

City of Lincoln Park, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

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

In our opinion, except for the effects of not recording City-owned land for the governmental activities as described in the preceding paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lincoln Park, Michigan as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

December 16, 2008

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, 2008. 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 \$27.9 million and net assets of governmental activities were \$41.2 million.

- The current year's expense total was \$29.3 million as compared to the \$27.8 million generated in fees and charges, grants, general revenues, and taxes for governmental programs (before extraordinary items). In the previous year, expenses were \$29.8 million as compared to the \$26.7 million generated in tax and other revenues for governmental programs (before extraordinary items).
- For business-type activities, City revenues were \$9.1 million. Expenses were \$7.9 million.
- The annual cost of all City programs was \$37.3 million. The previous year's cost was \$37.4 million.

The City as a Whole Analysis

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

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

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

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

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

Detailing the Most Important Funds

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

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

Budgetary comparison statements are included in the basic financial statements for the General Fund and Major Special Revenue Funds (the Community Development Block Grant Fund and Sanitation 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	
	2008	2007	2008	2007	2008	2007
Assets						
Current and other assets	\$ 11,817.3	\$ 10,043.3	\$ 3,319.1	\$ 3,498.2	\$ 15,136.4	\$ 13,541.5
Noncurrent assets	39,361.5	42,581.9	38,382.1	36,481.3	77,743.6	79,063.2
Total assets	51,178.8	52,625.2	41,701.2	39,979.5	92,880.0	92,604.7
Liabilities						
Current liabilities	4,559.1	4,967.3	2,336.7	1,849.3	6,895.8	6,816.6
Long-term liabilities	5,399.1	4,954.3	11,440.7	11,325.3	16,839.8	16,279.6
Total liabilities	9,958.2	9,921.6	13,777.4	13,174.6	23,735.6	23,096.2
Net Assets						
Invested in capital assets - Net of related debt	35,856.6	38,646.7	18,344.9	17,936.9	54,201.5	56,583.6
Restricted	2,903.7	2,463.3	7,458.1	6,316.6	10,361.8	8,779.9
Unrestricted	2,460.3	1,593.6	2,120.8	2,551.4	4,581.1	4,145.0
Total net assets	\$ 41,220.6	\$ 42,703.6	\$ 27,923.8	\$ 26,804.9	\$ 69,144.4	\$ 69,508.5

City as a Whole

The City's combined net assets from the previous year were \$69.5 million as compared to \$69.1 million this year. However, net assets and expenses from governmental and business-type activities must be reviewed separately. Table I focuses on the net assets and Table 2 focuses on changes in the net assets of the City's governmental and business-type activities.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

The City's net assets for governmental activities were \$41.2 million this year as compared to \$42.7 million last year. Unrestricted net assets were \$1.6 million last year as compared to \$2.5 million this year. Unrestricted net assets are those that can be used to finance everyday operations without restrictions set by legislation, debt covenants, or other legal regulations.

The net assets of the City's business-type activities were \$27.9 million this year as compared to \$26.8 million last year.

City revenues for the current year were \$36.9 million, the same as the previous year. The total yearly cost of all programs and services was \$37.3 million as compared to \$37.4 million in the previous year.

Table 2 - Change in Net Assets (in thousands)

	Governmental Activities		Business-type Activities		Total Primary Government	
	2008	2007	2008	2007	2008	2007
Revenues						
Program revenues - Restricted:						
Charges for services	\$ 3,565.0	\$ 2,966.8	\$ 7,355.6	\$ 7,944.1	\$ 10,920.6	\$ 10,910.9
Operating and capital grants	3,758.2	4,293.7	-	-	3,758.2	4,293.7
General revenue:						
Property taxes	14,167.6	13,645.1	1,532.1	1,481.3	15,699.7	15,126.4
Interest and investment income	599.0	526.7	198.8	348.0	797.8	874.7
Other general revenues including transfers	5,752.0	5,255.4	(33.2)	435.1	5,718.8	5,690.5
Total revenues	27,841.8	26,687.7	9,053.3	10,208.5	36,895.1	36,896.2
Expenses						
Program expenses:						
General government	4,757.8	3,737.1	-	-	4,757.8	3,737.1
Public safety	13,891.6	14,424.3	-	-	13,891.6	14,424.3
Public works	8,122.3	8,506.4	-	-	8,122.3	8,506.4
Culture and recreation	1,371.7	1,856.5	-	-	1,371.7	1,856.5
Community development	1,179.4	1,225.7	-	-	1,179.4	1,225.7
Interest on long-term debt	2.0	49.0	-	-	2.0	49.0
Business activities - Water and/or sewer	-	-	7,934.4	7,616.8	7,934.4	7,616.8
Total expenses	29,324.8	29,799.0	7,934.4	7,616.8	37,259.2	37,415.8
(Decrease) Increase in Net Assets	\$ (1,483.0)	\$ (3,111.3)	\$ 1,118.9	\$ 2,591.7	\$ (364.1)	\$ (519.6)

Governmental Activities

This year's governmental activities revenues were \$27.8 million as compared to \$26.7 million last year. The year's governmental activities cost was \$29.3 million as compared to \$29.8 million in the previous year. No new debt was added and the City continues to have very few long-term obligations.

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

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

In an effort to bring costs under control, the City entered into an agreement with a new prescription carrier and saved approximately \$200,000 compared to the year before.

The City completed, in conjunction with Wayne County, a community-wide appraisal resulting in a 2.7 percent real tax increase. This was the first community appraisal in approximately 30 years.

The City also entered into a new agreement with the Michigan Municipal League after bidding our liability insurance, which resulted in improved coverage and clarity and saved the City \$107,000 for the year.

The City reduced personnel costs by not replacing three vacated clerical positions and one public service worker. Additionally, the position of the parks and recreation director was combined with the community development director.

Business-type Activities

This year's business-type activities revenues (see Table 2) were \$9.1 million as compared to \$10.2 million last year. This year's expenses were \$7.9 million as compared to \$7.6 million in the previous year. These figures are in part due to the following reasons:

The only business activity currently is the Water and Sewer Fund. This fund is still falling short 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 this trend in the near future. Lincoln Park is still financially solvent, but the rising cost of employee benefits including health care and retiree pension plans are quickly wearing away at the fund.

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 continue to add to those funds within the next few years. Further measures need to be taken to ensure that the City remains financially solvent. The taxpayers approved a three-year public safety and library millage which will help in the upcoming years, but expenses must continue to be kept under control to accomplish solvency.

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

The City approaches the development of the budget by complying with the Uniform 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 annual budget preparation calendar. A series of internal briefings and conferences with key staff administrators are held and then internal input is coordinated with external inputs beginning with an annual strategic organizational planning session of the mayor and 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 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, City-wide survey data (2006) was used by City management concerning resident priorities in developing the recommendations for services and the financing of those services.

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 objectives 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 Council work sessions were held seeking public input prior to budget adoption on June 2, 2008.

City Funds

At year end the City reported a total governmental fund balance of \$6.4 million as compared to \$5.5 million in the previous year. Of the other significant funds, the Water and Sewer Fund is the largest. In order for the City to update the rates to meet its inflationary expenditures, rates were raised 11 percent. A more aggressive collection of water/sewer funds was also put into place and has reduced delinquencies by 50 percent to date.

Capital Assets

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ -	\$ -	\$ 16.5	\$ 16.5	\$ 16.5	\$ 16.5
Equipment	4,446.8	4,751.2	1,379.0	1,440.8	5,825.8	6,192.0
Buildings and improvements	1,088.1	1,205.0	275.4	290.5	1,363.5	1,495.5
Infrastructure	31,917.5	34,805.8	29,253.1	28,369.1	61,170.6	63,174.9
Vehicles	1,909.1	1,735.0	-	-	1,909.1	1,735.0
Total	\$ 39,361.5	\$ 42,497.0	\$ 30,924.0	\$ 30,116.9	\$ 70,285.5	\$ 72,613.9

At the close of the year, the City had invested \$70.3 million in capital assets such as land, buildings and improvements, and equipment or infrastructure (see Table 3). A total of \$72.6 million was invested in similar assets last year.

