12,344,844							
2.00%-	\$65-						
2.50%	\$515,000	8,504,799	-	(544,734)	7,960,065	586,248	
Total general obligation bonds			13,239,799	-	(1,059,734)	12,180,065	1,091,248
Other long-term obligations:							
Basement flooding lawsuit settlement							
		150,000	-	-	150,000	-	
Employee compensated absences							
		150,716	-	(36,075)	114,641	28,123	
Total other long-term obligations			300,716	-	(36,075)	264,641	28,123
Total business-type activities			\$ 13,540,515	\$ -	\$ (1,095,809)	\$ 12,444,706	\$ 1,119,371
<b>Component Units - Other long-term obligations -</b>							
Lawsuit settlement							
		\$ 120,000	\$ -	\$ (60,000)	\$ 60,000	\$ 60,000	

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### 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
2008	\$ 385,382	\$ 161,737	\$ 547,119	\$ 1,091,248	\$ 423,201	\$ 1,514,449	\$ 60,000	\$ -	\$ 60,000
2009	335,622	148,254	483,876	1,350,181	370,766	1,720,947	-	-	-
2010	194,663	134,390	329,053	1,356,382	310,502	1,666,884	-	-	-
2011	202,567	126,486	329,053	1,358,478	250,429	1,608,907	-	-	-
2012	210,792	118,261	329,053	1,399,922	193,196	1,593,118	-	-	-
2013-2017	1,189,512	455,755	1,645,267	4,055,231	437,397	4,492,628	-	-	-
2018-2022	1,371,796	191,208	1,563,004	1,437,521	63,303	1,500,824	-	-	-
2023-2027	-	-	-	131,102	4,981	136,083	-	-	-
Total	<u>\$ 3,890,334</u>	<u>\$ 1,336,091</u>	<u>\$ 5,226,425</u>	<u>\$ 12,180,065</u>	<u>\$ 2,053,775</u>	<u>\$ 14,233,840</u>	<u>\$ 60,000</u>	<u>\$ -</u>	<u>\$ 60,000</u>

### Note 9 - Restricted Assets

The restricted assets in the business-type activities consist of cash and cash equivalents restricted to provide for the replacement of Enterprise Fund assets. Also, monies received from a tax levy are restricted for the payment of outstanding Enterprise Fund debt. In addition, restricted assets result from the establishment of debt and operating reserves related to county sewage disposal system bonds. The restricted assets at June 30, 2007 consist of the following:

Cash and cash equivalents:

Ecorse Creek replacement reserve	\$ 1,000,000
Enterprise Fund debt service	556,654
Water and sewer capital improvement	1,539,896
Engineering and sewer improvement reserve	<u>648,397</u>
Total cash and cash equivalents	3,744,947

Wayne County sewage disposal system:

Assets held at Wayne County for future debt payments	1,674,975
Assets held at Wayne County for sewer operations	<u>896,671</u>
Total restricted assets	<u>\$ 6,316,593</u>

Current liabilities to be paid from restricted assets of \$1,091,248 at June 30, 2007 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.

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

### 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 administered by the City of Lincoln Park, Michigan. These plans cover all full-time police and fire employees and general employees of the City hired before December 1, 2004. The systems provide retirement, disability, and death benefits to plan members and their beneficiaries. At June 30, 2006, 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	155
Current employees:		
Fully vested	38	39
Nonvested	45	29
Total current employees	83	68

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, 2007, the City's annual pension cost was as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Annual pension cost	\$ 1,818,550	\$ 1,485,913
Actual and required contribution	1,818,550	1,485,913

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 and (ii) projected salary increases of 4.0 percent to 7.8 percent per year. Both plans assume that benefits will not increase after retirement, with the following exceptions: fire members retiring after January 1, 1996, police members retiring after September 6, 1996, and general municipal members retiring after August 1, 1996. These employees will receive an increase of \$300 in annual benefits each year after retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll 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, 2007

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

**Reserves** - As of June 30, 2007, the plans' legally required reserves have been fully funded as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Reserve for employees' contribution	\$ 4,650,069	\$ 4,864,418
Reserve for retired benefit payments	26,010,080	12,184,769

**Financial Statement Information** - As of June 30, 2007, the statement of net assets for the pension plans is as follows:

	Pension and Other Employee Benefits Trust Funds			
	Police and Fire Retirement	Municipal Employees' Retirement	Retirees' Health Benefit	Total
<b>Assets</b>				
Cash and cash equivalents	\$ 2,234,783	\$ 1,073,333	\$ 580,474	\$ 3,888,590
Investments	28,895,966	15,914,416	846,458	45,656,840
Accrued interest	142,952	59,319	-	202,271
Total assets	31,273,701	17,047,068	1,426,932	49,747,701
<b>Liabilities</b>				
Accounts payable	613,893	-	-	613,893
Accrued and other liabilities	-	-	18,000	18,000
Total liabilities	613,893	-	18,000	631,893
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 30,659,808</u>	<u>\$ 17,047,068</u>	<u>\$ 1,408,932</u>	<u>\$ 49,115,808</u>

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

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

For the year ended June 30, 2007, the statement of changes in net assets for the pension plans is as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
<b>Additions</b>				
Contributions:				
Employer	\$ 1,900,854	\$ 1,518,817	\$ -	\$ 3,419,671
Plan members	299,696	352,125	-	651,821
Total contributions	2,200,550	1,870,942	-	4,071,492
Investment earnings:				
Net increase in fair value of investments	3,148,523	2,358,069	20,131	5,526,723
Interest and dividends	940,636	367,333	124,734	1,432,703
Investment expenses	(228,627)	(85,929)	(7,210)	(321,766)
Total investment earnings	3,860,532	2,639,473	137,655	6,637,660
Total additions	6,061,082	4,510,415	137,655	10,709,152
<b>Deductions</b>				
Benefit payments	4,395,933	3,162,443	1,408,026	8,966,402
Refunds of contributions	613,377	81,918	-	695,295
Administrative expenses	62,414	72,258	-	134,672
Total deductions	5,071,724	3,316,619	1,408,026	9,796,369
<b>Increase (Decrease) in Plan Net Assets</b>	989,358	1,193,796	(1,270,371)	912,783
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>				
Beginning of year	29,670,450	15,853,272	2,679,303	48,203,025
End of year	<u>\$ 30,659,808</u>	<u>\$ 17,047,068</u>	<u>\$ 1,408,932</u>	<u>\$ 49,115,808</u>

# City of Lincoln Park, Michigan

## Notes to Financial Statements June 30, 2007

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

#### Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2006	2007
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 936,000	\$ 1,068,000	\$ 1,486,000
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 928,000	\$ 1,316,000	\$ 1,819,000
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 with International City and County Management Association. The plan was approved by the City Council during the year ended June 30, 2005 and covers all full-time employees (with the exception of elected officials and commission or board members) hired on or after December 1, 2004.

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Under the defined contribution plan, the City is required to contribute 7 percent of each participant's annual earnings. In accordance with the requirements, the City expensed \$42,347 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, 2007, employee contributions were \$3,900.

## **Note 13 - Other Postemployment Benefits**

The City provides healthcare benefits to all employees covered by the Police and Fire Retirement System and the Municipal Employees' Retirement System upon retirement, in accordance with labor contracts. Currently, 301 retirees are eligible. The City includes pre-Medicare retirees and their spouses in its insured healthcare plan, with no contribution required by the participants. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare 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 \$1,799,362 for health insurance premiums and \$2,771,539 for prescription claims.

The City has established a Retirees Health Care Trust Fund that currently has \$1,408,932 of net assets.

In addition, the City has established a Retirement Health Savings Plan with International City and County Management Association. Under the plan, the City contributes 2 percent of covered payroll for employees hired after December 1, 2004. In accordance with the requirements, the City expensed \$11,081 during the current year. 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 healthcare coverage over the working life of the employee, rather than at the time the healthcare 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, 2007

### 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, 2006	\$ (508,356)
Building permit revenue	468,982
Related direct expenditures	<u>(585,162)</u>
Cumulative shortfall - June 30, 2007	<u>\$ (624,536)</u>

### Note 15 - Contingent Liability

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

### Note 16 - 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.

Project completion bonds in the amount of \$992,079 were issued in August 2007. Capital improvement bonds in the amount of \$437,575 were approved for issuance by the City Council. The County expects to issue these bonds within the next two fiscal years.

