

# **City of Hamtramck, Michigan**

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

# City of Hamtramck, Michigan

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# City of Hamtramck, Michigan

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**INDEPENDENT AUDITOR'S REPORT**

To the Honorable Mayor and City Council  
City of Hamtramck, 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 Hamtramck, Michigan as of June 30, 2009 and for the year then ended, as listed in the table of contents. These financial statements are the responsibility of the City of Hamtramck, Michigan's management. Our responsibility is to express an opinion on these basic 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 the financial audits contained in the 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 opinion.

As discussed in Note 9, the City has a net pension obligation resulting from pension contributions in the 1980s and 1990s that were less than the actuarially required amounts. This liability has not been valued and recorded in the financial statements. The valuation for net pension obligation has not been determined.

In our opinion, the financial statements referred to above, except for the effects of adjustments, if any, that might have been determined had the City been able to determine the net pension obligation, present fairly in all 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 Hamtramck, Michigan as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in United States of America.

Independent Auditor's Report  
City of Hamtramck, Michigan

The management's discussion and analysis and the budgetary comparison schedule, as identified in the table of contents, are not a required part of the financial statements but are supplemental information required by the accounting principles generally accepted in the United States of America. 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.

In accordance with *Government Auditing Standards*, we will also be issuing a report 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 and grant agreements. 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hamtramck, Michigan'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 other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, except as described in paragraph 3 above, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 15, the City has implemented GASB 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*.

Alan C. Young, Assoc.

December 8, 2009

# City of Hamtramck, Michigan

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## Management's Discussion and Analysis

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

### **Overview of the Financial Statements**

The City of Hamtramck, Michigan's basic financial statements include two kinds of statements that present different views of the City. The first two statements are government-wide financial statements that provide both short-term and long-term information about the City's status. The remaining statements are fund financial statements that focus on individual parts of the City's operations.

### **Government-wide Statements**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net assets and how they have changed. Net assets, the difference between the City's assets and liabilities, are one way to measure the City's financial health.

The government-wide financial statements of the City are divided into three categories:

- Government activities - Most of the City's basic services are included here such as the police, fire, public works and parks departments, and general administration. Property taxes, state-shared revenue, charges for services, and grants provide most of the funding.
- Business-type activities - The City charges fees to customers to cover costs of providing water and sewer services.
- Component units - The City includes two other entities in its report, the Downtown Development Authority and the 31<sup>st</sup> District Court. Although legally separate, these "component units" are important because the City exercises control over them.

# City of Hamtramck, Michigan

## Management's Discussion and Analysis (Continued)

### Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds - not the City as a whole. Funds are accounting tools that the City uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by state law and bond covenants. The City Council establishes other funds to control and manage money for particular purposes.

The City has three kinds of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on how cash and other financial assets that can be converted to cash flow in and out, and the balance left at year end that is available for spending. The governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary fund reporting, like government-wide statements, provide both short- and long-term financial information.
- Fiduciary funds - The City is responsible for ensuring that the assets in these funds are used for their intended purposes. We exclude these activities from the government-wide financial statements because the City cannot use these assets to finance its operations.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2009:

- Total fiscal year 2008-2009 General Fund revenues were approximately \$2.46 million more than fiscal year 2007-2008 revenues. The increase was primarily due to a payment from the City of Detroit under the CIPP agreement that was deferred from fiscal year 2007/2008 totaling \$1 million and a payment from Wayne County related to the jail PILOT settlement totaling \$1 million. Property taxes, which include PILOTS and the GM CIPP agreement, continue to be our largest and most secure source of revenue.
- State-shared revenue, our second largest revenue source, has been on a downward slope since 2004. State-shared revenue is down by approximately \$496,000 since 2004. The City reacted by limiting discretionary spending amounts where possible and delaying the filling of open personnel positions. State-shared revenue accounts for approximately 18.9 percent of the City's total General Fund revenue.

# City of Hamtramck, Michigan

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## Management's Discussion and Analysis (Continued)

- Property taxes (which includes PILOTS and GM CIPP agreement revenue) are the City's single largest source of revenue, accounting for approximately 58 percent of the General Fund's revenue. The City's taxable value for 2008 was \$258,508,328, which represents an increase of approximately 4.5 percent from 2007. The City's operating 17.0403 millage rate was, however, rolled back as required by the Headlee Amendment and Proposal A. Through Proposal A, growth on existing taxable value is limited to the Consumer Price Index or 5 percent, whichever is less.

### Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view. They tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

# City of Hamtramck, Michigan

## Management's Discussion and Analysis (Continued)

### The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2009 and 2008 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Assets</b>						
Current assets	\$ 14,003	\$ 16,624	\$ 2,740	\$ 2,256	\$ 16,743	\$ 18,880
Noncurrent assets	<u>8,204</u>	<u>7,767</u>	<u>3,224</u>	<u>3,400</u>	<u>11,428</u>	<u>11,167</u>
Total assets	22,207	24,391	5,964	5,656	28,171	30,047
<b>Liabilities</b>						
Current liabilities	4,148	3,657	1,338	1,383	5,486	5,040
Long-term liabilities	<u>5,029</u>	<u>5,440</u>	<u>47</u>	<u>23</u>	<u>5,076</u>	<u>5,463</u>
Total liabilities	<u>9,177</u>	<u>9,097</u>	<u>1,385</u>	<u>1,406</u>	<u>10,562</u>	<u>10,503</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	6,784	5,988	3,225	3,176	10,009	9,164
Restricted	3,656	4,250	-	-	3,656	4,250
Unrestricted (deficit)	<u>2,590</u>	<u>5,056</u>	<u>1,354</u>	<u>1,074</u>	<u>3,944</u>	<u>6,130</u>
Total net assets	<u>\$ 13,030</u>	<u>\$ 15,294</u>	<u>\$ 4,579</u>	<u>\$ 4,250</u>	<u>\$ 17,609</u>	<u>\$ 19,544</u>

The City has combined net assets of approximately \$17.6 million at June 30, 2009. Governmental activities represent \$13 million of the total, which is approximately 74 percent of the total net assets. Business-type activities comprise approximately \$4.6 million of total net assets.