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

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
General obligation bonds (backed by the City)	\$ -	\$ -	\$ 12,579.2	\$ 12,180.1	\$ 12,579.2	\$ 12,180.1
Other bonds or outstanding obligations	5,399.1	5,754.2	269.7	264.6	5,668.8	6,018.8
Total	\$ 5,399.1	\$ 5,754.2	\$ 12,848.9	\$ 12,444.7	\$ 18,248.0	\$ 18,198.9

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

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

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

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

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

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

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

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

City of Lincoln Park, Michigan

Management's Discussion and Analysis (Continued)

Contact Information

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

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Lisa Santos, Director of Finance
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City of Lincoln Park, Michigan

Statement of Net Assets June 30, 2008

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 6,027,494	\$ 2,200,951	\$ 8,228,445	\$ 1,175,943
Receivables:				
Taxes - Net of allowance for uncollectible taxes of \$46,000	156,530	-	156,530	-
Customers	-	2,824,904	2,824,904	-
Special assessments	14,082	-	14,082	-
Loans receivable	2,366,986	-	2,366,986	74,934
Accrued interest and other	211,844	1,450	213,294	-
Due from other governmental units	2,004,520	-	2,004,520	-
Internal balances	376,011	(376,011)	-	-
Due from component units	30,670	-	30,670	-
Prepaid expenses	544,222	-	544,222	-
Inventories	84,877	47,792	132,669	-
Restricted assets (Note 9)	-	6,078,084	6,078,084	-
Capital assets - Net (Note 5)	39,361,521	30,924,036	70,285,557	172,070
Total assets	51,178,757	41,701,206	92,879,963	1,422,947
Liabilities				
Accounts payable	1,311,408	891,722	2,203,130	4,928
Accrued and other liabilities	805,102	36,780	841,882	75,030
Due to primary government	-	-	-	30,670
Deferred revenue (Note 4)	2,442,616	-	2,442,616	-
Noncurrent liabilities (Note 8):				
Due within one year	750,090	1,408,148	2,158,238	-
Due in more than one year	4,648,983	11,440,742	16,089,725	-
Total liabilities	9,958,199	13,777,392	23,735,591	110,628
Net Assets				
Invested in capital assets - Net of related debt	35,856,569	18,344,874	54,201,443	172,070
Restricted:				
Streets and highways	2,533,006	-	2,533,006	-
Debt service	2,267	857,870	860,137	-
Sewer improvements	-	5,220,214	5,220,214	-
Drug forfeiture	368,418	-	368,418	-
Unrestricted	2,460,298	3,500,856	5,961,154	1,140,249
Total net assets	<u>\$ 41,220,558</u>	<u>\$ 27,923,814</u>	<u>\$ 69,144,372</u>	<u>\$ 1,312,319</u>

City of Lincoln Park, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 4,757,818	\$ 803,905	\$ 93,009	\$ 40
Public safety	13,891,624	1,778,604	97,407	-
Public works	8,122,325	714,675	2,351,090	33,745
Community and economic development	1,179,420	68,155	1,182,919	-
Recreation and culture	1,371,689	199,705	-	-
Interest on long-term debt	1,977	-	-	-
Total governmental activities	29,324,853	3,565,044	3,724,425	33,785
Business-type activities - Water and sewer	7,934,391	7,355,587	-	-
Total primary government	<u>\$ 37,259,244</u>	<u>\$ 10,920,631</u>	<u>\$ 3,724,425</u>	<u>\$ 33,785</u>
Component units:				
Downtown Development Authority	\$ 121,709	\$ -	\$ 8,915	\$ -
Economic Development Corporation	49,699	37,552	500	-
Total component units	<u>\$ 171,408</u>	<u>\$ 37,552</u>	<u>\$ 9,415</u>	<u>\$ -</u>
General revenues:				
Property taxes:				
City operating and rubbish				
Retention basin and Downriver sewer system				
Downtown Development Authority				
Total property taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Transfers				
Gain on sale of assets				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,860,864)	\$ -	\$ (3,860,864)	\$ -
(12,015,613)	-	(12,015,613)	-
(5,022,815)	-	(5,022,815)	-
71,654	-	71,654	-
(1,171,984)	-	(1,171,984)	-
(1,977)	-	(1,977)	-
(22,001,599)	-	(22,001,599)	-
-	(578,804)	(578,804)	-
(22,001,599)	(578,804)	(22,580,403)	-
-	-	-	(112,794)
-	-	-	(11,647)
-	-	-	(124,441)
14,167,513	-	14,167,513	-
-	1,532,113	1,532,113	-
-	-	-	412,667
14,167,513	1,532,113	15,699,626	412,667
5,157,493	-	5,157,493	-
598,998	198,842	797,840	41,696
521,511	-	521,511	-
33,203	(33,203)	-	-
39,848	-	39,848	-
20,518,566	1,697,752	22,216,318	454,363
(1,483,033)	1,118,948	(364,085)	329,922
42,703,591	26,804,866	69,508,457	982,397
\$ 41,220,558	\$ 27,923,814	\$ 69,144,372	\$ 1,312,319

City of Lincoln Park, Michigan

Governmental Funds Balance Sheet June 30, 2008

	Major Funds				Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Sanitation Fund	Nonmajor Funds	
Assets					
Cash and investments (Note 3)	\$ 1,230,085	\$ 92,728	\$ 991,880	\$ 3,597,230	\$ 5,911,923
Receivables:					
Taxes	42,376	-	62,884	-	105,260
Special assessments	-	-	-	14,082	14,082
Loans receivable	-	2,366,986	-	-	2,366,986
Other	174,969	34,608	-	2,267	211,844
Due from other governmental units	1,293,551	238,810	-	379,150	1,911,511
Due from other funds (Note 6)	1,662,957	-	81,295	45,263	1,789,515
Due from component units	30,670	-	-	-	30,670
Prepaid expenses	544,222	-	-	-	544,222
Inventories	84,877	-	-	-	84,877
Total assets	\$ 5,063,707	\$ 2,733,132	\$ 1,136,059	\$ 4,037,992	\$ 12,970,890
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 737,224	\$ 144,676	\$ 196,768	\$ 137,124	\$ 1,215,792
Accrued and other liabilities	736,690	538	-	28,528	765,756
Due to other funds (Note 6)	295,477	220,402	973,490	567,597	2,056,966
Deferred revenue (Note 4)	75,100	2,367,516	62,884	14,083	2,519,583
Total liabilities	1,844,491	2,733,132	1,233,142	747,332	6,558,097
Fund Balances (Deficit)					
Reserved for inventories	84,877	-	-	-	84,877
Reserved for prepaid expenses	544,222	-	-	-	544,222
Unreserved - Reported in:					
General Fund	2,590,117	-	-	-	2,590,117
Special Revenue Funds	-	-	(97,083)	3,213,268	3,116,185
Debt Service Funds	-	-	-	2,267	2,267
Capital Projects Fund	-	-	-	75,125	75,125
Total fund balances (deficit)	3,219,216	-	(97,083)	3,290,660	6,412,793
Total liabilities and fund balances (deficit)	\$ 5,063,707	\$ 2,733,132	\$ 1,136,059	\$ 4,037,992	\$ 12,970,890

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets June 30, 2008

Fund Balance - Total Governmental Funds \$ 6,412,793

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	37,338,737
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	87,171
Grant revenue is recognized in the statement of activities when earned, it is not reported in the funds until collected or collectible within 60 days of year end	
Personal property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	93,009
	51,270
Accrued interest payable is recorded as a liability in governmental activities	(41,044)
Compensated absences are included as a liability in governmental activities	(1,894,121)
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds	(3,356,397)
Internal Service Funds are included as a part of governmental activities	2,529,140