## **Required Supplemental Information**

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# City of Lincoln Park, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ 2,259,013	\$ 2,615,667	\$ 2,615,667	\$ -
<b>Resources (Inflows)</b>				
Property taxes:				
Real and personal property taxes	11,771,487	11,499,102	11,731,210	232,108
Payments in lieu of taxes	19,000	117,233	117,233	-
Total property taxes	11,790,487	11,616,335	11,848,443	232,108
Federal sources				
State sources:				
Revenue-sharing	5,341,326	5,323,148	5,221,036	(102,112)
State grants	90,998	93,321	93,326	5
Liquor license fees	23,000	21,835	21,835	-
Total state sources	5,455,324	5,438,304	5,336,197	(102,107)
Licenses and permits:				
Building, electrical, heating, and plumbing permits	501,605	544,564	585,281	40,717
Recreation programs	614,650	623,477	236,900	(386,577)
Cable television franchise fee	350,000	392,608	392,608	-
Rental and inspection	124,500	152,542	152,542	-
Total licenses and permits	1,590,755	1,713,191	1,367,331	(345,860)
Fines and forfeitures	1,453,750	1,528,173	1,535,064	6,891
Interest and rentals	201,100	258,216	398,494	140,278
Transfer from other funds	425,000	-	-	-
Other	435,378	772,308	797,342	25,034
Total resources (inflows)	23,610,807	23,942,194	23,898,538	(43,656)
<b>Charges to Appropriations (Outflows)</b>				
General government:				
General government	1,632,030	1,476,382	1,740,382	(264,000)
Mayor and City Council	81,636	76,360	76,409	(49)
City manager	421,446	417,232	409,790	7,442
City clerk	247,718	233,186	233,256	(70)
Election commission	60,028	30,843	30,861	(18)
City assessor	134,742	134,930	135,250	(320)
City attorney	127,700	185,103	185,386	(283)
City controller	384,741	292,627	292,767	(140)
Treasury department	318,496	289,191	289,192	(1)
Municipal building	1,253,247	901,564	899,900	1,664
Total general government	4,661,784	4,037,418	4,293,193	(255,775)

# City of Lincoln Park, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable) Variance with Amended Budget</u>
<b>Charges to Appropriations (Outflows) (Continued)</b>				
Public safety:				
Police	\$ 7,876,010	\$ 7,820,757	\$ 7,712,687	\$ 108,070
Fire	4,420,747	4,657,736	4,625,447	32,289
Civil defense	31,350	31,350	31,349	1
Building department	601,316	582,315	584,249	(1,934)
District Court	<u>1,411,786</u>	<u>1,411,786</u>	<u>1,197,498</u>	<u>214,288</u>
Total public safety	14,341,209	14,503,944	14,151,230	352,714
Public works:				
Department of Public Works	327,408	478,611	479,542	(931)
Planning Commission	7,500	4,976	4,976	-
Street lighting	<u>493,500</u>	<u>467,500</u>	<u>467,500</u>	<u>-</u>
Total public works	828,408	951,087	952,018	(931)
Community and economic development	55,623	52,550	53,439	(889)
Recreation and culture:				
Kennedy Memorial Building			-	-
Historical museum	17,000	17,000	17,000	-
Parks	335,086	338,820	472,584	(133,764)
Recreation and culture	573,218	496,657	497,243	(586)
Library	302,341	411,943	411,943	-
Social services	180,000	158,361	177,856	(19,495)
Community center	<u>595,592</u>	<u>588,082</u>	<u>159,786</u>	<u>428,296</u>
Total recreation and culture	2,003,237	2,010,863	1,736,412	274,451
Transfer to other funds	<u>60,000</u>	<u>-</u>	<u>6,993</u>	<u>(6,993)</u>
Total charges to appropriations (outflows)	<u>21,950,261</u>	<u>21,555,862</u>	<u>21,193,285</u>	<u>362,577</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 1,660,546</u></b>	<b><u>\$ 2,386,332</u></b>	<b><u>\$ 2,705,253</u></b>	<b><u>\$ 318,921</u></b>

# City of Lincoln Park, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Community Development Block Grant Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows)</b>				
Federal sources	846,684	846,684	1,315,917	469,233
Other	-	-	4,103	4,103
Total resources (inflows)	846,684	846,684	1,320,020	473,336
<b>Charges to Appropriations (Outflows) -</b>				
Health and welfare	1,684,742	2,164,780	1,320,020	844,760
<b>Fund Balance - End of year</b>	<b><u>\$ (838,058)</u></b>	<b><u>\$ (1,318,096)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 1,318,096</u></b>