Net Assets - Governmental Activities \$ 41,220,558

City of Lincoln Park, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) Year Ended June 30, 2008

	Major Funds				Total Governmental Funds
	General Fund	Community Development Block Grant Fund	Sanitation Fund	Nonmajor Funds	
Revenue					
Property taxes	\$ 12,522,497	\$ -	\$ 1,879,779	\$ 5,818	\$ 14,408,094
Federal sources	-	1,255,314	-	-	1,255,314
State sources	5,390,964	-	-	2,495,154	7,886,118
Licenses and permits	1,448,267	-	-	86,975	1,535,242
Fines and forfeitures	1,268,188	-	-	-	1,268,188
Interest and rentals	531,405	-	-	68,313	599,718
Other	991,699	-	-	44,228	1,035,927
Total revenue	22,153,020	1,255,314	1,879,779	2,700,488	27,988,601
Expenditures - Current					
General government	7,659,735	-	-	-	7,659,735
Public safety	11,292,444	-	-	12,720	11,305,164
Public works	676,056	-	1,976,862	2,622,074	5,274,992
Community development	19,670	1,255,314	-	-	1,274,984
Recreation and culture	1,576,619	-	-	-	1,576,619
Total expenditures	21,224,524	1,255,314	1,976,862	2,634,794	27,091,494
Excess of Revenues Over (Under) Expenditures	928,496	-	(97,083)	65,694	897,107
Other Financing Sources (Uses)					
Transfers in	-	-	-	859,225	859,225
Transfers out	(414,533)	-	-	(474,820)	(889,353)
Total other financing (uses) sources	(414,533)	-	-	384,405	(30,128)
Net Change in Fund Balances	513,963	-	(97,083)	450,099	866,979
Fund Balances - Beginning of year	2,705,253	-	-	2,840,561	5,545,814
Fund Balances (Deficit) - End of year	<u>\$ 3,219,216</u>	<u>\$ -</u>	<u>\$ (97,083)</u>	<u>\$ 3,290,660</u>	<u>\$ 6,412,793</u>

City of Lincoln Park, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2008

Net Change in Fund Balances - Total Governmental Funds \$ 866,979

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	400,235
Capital assets used in governmental activities are not considered financial resources; as such, depreciation recorded on those assets is not considered an activity of the funds	(3,694,040)
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	143,661
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)	219,768
Interest expense is recorded in the funds when due; it is recorded in the statement of activities when incurred	6,573
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(30,277)
Internal Service Funds are also included as governmental activities on the statement of activities	<u>604,068</u>

Change in Net Assets of Governmental Activities **\$ (1,483,033)**

City of Lincoln Park, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Major Fund	Nonmajor Fund	Enterprise	Governmental Activities
	Water and Sewer Fund	Development Fund	Total	Internal Service Funds
Assets				
Current assets:				
Cash and cash equivalents (Note 3)	\$ 732,948	\$ 87,978	\$ 820,926	\$ 115,571
Receivables:				
Customers	2,824,904	-	2,824,904	-
Other	1,450	-	1,450	-
Due from other funds	9,402	-	9,402	643,678
Inventories	47,792	-	47,792	-
Restricted assets - Current portion (Note 9)	<u>1,380,025</u>	<u>-</u>	<u>1,380,025</u>	<u>-</u>
Total current assets	4,996,521	87,978	5,084,499	759,249
Long-term assets:				
Restricted assets - Long-term portion (Note 9)	6,078,084	-	6,078,084	-
Capital assets (Note 5)	<u>30,924,036</u>	<u>-</u>	<u>30,924,036</u>	<u>2,022,784</u>
Total assets	41,998,641	87,978	42,086,619	2,782,033
Liabilities				
Current liabilities:				
Accounts payable	891,722	-	891,722	95,616
Accrued and other liabilities	36,780	-	36,780	8,506
Due to other funds (Note 6)	385,413	-	385,413	216
Current portion of long-term debt (Note 8)	28,123	-	28,123	148,555
Current liabilities payable from restricted assets (Note 8)	<u>1,380,025</u>	<u>-</u>	<u>1,380,025</u>	<u>-</u>
Total current liabilities	2,722,063	-	2,722,063	252,893
Long-term debt - Net of current portion (Note 8)	<u>11,440,742</u>	<u>-</u>	<u>11,440,742</u>	<u>-</u>
Total liabilities	<u>14,162,805</u>	<u>-</u>	<u>14,162,805</u>	<u>252,893</u>
Net Assets				
Invested in capital assets - Net of related debt	18,344,874	-	18,344,874	1,874,229
Restricted (Note 9)	6,078,084	-	6,078,084	-
Unrestricted and undesignated	<u>3,412,878</u>	<u>87,978</u>	<u>3,500,856</u>	<u>654,911</u>
Total net assets	<u>\$ 27,835,836</u>	<u>\$ 87,978</u>	<u>\$ 27,923,814</u>	<u>\$ 2,529,140</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Fund Net Assets Year Ended June 30, 2008

	Major Fund	Nonmajor Fund	Enterprise	Governmental Activities
	Water and Sewer Fund	Development Fund	Total	Internal Service Funds
Operating Revenue				
Sale of water	\$ 2,480,516	\$ -	\$ 2,480,516	\$ -
Sewage disposal charges	3,928,675	-	3,928,675	-
Charges for services	-	-	-	1,793,624
System maintenance charge	580,782	-	-	-
Other	365,614	-	365,614	11,883
Total operating revenue	7,355,587	-	7,355,587	1,805,507
Operating Expenses				
Cost of water	1,677,077	-	1,677,077	-
Cost of sewage disposal	1,980,613	-	1,980,613	-
Operation and maintenance	572,236	-	572,236	517,692
General and administrative	1,411,276	-	1,411,276	315,220
Depreciation	1,045,556	-	1,045,556	359,977
Other	775,016	-	775,016	-
Total operating expenses	7,461,774	-	7,461,774	1,192,889
Operating (Loss) Income	(106,187)	-	(106,187)	612,618
Nonoperating Revenue (Expense)				
Property taxes	1,532,113	-	1,532,113	-
Investment income	196,588	2,254	198,842	-
Interest expense	(472,617)	-	(472,617)	(8,550)
Total nonoperating revenue (expense)	1,256,084	2,254	1,258,338	(8,550)
Income Before Operating Transfers Out	1,149,897	2,254	1,152,151	604,068
Operating Transfers Out	(33,203)	-	(33,203)	-
Change in Net Assets	1,116,694	2,254	1,118,948	604,068
Net Assets - Beginning of year	26,719,142	85,724	26,804,866	1,925,072
Net Assets - End of year	<u>\$ 27,835,836</u>	<u>\$ 87,978</u>	<u>\$ 27,923,814</u>	<u>\$ 2,529,140</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Major Fund	Nonmajor Fund	Enterprise	Governmental Activities
	Water and Sewer Fund	Development Fund	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 7,334,375	\$ -	\$ 7,334,375	\$ 1,805,507
Payment to suppliers	(5,005,413)	-	(5,005,413)	(642,268)
Payments to employees for wages and benefits	(1,399,952)	-	(1,399,952)	(311,637)
Other payments	96,333	-	96,333	(327)
Net cash provided by operating activities	1,025,343	-	1,025,343	851,275
Cash Flows from Capital and Related Financing Activities				
Collection of property taxes	1,532,113	-	1,532,113	-
Payment to County Debt Service Fund	(764,346)	-	(764,346)	-
Payments to other funds	-	-	-	(464)
Purchase of capital assets	(361,416)	-	(361,416)	(518,317)
Principal paid on debt	(505,000)	-	(505,000)	(165,614)
Interest paid on debt	(262,238)	-	(262,238)	(8,550)
Transfers to/from other funds	(33,203)	-	(33,203)	-
Net cash used in capital and related financing activities	(394,090)	-	(394,090)	(692,945)
Cash Flows from Noncapital Financing Activities - Payments to other funds				
	-	-	-	(107,426)
Cash Flows from Investing Activities - Interest received on investments				
	136,696	2,254	138,950	-
Net Increase in Cash and Cash Equivalents				
	767,949	2,254	770,203	50,904
Cash and Cash Equivalents - July 1, 2007				
	4,631,966	85,724	4,717,690	64,667
Cash and Cash Equivalents - June 30, 2008				
	<u>\$ 5,399,915</u>	<u>\$ 87,978</u>	<u>\$ 5,487,893</u>	<u>\$ 115,571</u>
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and cash equivalents	\$ 732,948	\$ 87,978	\$ 820,926	\$ 115,571
Restricted assets (Note 9)	4,666,967	-	4,666,967	-
Total	<u>\$ 5,399,915</u>	<u>\$ 87,978</u>	<u>\$ 5,487,893</u>	<u>\$ 115,571</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (106,187)	\$ -	\$ (106,187)	\$ 612,618
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	1,045,556	-	1,045,556	359,977
Changes in assets and liabilities:				
Accounts receivable	(21,212)	-	(21,212)	-
Due from (to) other funds	96,333	-	96,333	(327)
Accounts payable	(470)	-	(470)	(124,575)
Compensated absences	5,087	-	5,087	-
Accrued and other liabilities	6,236	-	6,236	3,582
Net cash provided by operating activities	<u>\$ 1,025,343</u>	<u>\$ -</u>	<u>\$ 1,025,343</u>	<u>\$ 851,275</u>

City of Lincoln Park, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2008

Noncash Investing, Capital, and Financing Activities - During the year ended June 30, 2008, the following activities occurred with the assets held at Wayne County on behalf of the City that were not reflected in the statement of cash flows:

Assets on Hand - July 1, 2007	\$ 2,571,646
Interest earned on investment	59,892
Judgment levy	764,346
Increase in working capital as a result of billings to the City	192,798
Issuance of long-term debt	1,491,257
Purchase of capital assets	(1,491,257)
Principal paid	(587,161)
Interest paid	<u>(210,379)</u>
Assets on Hand - June 30, 2008	<u><u>\$ 2,791,142</u></u>

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension and Other Employee Benefits Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 5,986,453	\$ 181,018
Investments at fair value:		
Common stock	20,797,780	-
U.S. government securities	823,722	-
U.S. government agencies	4,907,683	-
Corporate bonds	4,252,441	-
Mutual funds	4,228,483	-
Accrued interest and other	106,063	28,933
Total assets	41,102,625	\$ 209,951
Liabilities		
Accounts payable	25,312	\$ 46,150
Accrued and other liabilities	18,000	163,801
Total liabilities	43,312	\$ 209,951
Net Assets - Held in trust for pension and other employee benefits	\$ 41,059,313	

City of Lincoln Park, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2008

	Pension and Other Employee Benefits Trust Funds
Additions	
Contributions:	
Employer	\$ 3,804,906
Plan members	750,589
Total contributions	4,555,495
Investment activity:	
Net decrease in fair value of investments	(3,494,264)
Interest and dividends	1,111,319
Less investment expenses	(212,033)
Net investment activity	(2,594,978)
Total additions	1,960,517
Deductions	
Benefit payments	9,926,814
Administrative expenses	90,198
Total deductions	10,017,012
Decrease in Plan Net Assets	(8,056,495)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	49,115,808
End of year	\$ 41,059,313

City of Lincoln Park, Michigan

Component Units Statement of Net Assets June 30, 2008

	Downtown Development Authority	Economic Development Corporation	Total
Assets			
Cash and cash equivalents	\$ 981,216	\$ 194,727	\$ 1,175,943
Loans receivable	-	74,934	74,934
Due from component unit	500	-	500
Land (Note 5)	172,070	-	172,070
Total assets	1,153,786	269,661	1,423,447
Liabilities			
Accounts payable	3,661	1,363	5,024
Deferred revenue	-	74,934	74,934
Due to primary government	16,095	14,575	30,670
Due to component unit	-	500	500
Total liabilities	19,756	91,372	111,128
Net Assets			
Invested in capital assets	172,070	-	172,070
Unrestricted	961,960	178,289	1,140,249
Total net assets	<u>\$ 1,134,030</u>	<u>\$ 178,289</u>	<u>\$ 1,312,319</u>

City of Lincoln Park, Michigan

	<u>Program Revenues</u>		
		Charges for	Operating
	<u>Expenses</u>	<u>Services</u>	<u>Grants/ Contributions</u>
Governmental activities:			
Downtown Development Authority	\$ 121,709	\$ -	\$ 8,915
Economic Development Corporation	<u>49,699</u>	<u>37,552</u>	<u>500</u>
Total governmental activities	<u>\$ 171,408</u>	<u>\$ 37,552</u>	<u>\$ 9,415</u>

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, 2008**

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Economic Development Corporation	Total
\$ (112,794)	\$ -	\$ (112,794)
-	(11,647)	(11,647)
(112,794)	(11,647)	(124,441)
412,667	-	412,667
32,342	9,354	41,696
445,009	9,354	454,363
332,215	(2,293)	329,922
801,815	180,582	982,397
<u>\$ 1,134,030</u>	<u>\$ 178,289</u>	<u>\$ 1,312,319</u>

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

Blended Component Units

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

Discretely Presented Component Units

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

Note I - Summary of Significant Accounting Policies (Continued)

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

The component units above do not issue separate financial statements.

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

The City created a Brownfield Development Area that will begin activity with the December 2008 tax levy. However, the Brownfield Development Area has not engaged in activity thus far and as such no activity has been recorded in these financial statements.

Government-wide and Fund Financial Statements

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following three major governmental funds:

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Sanitation Fund - The Sanitation Fund accounts for the activities associated with refuse collection.

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

The City reports the following major Enterprise Fund:

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

Additionally, the City reports the following fund types:

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

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

The 2007 taxable valuation of the City totaled \$779 million, on which ad valorem taxes levied consisted of 15.5209 mills for the City's operating purposes, 2.3278 mills for refuse, .9856 mills for Ecorse Creek debt, and .9795 mills for Downriver Sewage Disposal System debt. This resulted in \$11 million for operating, \$1.6 million for rubbish, \$707,000 for Ecorse Creek, and \$764,000 for Downriver Sewage Disposal System. The ad valorem taxes levied are recognized in the respective General, Special Revenue, and Water and Sewer Funds financial statements as tax revenue.

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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. A liability for these amounts is reported in the governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

Note 2 - Stewardship, Compliance, and Accountability

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

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

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

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

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

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

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

Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2008 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.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

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

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

	Budget	Actual	Unfavorable Variance
General Fund expenditures:			
City attorney	\$ 148,700	\$ 261,107	\$ (112,407)
Social services	157,500	221,675	(64,175)
Community center	433,100	466,709	(33,609)
Parks	362,985	383,660	(20,675)

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.

Note 3 - Deposits and Investments (Continued)

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 \$11,762,434 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 \$87,527, 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.