# City of Lincoln Park, Michigan

## Note to Required Supplemental Information June 30, 2007

### 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	\$ 21,282,871	\$ 22,291,768
Beginning fund balance	2,615,667	
Transfers to/from other funds	-	6,993
Capital outlay expenditures budgeted - Net of related debt proceeds	-	(1,105,476)
Amounts per budget statement	<u>\$ 23,898,538</u>	<u>\$ 21,193,285</u>

# City of Lincoln Park, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/01	\$ 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
06/30/06	15,410,000	37,149,000	21,739,000	42	3,593,000	605

\* At conclusion of early retirement window at 12/31/04

## Retirement Systems Schedule of Employer Contributions Municipal Employees' Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution
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
2007	1,485,913 *	1,485,913

\* 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 had 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, 2006. 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	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.25
Projected salary increases**	4.0%
**Includes inflation at	4.0%
Additional salary increases attributable to seniority/merit	0% to 3.8%

\* 18-year remaining amortization period on a closed basis for those individuals who retired under the early retirement window

# City of Lincoln Park, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a÷b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/01	\$ 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
06/30/06	32,519,000	55,488,000	22,969,000	59	4,970,000	462.2

\* At conclusion of early retirement window at 12/31/04

## Retirement Systems Schedule of Employer Contributions Police and Fire Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution
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
2007	1,818,550	1,818,550

\* 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 had 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, 2006. 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	Four-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases**	4.0%
**Includes inflation at	4.0%
Additional salary increases attributable to seniority/merit	0% to 3.8%

\* 18-year remaining amortization period on a closed basis for those individuals who retired under the early retirement window

## **Other Supplemental Information**

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# City of Lincoln Park, Michigan

	Special Revenue Funds					
	Major	Local	Street	Compensated	Sanitation	
	Streets Funds	Streets Funds	Improvement Funds	Absences Funds	Fund	Cable Fund
<b>Assets</b>						
Cash and cash equivalents	\$ 1,083,085	\$ 743,367	\$ 390,762	\$ 5,092	\$ -	\$ 298,067
Receivables:						
Taxes	-	-	-	-	170,171	-
Special assessments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other governmental units	289,612	96,945	-	-	-	-
Due from other funds	<u>29,432</u>	<u>26,941</u>	<u>114,453</u>	<u>9,542</u>	<u>105,894</u>	<u>175</u>
Total assets	<b><u>\$ 1,402,129</u></b>	<b><u>\$ 867,253</u></b>	<b><u>\$ 505,215</u></b>	<b><u>\$ 14,634</u></b>	<b><u>\$ 276,065</u></b>	<b><u>\$ 298,242</u></b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 8,452	\$ 12,657	\$ 13,518	\$ 9,542	\$ 276,065	\$ 180
Accrued and other liabilities	16,112	2,611	-	-	-	365
Due to other funds	137,169	153,162	-	-	-	-
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	161,733	168,430	13,518	9,542	276,065	545
<b>Fund Balance - Undesignated</b>	<u>1,240,396</u>	<u>698,823</u>	<u>491,697</u>	<u>5,092</u>	<u>-</u>	<u>297,697</u>
Total liabilities and fund balances	<b><u>\$ 1,402,129</u></b>	<b><u>\$ 867,253</u></b>	<b><u>\$ 505,215</u></b>	<b><u>\$ 14,634</u></b>	<b><u>\$ 276,065</u></b>	<b><u>\$ 298,242</u></b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2007**

Water Bonds Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 69,737	\$ 2,590,110
-	-	170,171
-	14,082	14,082
2,267	-	2,267
-	-	386,557
<u>30,128</u>	<u>4,724</u>	<u>321,289</u>
<b><u>\$ 32,395</u></b>	<b><u>\$ 88,543</u></b>	<b><u>\$ 3,484,476</u></b>

\$ -	\$ -	\$ 320,414
-	-	19,088
-	-	290,331
-	14,082	14,082
-	14,082	643,915
<u>32,395</u>	<u>74,461</u>	<u>2,840,561</u>
<b><u>\$ 32,395</u></b>	<b><u>\$ 88,543</u></b>	<b><u>\$ 3,484,476</u></b>

# City of Lincoln Park, Michigan

	Special Revenue Funds					
	Major	Local	Street	Compensated	Sanitation	
	Streets Fund	Streets Fund	Improvement Fund	Absences Fund	Fund	Cable Fund
<b>Revenue</b>						
Property taxes	\$ -	\$ -	\$ 1,505	\$ -	\$ 1,890,377	\$ -
State sources	1,763,886	590,397	-	-	-	-
Cable franchise fees	-	-	-	-	-	77,156
Interest and rentals	62,711	26,976	24,122	212	7,480	2,524
Other	9,906	773	-	-	-	22
Total revenue	1,836,503	618,146	25,627	212	1,897,857	79,702
<b>Expenditures - Current -</b>						
Public works	956,556	940,627	178,626	-	1,905,002	55,519
<b>Excess of Revenue Over (Under) Expenditures</b>	879,947	(322,481)	(152,999)	212	(7,145)	24,183
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	468,193	-	-	6,993	-
Transfers out	(468,193)	-	-	-	-	-
Total other financing sources (uses)	(468,193)	468,193	-	-	6,993	-
<b>Net Change in Fund Balance</b>	411,754	145,712	(152,999)	212	(152)	24,183
<b>Fund Balances - Beginning of year</b>	828,642	553,111	644,696	4,880	152	273,514
<b>Fund Balances - End of year</b>	<b>\$ 1,240,396</b>	<b>\$ 698,823</b>	<b>\$ 491,697</b>	<b>\$ 5,092</b>	<b>\$ -</b>	<b>\$ 297,697</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended June 30, 2007**

Water Bonds Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,891,882
-	-	2,354,283
-	-	77,156
2,591	2,830	129,446
-	12,507	23,208
2,591	15,337	4,475,975
-	-	4,036,330
2,591	15,337	439,645
-	-	475,186
(435,102)	-	(903,295)
(435,102)	-	(428,109)
(432,511)	15,337	11,536
464,906	59,124	2,829,025
<b>\$ 32,395</b>	<b>\$ 74,461</b>	<b>\$ 2,840,561</b>

# City of Lincoln Park, Michigan

## Other Supplemental Information Combining Statement of Net Assets Nonmajor Proprietary Funds - Internal Service Funds June 30, 2007

	Motor Pool Fund	Information Technology Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ -	\$ 64,667	\$ 64,667
Due from other funds	530,488	5,300	535,788
Total current assets	530,488	69,967	600,455
Noncurrent assets - Capital assets	1,829,904	34,540	1,864,444
Total assets	2,360,392	104,507	2,464,899
<b>Liabilities</b>			
Current liabilities:			
Accounts payable	219,450	741	220,191
Accrued and other liabilities	4,039	885	4,924
Due to other funds	-	543	543
Current portion of long-term debt	165,614	-	165,614
Total current liabilities	389,103	2,169	391,272
Noncurrent liabilities - Long-term debt - Net of current portion	148,555	-	148,555
Total liabilities	537,658	2,169	539,827
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	1,515,735	34,540	1,550,275
Unrestricted	306,999	67,798	374,797
Total net assets	<u>\$ 1,822,734</u>	<u>\$ 102,338</u>	<u>\$ 1,925,072</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, 2007

	Motor Pool Fund	Information Technology Fund	Total
<b>Operating Revenue</b> - Charges for services	\$ 1,169,733	\$ 212,698	\$ 1,382,431
<b>Operating Expenses</b>			
Operation and maintenance	379,964	66,387	446,351
General and administrative	279,829	98,693	378,522
Depreciation	396,225	6,625	402,850
Total operating expenses	<u>1,056,018</u>	<u>171,705</u>	<u>1,227,723</u>
<b>Operating Income</b>	113,715	40,993	154,708
<b>Nonoperating Revenue (Expense)</b>			
Investment income	1,435	55	1,490
Interest expense	<u>(16,590)</u>	<u>-</u>	<u>(16,590)</u>
Total nonoperating revenue (expense)	<u>(15,155)</u>	<u>55</u>	<u>(15,100)</u>
<b>Change in Net Assets</b>	98,560	41,048	139,608
<b>Net Assets</b> - Beginning of year	<u>1,724,174</u>	<u>61,290</u>	<u>1,785,464</u>
<b>Net Assets</b> - End of year	<u><u>\$ 1,822,734</u></u>	<u><u>\$ 102,338</u></u>	<u><u>\$ 1,925,072</u></u>