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

Investment	Fair Value	Weighted Average Maturity
U.S. Treasury securities	\$ 823,722	3.66 years
U.S. agency securities	4,907,683	2.98 years
Corporate bonds	4,252,441	4.30 years

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

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

Rating	Fair Value	Rating Organization
AAA	\$ 1,321,495	S&P
AA+	14,586	S&P
AA	177,630	S&P
AA-	556,358	S&P
A+	292,551	S&P
A	494,502	S&P
A-	459,089	S&P
BBB+	322,178	S&P
BBB	371,001	S&P
BBB-	166,759	S&P
BB	25,838	S&P
Not rated	8,662,240	N/A

Declines in Investment Values - Subsequent to year end, the fair value of the Company's investment portfolio declined by approximately \$16 million, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

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

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 76,967	\$ -
Grant and program income payments received prior to meeting all eligibility requirements	-	75,100
Rehabilitation liens and loans	-	<u>2,367,516</u>
Total	<u>\$ 76,967</u>	<u>\$ 2,442,616</u>

Note 5 - Capital Assets

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

Governmental Activities	Balance July 1, 2007	Additions	Disposals	Balance June 30, 2008
Capital assets being depreciated:				
Roads and sidewalks	\$ 96,107,261	\$ 273,777	\$ -	\$ 96,381,038
Buildings and improvements	6,080,293	-	-	6,080,293
Equipment	<u>8,746,512</u>	<u>126,458</u>	-	<u>8,872,970</u>
Subtotal	110,934,066	400,235	-	111,334,301
Accumulated depreciation:				
Roads and sidewalks	61,301,500	3,162,056	-	64,463,556
Buildings and improvements	4,875,280	116,877	-	4,992,157
Equipment	<u>4,124,744</u>	<u>415,107</u>	-	<u>4,539,851</u>
Subtotal	<u>70,301,524</u>	<u>3,694,040</u>	-	<u>73,995,564</u>
Net other governmental capital assets	<u>\$ 40,632,542</u>	<u>\$ (3,293,805)</u>	\$ -	<u>\$ 37,338,737</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

Internal Service Funds Assets	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets being depreciated:				
Vehicles	\$ 2,348,690	\$ 518,317	\$ 354,359	\$ 2,512,648
Machinery and equipment	158,109	-	-	158,109
Subtotal	2,506,799	518,317	354,359	2,670,757
Accumulated depreciation:				
Vehicles	613,659	344,224	354,359	603,524
Machinery and equipment	28,696	15,753	-	44,449
Subtotal	642,355	359,977	354,359	647,973
Net Internal Service Funds capital assets	<u>\$ 1,864,444</u>	<u>\$ 158,340</u>	<u>\$ -</u>	<u>\$ 2,022,784</u>
Net governmental activity capital assets	<u>\$ 42,496,986</u>	<u>\$ (3,135,465)</u>	<u>\$ -</u>	<u>\$ 39,361,521</u>
Business-type Activities	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Capital assets not being depreciated - Land	\$ 16,540	\$ -	\$ -	\$ 16,540
Capital assets being depreciated:				
Water and sewer distribution systems	43,017,501	1,852,673	-	44,870,174
Buildings and building improvements	1,683,467	-	-	1,683,467
Machinery and equipment	2,542,950	-	-	2,542,950
Subtotal	47,243,918	1,852,673	-	49,096,591
Accumulated depreciation:				
Water and sewer distribution systems	14,648,410	968,681	-	15,617,091
Buildings and building improvements	1,392,953	15,148	-	1,408,101
Machinery and equipment	1,102,176	61,727	-	1,163,903
Subtotal	17,143,539	1,045,556	-	18,189,095
Net capital assets being depreciated	<u>30,100,379</u>	<u>807,117</u>	<u>-</u>	<u>30,907,496</u>
Net capital assets	<u>\$ 30,116,919</u>	<u>\$ 807,117</u>	<u>\$ -</u>	<u>\$ 30,924,036</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 285,474
Public safety	61,955
Public works	3,190,548
Recreation and culture	156,063
Internal Service Funds	<u>359,977</u>
Total governmental activities	<u>\$ 4,054,017</u>
Business-type activities - Water and sewer	<u>\$ 1,045,556</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:

Due to/from Other Funds	Payable Fund	Amount
General Fund	Community Development Block Grant Fund	\$ 208,150
	Sanitation Fund	973,490
	Water and Sewer Fund	113,122
	Nonmajor governmental funds	367,979
	Internal Service Funds	<u>216</u>
	Total General Fund	1,662,957
Sanitation Fund	Water and Sewer Fund	81,295
Nonmajor governmental funds	General Fund	42,413
	Community Development Block Grant Fund	<u>2,850</u>
	Total nonmajor governmental funds	45,263
Water and Sewer Fund	Community Development Block Grant Fund	9,402
Internal Service Funds	General Fund	253,064
	Nonmajor governmental funds	199,618
	Water and Sewer Fund	<u>190,996</u>
	Total Internal Service Funds	<u>643,678</u>
	Total	<u>\$ 2,433,193</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

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

Interfund transfers include the transfer of \$444,692 of Act 51 funding from the Major Streets Fund to the Local Streets Fund. Additionally, the General Fund transferred \$414,533 in accumulated forfeiture revenues to the newly created Drug Forfeiture Fund. Interfund transfers also include the transfer of \$30,128 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 totaled \$3,580,000. Accumulated depreciation as of June 30, 2008 on the leased assets is \$477,333. The future minimum lease obligations for the years ending June 30, 2009 through June 30, 2032 and the net present value are as follows:

Years Ending June 30	Amount
2009	\$ 329,053
2010	329,053
2011	329,053
2012	329,053
2013	329,053
2014-2022	<u>2,879,217</u>
Total minimum payments	4,524,482
Less amount representing interest	<u>(1,168,087)</u>
Present value at June 30, 2008	<u>\$ 3,356,397</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, 2008

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Other governmental obligations:							
Capital lease - Honeywell agreement:							
Amount of issue - \$3,580,000							
Maturing though 2022	4.00%	\$187,067	\$ 3,536,165	\$ -	\$ (179,768)	\$ 3,356,397	\$ 187,067
Employee compensated absences		\$301,595	1,863,844	30,277	-	1,894,121	414,468
Lawsuit settlement			40,000	-	(40,000)	-	-
Total other governmental obligations			5,440,009	30,277	(219,768)	5,250,518	601,535
Internal Service Fund - Installment purchase obligations:							
Amount of issue - \$1,889,373	4.00%-	\$1,687-					
Maturing through various dates	7.58%	\$148,555	314,169	-	(165,614)	148,555	148,555
Total governmental activities			\$ 5,754,178	\$ 30,277	\$ (385,382)	\$ 5,399,073	\$ 750,090
Business-type Activities							
General obligation bonds:							
Ecorse Creek Pollution Bond - Phase III:							
Amount of issue - \$10,250,000							
Maturing through 2012	5.00%	\$750,000	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000	\$ -
Ecorse Creek #1 Phase III:							
Amount of issue - \$8,295,000	5.30%-	\$505,000-					
Maturing through 2010	6.0%	\$750,000	2,720,000	-	(505,000)	2,215,000	750,000
Downriver Sewage Disposal Bonds:							
Amount of issue - \$12,344,844	2.00%-	\$65-					
Maturing through various dates	2.50%	\$515,000	7,960,065	1,491,258	(587,161)	8,864,162	630,025
Total general obligation bonds			12,180,065	1,491,258	(1,092,161)	12,579,162	1,380,025
Other long-term obligations:							
Basement flooding lawsuit settlement			150,000	-	-	150,000	-
Employee compensated absences			114,641	5,087	-	119,728	28,123
Total other long-term obligations			264,641	5,087	-	269,728	28,123
Total business-type activities			\$ 12,444,706	\$ 1,496,345	\$ (1,092,161)	\$ 12,848,890	\$ 1,408,148
Component Units - Other long-term obligations -							
Lawsuit settlement			\$ 60,000	\$ -	\$ (60,000)	\$ -	\$ -

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 335,622	\$ 148,254	\$ 483,876	\$ 1,380,025	\$ 443,459	\$ 1,823,484
2010	194,663	134,390	329,053	1,402,890	380,863	1,783,753
2011	202,567	126,486	329,053	1,407,718	318,319	1,726,037
2012	210,792	118,261	329,053	1,451,313	258,505	1,709,818
2013	219,351	109,702	329,053	1,471,427	200,954	1,672,381
2014-2018	1,237,811	407,456	1,645,267	3,538,435	598,341	4,136,776
2019-2023	1,104,146	129,805	1,233,951	1,283,027	212,330	1,495,357
2024-2028	-	-	-	608,724	71,933	680,657
2029-2033	-	-	-	35,603	-	35,603
Total	<u>\$ 3,504,952</u>	<u>\$ 1,174,354</u>	<u>\$ 4,679,306</u>	<u>\$ 12,579,162</u>	<u>\$ 2,484,704</u>	<u>\$ 15,063,866</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, 2008 consist of the following:

Cash and cash equivalents:

Ecorse Creek replacement reserve	\$ 1,000,000
Enterprise Fund debt service	536,221
Water and sewer capital improvement	1,902,533
Engineering and sewer improvement reserve	<u>1,228,213</u>
Total cash and cash equivalents	4,666,967

Wayne County sewage disposal system:

Assets held at Wayne County for future debt payments	1,701,674
Assets held at Wayne County for sewer operations	<u>1,089,468</u>
Total restricted assets	<u>\$ 7,458,109</u>

Note 9 - Restricted Assets (Continued)

Current liabilities to be paid from restricted assets of \$1,380,025 at June 30, 2008 consist of the current portion of the Ecorse Creek pollution bonds and the Downriver Sewage Disposal System (Series A and B and State Revolving Fund) bonds, which are to be paid from debt levy revenue. Total tax collections received in the current year were \$764,346 compared to principal and interest payments of \$797,540 on related debt.

Note 10 - Risk Management

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

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

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

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, 2007, 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	147	154
Current employees:		
Fully vested	38	40
Nonvested	37	25
Total current employees	<u>75</u>	<u>65</u>

The plans do not issue a separate financial report.

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

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

Valuation as of June 30, 2007:	Municipal	Police/Fire
Actuarial value of assets	\$ 15,553,000	\$ 31,170,000
Actuarial accrued liability	37,010,000	57,948,000
Unfunded AAL	21,457,000	26,778,000
Funded ratio	42.02%	53.79%
Annual covered payroll	3,187,000	4,455,000
Ratio of UAAL to covered payroll	673.27%	601.08%

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

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

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

Annual Pension Costs - For the year ended June 30, 2008, the City's annual pension cost was as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Annual pension cost	\$ 2,131,438	\$ 1,622,253
Actual and required contribution	2,131,438	1,622,253

The annual required contributions were determined as part of an experience study conducted during the year ended June 30, 2007, 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. The remaining amortization period is 17 years.

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

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

Reserves - As of June 30, 2008, the plans' legally required reserves have been fully funded as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System
Reserve for employees' contribution	\$ 5,234,400	\$ 5,566,798
Reserve for retired benefit payments	20,927,749	9,256,814

Financial Statement Information - As of June 30, 2008, 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
Assets				
Cash and cash equivalents	\$ 3,727,253	\$ 2,167,648	\$ 91,552	\$ 5,986,453
Investments	22,397,010	12,613,099	-	35,010,109
Accrued interest	63,198	42,865	-	106,063
Total assets	26,187,461	14,823,612	91,552	41,102,625
Liabilities				
Accounts payable	25,312	-	-	25,312
Accrued and other liabilities	-	-	18,000	18,000
Total liabilities	25,312	-	18,000	43,312
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 26,162,149</u>	<u>\$ 14,823,612</u>	<u>\$ 73,552</u>	<u>\$ 41,059,313</u>

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

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

For the year ended June 30, 2008, the statement of changes in net assets for the pension plans is as follows:

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
Additions				
Contributions:				
Employer	\$ 2,172,141	\$ 1,632,765	\$ -	\$ 3,804,906
Plan members	448,633	301,956	-	750,589
Total contributions	2,620,774	1,934,721	-	4,555,495
Investment activity:				
Net (decrease) increase in fair value of investments	(2,389,686)	(1,113,361)	8,783	(3,494,264)
Interest and dividends	698,143	353,783	59,393	1,111,319
Investment expenses	(131,861)	(76,184)	(3,988)	(212,033)
Net investment activity	(1,823,404)	(835,762)	64,188	(2,594,978)
Total additions	797,370	1,098,959	64,188	1,960,517
Deductions				
Benefit payments	5,265,554	3,261,692	1,399,568	9,926,814
Administrative expenses	29,475	60,723	-	90,198
Total deductions	5,295,029	3,322,415	1,399,568	10,017,012
Decrease in Plan Net Assets	(4,497,659)	(2,223,456)	(1,335,380)	(8,056,495)
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	30,659,808	17,047,068	1,408,932	49,115,808
End of year	\$ 26,162,149	\$ 14,823,612	\$ 73,552	\$ 41,059,313

City of Lincoln Park, Michigan

Notes to Financial Statements June 30, 2008

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

Three-year Trend Information

	Fiscal Year Ended June 30		
	2006	2007	2008
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 1,068,000	\$ 1,486,000	\$ 1,622,000
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 1,316,000	\$ 1,819,000	\$ 2,131,000
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 \$44,802 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, 2008, employee contributions were \$2,600.

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, each plan has approximately 150 retirees that are eligible. In addition, each plan has approximately 70 active employees that may be entitled to benefits upon retirement. The Municipal Employees' plan was closed at the conclusion of the early retirement window at December 31, 2004. The police and fire plan remains open.

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

Funding Policy - The labor contracts and City personnel policies as approved by City Council require no contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended June 30, 2008, the City made payments for postemployment health benefit premiums totaling approximately \$4,512,333, a portion of which was paid from the governmental funds (\$3,112,755) and a portion of which was paid from the Retiree Healthcare Trust Fund (\$1,399,568).

Actuarial valuations were performed for the plans as of June 30, 2003. Due to the passage of time and the healthcare cost increase trends, the actual liability amounts as of June 30, 2008 are most likely higher than those reported below.

Valuation as of June 30, 2003:	Municipal	Police/Fire
Actuarial value of assets *	\$ 33,749	\$ 39,661
Actuarial accrued liability	31,709,357	34,306,926
Unfunded AAL	31,675,608	34,267,265
Funded ratio	0.11%	0.12%
Annual covered payroll	5,148,082	5,839,384
Ratio of UAAL to covered payroll	615%	587%

* Asset values are as of June 30, 2008 as the asset balances decreased significantly from the balances at June 30, 2003.

Note 13 - Other Postemployment Benefits (Continued)

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

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

In the June 30, 2003, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 8 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 18 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll for public safety members on a closed basis. The remaining amortization period at June 30, 2003 was 30 years.

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

Note 13 - Other Postemployment Benefits (Continued)

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.

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, 2007	\$ (624,536)
Building permit revenue	352,611
Related direct expenditures	<u>(495,838)</u>
Cumulative shortfall - June 30, 2008	<u>\$ (767,763)</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 was previously 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 the terms of the consent decree, the County issued debt for construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The total cost of the project is approximately \$310,000,000, with the City's share estimated to be approximately \$15,000,000. The outstanding balance payable at June 30, 2008 was approximately \$9,000,000. The bonds will be paid through a court-ordered judgment levy.

In addition, the City will be responsible for periodic capital improvements related to the system. The City's share of County-issued debt for capital improvements was approximately \$500,000. In addition, the City's share of \$32,000,000 of capital improvement bonds which were issued in September 2008 is \$3,700,000. The capital improvement bonds will be paid for through the net revenues of the system.

Required Supplemental Information

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance - Beginning of year	\$ 1,660,546	\$ 2,475,918	\$ 2,705,253	\$ 229,335
Resources (Inflows)				
Property taxes:				
Real and personal property taxes	12,308,165	12,308,165	12,414,226	106,061
Payments in lieu of taxes	70,500	70,500	108,271	37,771
Total property taxes	12,378,665	12,378,665	12,522,497	143,832
State sources:				
Revenue-sharing	5,219,315	5,219,315	5,214,942	(4,373)
State grants	90,998	90,998	152,046	61,048
Liquor license fees	23,000	24,000	23,976	(24)
Total state sources	5,333,313	5,334,313	5,390,964	56,651
Licenses and permits:				
Building, electrical, heating, and plumbing permits	572,390	572,637	669,365	96,728
Recreation programs	187,200	187,200	192,351	5,151
Cable television franchise fee	350,000	350,000	435,724	85,724
Rental and inspection	170,000	170,000	150,827	(19,173)
Total licenses and permits	1,279,590	1,279,837	1,448,267	168,430
Fines and forfeitures	1,453,750	1,453,750	1,268,188	(185,562)
Interest and rentals	548,100	548,100	531,405	(16,695)
Other	664,470	664,470	991,699	327,229
Total resources (inflows)	23,318,434	24,135,053	24,858,273	723,220
Charges to Appropriations (Outflows)				
General government:				
General government	7,736,152	7,680,812	5,337,525	2,343,287
Mayor and City Council	80,568	80,568	77,399	3,169
City clerk	190,713	190,602	180,951	9,651
Election commission	63,517	74,570	59,421	15,149
City assessor	117,380	117,380	125,147	(7,767)
City attorney	127,700	148,700	261,107	(112,407)
City controller	265,770	265,770	257,267	8,503
Treasury department	210,805	210,805	203,169	7,636
Municipal building	1,172,919	1,175,019	1,157,749	17,270
Total general government	9,965,524	9,944,226	7,659,735	2,284,491

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Charges to Appropriations (Outflows) (Continued)				
Public safety:				
Police	\$ 5,899,291	\$ 6,079,488	\$ 5,833,174	\$ 246,314
Fire	3,339,188	3,526,866	3,489,534	37,332
Civil defense	31,350	31,350	31,349	1
Building department	531,142	527,834	526,457	1,377
District Court	1,411,786	1,411,786	1,411,930	(144)
Total public safety	11,212,757	11,577,324	11,292,444	284,880
Public works:				
Department of Public Works	143,799	193,799	201,600	(7,801)
Planning Commission	7,500	7,500	12,653	(5,153)
Street lighting	490,350	490,350	461,803	28,547
Total public works	641,649	691,649	676,056	15,593
Community and economic development	15,412	17,685	19,670	(1,985)
Recreation and culture:				
Historical museum	17,000	17,000	17,000	-
Parks	362,917	362,985	383,660	(20,675)
Recreation and culture	422,438	419,546	372,504	47,042
Library	228,750	228,955	115,071	113,884
Social services	157,500	157,500	221,675	(64,175)
Community center	433,100	433,100	466,709	(33,609)
Total recreation and culture	1,621,705	1,619,086	1,576,619	42,467
Transfer to other funds	-	-	414,533	(414,533)
Total charges to appropriations (outflows)	23,457,047	23,849,970	21,639,057	2,210,913
Fund Balance (Deficit) - End of year	\$ (138,613)	\$ 285,083	\$ 3,219,216	\$ 2,934,133

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Community Development Block Grant Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance (Deficit) - Beginning of year	\$ (838,058)	\$ (1,318,096)	\$ -	\$ 1,318,096
Resources (Inflows) - Federal sources	2,095,184	2,095,184	1,255,314	(839,870)
Charges to Appropriations (Outflows) - Health and welfare	<u>2,095,184</u>	<u>2,095,184</u>	<u>1,255,314</u>	<u>839,870</u>
Fund Balance (Deficit) - End of year	<u>\$ (838,058)</u>	<u>\$ (1,318,096)</u>	<u>\$ -</u>	<u>\$ 1,318,096</u>

City of Lincoln Park, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund Sanitation Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Favorable (Unfavorable) Variance with Amended Budget
Fund Balance - Beginning of year	\$ -	\$ -	\$ -	\$ -
Resources (Inflows) - Federal sources	1,980,071	1,980,071	1,879,779	(100,292)
Charges to Appropriations (Outflows) - Public works	<u>1,928,428</u>	<u>1,928,428</u>	<u>1,976,862</u>	<u>(48,434)</u>
Fund Balance (Deficit) - End of year	<u>\$ 51,643</u>	<u>\$ 51,643</u>	<u>\$ (97,083)</u>	<u>\$ (148,726)</u>

City of Lincoln Park, Michigan

Note to Required Supplemental Information June 30, 2008

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	\$ 22,153,020	\$ 21,224,524
Beginning fund balance	2,705,253	-
Transfers to/from other funds	-	414,533
Amounts per budget statement	<u>\$ 24,858,273</u>	<u>\$ 21,639,057</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
06/30/02	\$ 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
06/30/07	15,553,000	37,010,000	21,457,000	42	3,187,000	673

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

Retirement Systems Schedule of Employer Contributions Municipal Employees' Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution
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
2008	1,632,765	1,632,765

* 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, 2007 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, 2007. 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%

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
06/30/02	\$ 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
06/30/07	31,170,000	57,948,000	26,778,000	54	4,455,000	601

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

Retirement Systems Schedule of Employer Contributions Police and Fire Retirement System

Year Ended June 30	Annual Required Contribution	Actual Contribution
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
2008	2,172,141	2,172,141

* 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, 2007 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, 2007. 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%

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

Other Supplemental Information

City of Lincoln Park, Michigan

	Special Revenue Funds					
	Major	Local	Street	Compensated		Drug
	Streets Funds	Streets Funds	Improvement Funds	Absences Funds	Cable Fund	Forfeiture Fund
Assets						
Cash and cash equivalents	\$ 1,991,020	\$ 576,512	\$ 288,526	\$ 5,226	\$ 264,373	\$ 396,447
Receivables:						
Special assessments	-	-	-	-	-	-
Other	-	-	-	-	-	-
Due from other governmental units	283,966	95,184	-	-	-	-
Due from other funds	1,140	145,240	-	-	42,413	-
Total assets	\$ 2,276,126	\$ 816,936	\$ 288,526	\$ 5,226	\$ 306,786	\$ 396,447
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 8,371	\$ 56,487	\$ 45,210	\$ -	\$ 5	\$ 27,051
Accrued and other liabilities	22,957	5,408	-	-	163	-
Due to other funds	707,427		2,722	-	-	978
Deferred revenue	-	-	-	-	-	-
Total liabilities	738,755	61,895	47,932	-	168	28,029
Fund Balances						
Designated	-	-	-	-	-	368,418
Undesignated	1,537,371	755,041	240,594	5,226	306,618	-
Total fund balances	1,537,371	755,041	240,594	5,226	306,618	368,418
Total liabilities and fund balances	\$ 2,276,126	\$ 816,936	\$ 288,526	\$ 5,226	\$ 306,786	\$ 396,447

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

Water Bonds Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ 75,126	\$ 3,597,230
-	14,082	14,082
2,267	-	2,267
-	-	379,150
-	-	188,793
<u>\$ 2,267</u>	<u>\$ 89,208</u>	<u>\$ 4,181,522</u>
\$ -	\$ -	\$ 137,124
-	-	28,528
-	-	711,127
-	14,083	14,083
-	14,083	890,862
-	-	368,418
2,267	75,125	2,922,242
2,267	75,125	3,290,660
<u>\$ 2,267</u>	<u>\$ 89,208</u>	<u>\$ 4,181,522</u>