# City of Lincoln Park, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Nonmajor Proprietary Funds - Internal Service Funds Year Ended June 30, 2007

	Motor Pool Fund	Information Technology Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from other funds	\$ 1,169,733	\$ 212,698	\$ 1,382,431
Payments to suppliers	(196,911)	(110,137)	(307,048)
Payments to employees	(280,965)	(99,150)	(380,115)
Other payments	-	(9,285)	(9,285)
Net cash provided by (used in) operating activities	691,857	(5,874)	685,983
<b>Cash Flows from Capital and Related Financing Activities</b>			
Payments to other funds	-	1,513	1,513
Purchase of capital assets	(259,116)	(9,841)	(268,957)
Principal paid on debt	(180,282)	-	(180,282)
Interest paid on debt	(16,590)	-	(16,590)
Net cash used in capital and related financing activities	(455,988)	(8,328)	(464,316)
<b>Cash Flows from Noncapital Financing Activities - Payments to other funds</b>	(357,583)	-	(357,583)
<b>Cash Flows from Investing Activities - Interest received on investments</b>	1,435	55	1,490
<b>Net Decrease in Cash and Cash Equivalents</b>	(120,279)	(14,147)	(134,426)
<b>Cash and Cash Equivalents - July 1, 2006</b>	120,279	78,814	199,093
<b>Cash and Cash Equivalents - June 30, 2007</b>	\$ -	\$ 64,667	\$ 64,667
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 113,715	\$ 40,993	\$ 154,708
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	396,225	6,625	402,850
Changes in assets and liabilities:			
Accounts payable	183,053	(43,750)	139,303
Accrued and other liabilities	(1,136)	(457)	(1,593)
Due to other funds	-	(9,285)	(9,285)
Net cash provided by (used in) operating activities	\$ 691,857	\$ (5,874)	\$ 685,983

# City of Lincoln Park, Michigan

## Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2007

	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
<b>Assets</b>							
Cash and cash equivalents	\$ 2,234,783	\$ 1,073,333	\$ 580,474	\$ 3,888,590	\$ 10,688	\$ 170,251	\$ 180,939
Investments	28,895,966	15,914,416	846,458	45,656,840	-	-	-
Accrued interest	142,952	59,319	-	202,271	-	-	-
Total assets	31,273,701	17,047,068	1,426,932	49,747,701	<u>\$ 10,688</u>	<u>\$ 170,251</u>	<u>\$ 180,939</u>
<b>Liabilities</b>							
Accounts payable	613,893	-	-	613,893	\$ -	\$ -	\$ -
Accrued and other liabilities	-	-	18,000	18,000	10,688	170,251	180,939
Total liabilities	613,893	-	18,000	631,893	<u>\$ 10,688</u>	<u>\$ 170,251</u>	<u>\$ 180,939</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 30,659,808</u>	<u>\$ 17,047,068</u>	<u>\$ 1,408,932</u>	<u>\$ 49,115,808</u>			

# City of Lincoln Park, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2007

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
<b>Additions</b>				
Contributions:				
Employer	\$ 1,900,854	\$ 1,518,817	\$ -	\$ 3,419,671
Plan members	299,696	352,125	-	651,821
Total contributions	2,200,550	1,870,942	-	4,071,492
Investment earnings:				
Net increase in fair value of investments	3,148,523	2,358,069	20,131	5,526,723
Interest and dividends	940,636	367,333	124,734	1,432,703
Investment expenses	(228,627)	(85,929)	(7,210)	(321,766)
Total investment earnings	3,860,532	2,639,473	137,655	6,637,660
Total additions	6,061,082	4,510,415	137,655	10,709,152
<b>Deductions</b>				
Benefit payments	4,395,933	3,162,443	1,408,026	8,966,402
Refunds of contributions	613,377	81,918	-	695,295
Administrative expenses	62,414	72,258	-	134,672
Total deductions	5,071,724	3,316,619	1,408,026	9,796,369
<b>Increase (Decrease) in Plan Net Assets</b>	989,358	1,193,796	(1,270,371)	912,783
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>				
Beginning of year	29,670,450	15,853,272	2,679,303	48,203,025
End of year	<u>\$ 30,659,808</u>	<u>\$ 17,047,068</u>	<u>\$ 1,408,932</u>	<u>\$ 49,115,808</u>