City of Lincoln Park, Michigan

	Special Revenue Funds					
	Major	Local	Street	Compensated		Drug
	Streets Fund	Streets Fund	Improvement Fund	Absences Fund	Cable Fund	Forfeiture Fund
Revenue						
Property taxes	\$ -	\$ -	\$ 5,818	\$ -	\$ -	\$ -
State sources	1,734,709	580,877	-	-	-	179,568
Cable franchise fees	-	-	-	-	86,975	-
Interest and rentals	38,675	18,360	6,888	134	-	2,410
Other	20,764	21,302	-	-	2,162	-
Total revenue	1,794,148	620,539	12,706	134	89,137	181,978
Expenditures - Current						
Public works	1,052,481	1,009,013	263,809	-	80,216	215,373
Public safety	-	-	-	-	-	12,720
Total expenditures	1,052,481	1,009,013	263,809	-	80,216	228,093
Excess of Revenue Over (Under)						
Expenditures	741,667	(388,474)	(251,103)	134	8,921	(46,115)
Other Financing Sources (Uses)						
Transfers in	-	444,692	-	-	-	414,533
Transfers out	(444,692)	-	-	-	-	-
Total other financing sources (uses)	(444,692)	444,692	-	-	-	414,533
Net Change in Fund Balances	296,975	56,218	(251,103)	134	8,921	368,418
Fund Balances - Beginning of year	1,240,396	698,823	491,697	5,092	297,697	-
Fund Balances - End of year	<u>\$ 1,537,371</u>	<u>\$ 755,041</u>	<u>\$ 240,594</u>	<u>\$ 5,226</u>	<u>\$ 306,618</u>	<u>\$ 368,418</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2008

Water Bonds Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 5,818
-	-	2,495,154
-	-	86,975
-	1,846	68,313
-	-	44,228
-	1,846	2,700,488
-	1,182	2,622,074
-	-	12,720
-	1,182	2,634,794
-	664	65,694
-	-	859,225
(30,128)	-	(474,820)
(30,128)	-	384,405
(30,128)	664	450,099
32,395	74,461	2,840,561
<u>\$ 2,267</u>	<u>\$ 75,125</u>	<u>\$ 3,290,660</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Nonmajor Proprietary Funds - Internal Service Funds June 30, 2008

	Motor Pool Fund	Information Technology Fund	Total
Assets			
Current assets:			
Cash and investments	\$ -	\$ 115,571	\$ 115,571
Due from other funds	637,914	5,764	643,678
Total current assets	637,914	121,335	759,249
Noncurrent assets - Capital assets	1,994,870	27,914	2,022,784
Total assets	2,632,784	149,249	2,782,033
Liabilities - Current			
Accounts payable	90,648	4,968	95,616
Accrued and other liabilities	7,696	810	8,506
Due to other funds	-	216	216
Current portion of long-term debt	148,555	-	148,555
Total liabilities	246,899	5,994	252,893
Net Assets			
Invested in capital assets - Net of related debt	1,846,315	27,914	1,874,229
Unrestricted	539,570	115,341	654,911
Total net assets	<u>\$ 2,385,885</u>	<u>\$ 143,255</u>	<u>\$ 2,529,140</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, 2008

	Motor Pool Fund	Information Technology Fund	Total
Operating Revenue			
Charges for services	\$ 1,580,925	\$ 212,699	\$ 1,793,624
Other	11,883	-	11,883
Total operating revenue	1,592,808	212,699	1,805,507
Operating Expenses			
Operation and maintenance	449,144	68,548	517,692
General and administrative	218,612	96,608	315,220
Depreciation	353,351	6,626	359,977
Total operating expenses	1,021,107	171,782	1,192,889
Operating Income	571,701	40,917	612,618
Nonoperating Expense - Interest expense	(8,550)	-	(8,550)
Change in Net Assets	563,151	40,917	604,068
Net Assets - Beginning of year	1,822,734	102,338	1,925,072
Net Assets - End of year	<u>\$ 2,385,885</u>	<u>\$ 143,255</u>	<u>\$ 2,529,140</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Proprietary Funds - Internal Service Funds Year Ended June 30, 2008

	Motor Pool Fund	Information Technology Fund	Total
Cash Flows from Operating Activities			
Receipts from other funds	\$ 1,592,808	\$ 212,699	\$ 1,805,507
Payments to suppliers	(577,947)	(64,321)	(642,268)
Payments to employees	(214,954)	(96,683)	(311,637)
Other payments	-	(327)	(327)
Net cash provided by operating activities	799,907	51,368	851,275
Cash Flows from Capital and Related Financing Activities			
Payments to other funds	-	(464)	(464)
Purchase of capital assets	(518,317)	-	(518,317)
Principal paid on debt	(165,614)	-	(165,614)
Interest paid on debt	(8,550)	-	(8,550)
Net cash used in capital and related financing activities	(692,481)	(464)	(692,945)
Cash Flows from Noncapital Financing Activities - Payments to other funds	(107,426)	-	(107,426)
Net Increase in Cash and Cash Equivalents	-	50,904	50,904
Cash and Cash Equivalents - July 1, 2007	-	64,667	64,667
Cash and Cash Equivalents - June 30, 2008	<u>\$ -</u>	<u>\$ 115,571</u>	<u>\$ 115,571</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 571,701	\$ 40,917	\$ 612,618
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation	353,351	6,626	359,977
Changes in assets and liabilities:			
Accounts payable	(128,802)	4,227	(124,575)
Accrued and other liabilities	3,657	(75)	3,582
Due to other funds	-	(327)	(327)
Net cash provided by operating activities	<u>\$ 799,907</u>	<u>\$ 51,368</u>	<u>\$ 851,275</u>

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Net Assets Fiduciary Funds June 30, 2008

	Pension and Other Employee Benefits Trust Funds				Agency Funds		
	Police and Fire Retirement	Municipal		Total	Current		Total
		Employees' Retirement	Retirees' Health Benefit		Tax Collection	Payroll	
Assets							
Cash and cash equivalents	\$ 3,727,253	\$ 2,167,648	\$ 91,552	\$ 5,986,453	\$ 23,618	\$ 157,400	\$ 181,018
Investments	22,397,010	12,613,099	-	35,010,109	-	-	-
Accrued interest and other	63,198	42,865	-	106,063	28,933	-	28,933
Total assets	<u>26,187,461</u>	<u>14,823,612</u>	<u>91,552</u>	<u>41,102,625</u>	<u>\$ 52,551</u>	<u>\$ 157,400</u>	<u>\$ 209,951</u>
Liabilities							
Accounts payable	25,312	-	-	25,312	\$ -	\$ 46,150	\$ 46,150
Accrued and other liabilities	-	-	18,000	18,000	52,551	111,250	163,801
Total liabilities	<u>25,312</u>	<u>-</u>	<u>18,000</u>	<u>43,312</u>	<u>\$ 52,551</u>	<u>\$ 157,400</u>	<u>\$ 209,951</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 26,162,149</u>	<u>\$ 14,823,612</u>	<u>\$ 73,552</u>	<u>\$ 41,059,313</u>			

City of Lincoln Park, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2008

	Police and Fire Retirement System	Municipal Employees' Retirement System	Retirees' Health Benefit	Total
Additions				
Contributions:				
Employer	\$ 2,172,141	\$ 1,632,765	\$ -	\$ 3,804,906
Plan members	448,633	301,956	-	750,589
Total contributions	2,620,774	1,934,721	-	4,555,495
Investment activity:				
Net (decrease) increase in fair value of investments	(2,389,686)	(1,113,361)	8,783	(3,494,264)
Interest and dividends	698,143	353,783	59,393	1,111,319
Investment expenses	(131,861)	(76,184)	(3,988)	(212,033)
Net investment activity	(1,823,404)	(835,762)	64,188	(2,594,978)
Total additions	797,370	1,098,959	64,188	1,960,517
Deductions				
Benefit payments	5,265,554	3,261,692	1,399,568	9,926,814
Administrative expenses	29,475	60,723	-	90,198
Total deductions	5,295,029	3,322,415	1,399,568	10,017,012
Decrease in Plan Net Assets	(4,497,659)	(2,223,456)	(1,335,380)	(8,056,495)
Net Assets Held in Trust for Pension and Other Employee Benefits				
Beginning of year	30,659,808	17,047,068	1,408,932	49,115,808
End of year	\$ 26,162,149	\$ 14,823,612	\$ 73,552	\$ 41,059,313