Of the total combined net assets, approximately \$10 million is invested in capital assets, net of related debt, while \$3.7 million is restricted for various purposes and cannot be used for general operations.

# City of Hamtramck, Michigan

## Management's Discussion and Analysis (Continued)

The following table shows the changes in the net assets for the years ended June 30, 2009 and 2008 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 2,144	\$ 2,130	\$ 4,733	\$ 4,833	\$ 6,877	\$ 6,963
Operating grants and contributions	3,213	2,553	-	-	3,213	2,553
Capital grants and contributions	-	310	-	-	-	310
General revenue:						
Property taxes	7,852	14,009	-	-	7,852	14,009
Income taxes	2,103	2,220	-	-	2,103	2,220
State-shared revenue	3,693	3,743	-	-	3,693	3,743
Unrestricted investment earnings	141	128	1	8	142	136
Franchise fees	75	65	-	-	75	65
Transfers	-	(509)	-	509	-	-
Total revenue	19,221	24,649	4,734	5,350	23,955	29,999
<b>Program Expenses</b>						
General government	3,924	3,122	-	-	3,924	3,122
Public safety	12,217	13,110	-	-	12,217	13,110
Public works	4,271	3,421	-	-	4,271	3,421
Community and economic development	426	265	-	-	426	265
Recreation and culture	471	429	-	-	471	429
Interest on long-term debt	176	198	-	-	176	198
Water and sewer	-	-	4,405	5,364	4,405	5,364
Total program expenses	21,485	20,545	4,405	5,364	25,890	25,909
<b>Change in Net Assets</b>	<b>\$ (2,264)</b>	<b>\$ 4,104</b>	<b>\$ 329</b>	<b>\$ (14)</b>	<b>\$ (1,935)</b>	<b>\$ 4,090</b>

Total net assets decreased approximately \$1.9 million. However, when looking at the activities separately, you can see that business-type net assets increased by approximately \$329,000, while governmental activities decreased \$2.3 million.

# **City of Hamtramck, Michigan**

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

### **Governmental Activities**

The City's total governmental revenue totaled approximately \$19 million, with the largest revenues provided by property taxes, which represents 41 percent of the total. From fiscal year 2008 to fiscal year 2009, property tax revenue decreased by 44 percent. The decrease was primarily due to the pension levy coming to an end on June 30, 2008. Public safety is the most significant expenditure program, making up approximately 57 percent of governmental activities. Public safety activities include not only police and fire services, but code enforcement as well. While public safety activities bring in revenue from charges from services and various grants, the function relied on general revenues of the City to support the majority of its operations.

### **Business-type Activities**

The City's business-type activities consist solely of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. In the current year, business-type activities experienced income from operations. The Water and Sewer Fund had operating income of approximately \$335,000 in 2009 as compared to operating losses of \$510,000 in 2008. At the end of fiscal year 2008, City Council, by ordinance, increased the water and sewer usage rates as follows: residential water usage was increased by 2.2 percent and residential sewer rate by 14.2 percent. These measures are helping to build fund balance reserve to finance future capital projects. Water and Sewer Fund revenues consist primarily of fees paid by customers based on usage. These user fees account for approximately 97 percent of all business-type revenues.

Business-type activities expenditures totaled approximately \$4.4 million for fiscal year 2008-2009. The cost paid to the City of Detroit to purchase water and sewer treatment was approximately \$3.1 million.

### **The City's Funds**

Our analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's major funds for 2009 include the General Fund, the Budget Stabilization Fund (a Special Revenue Fund), the Drug Law Enforcement Fund (a Special Revenue Fund), and the Water and Sewer Fund (a proprietary fund).

# City of Hamtramck, Michigan

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

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$10.4 million in 2009, compared to \$10.3 million in 2008, and represents approximately 58 percent of the total General Fund expenditures.

The General Fund also contributed approximately \$2.5 million toward health care for active employees and retirees. Health care represents approximately 14 percent of the General Fund expenditures. Another significant expense of the General Fund is contributions toward employee pensions. Total pension expense was approximately \$3.1 million, an increase of approximately \$125,000, or 4 percent, from the prior year.

### **Capital Assets and Debt Administration**

The City's investment in capital assets continued to be conservative in response to the reduction in revenue and increased expenditures, making purchases only when necessary. The City was able to complete reconstruction of Danforth Street and the Dequindre and Nagel intersection. Total costs were approximately \$608,000. In addition, the Water and Sewer Fund performed reconstruction of water mains at Danforth Street and Dequindre and Nagel. Total capital projects for the Water and Sewer Fund were approximately \$453,000. The City did not issue any new debt in the current year.

### **Economic Factors and Next Year's Budgets and Rates**

The future remains challenging for the City of Hamtramck, Michigan. The City's budget for next year will show the effects of cost cutting needed to maintain a positive fund balance in the General Fund. Looking ahead, the increased cost of the MERS contribution to fund our pension obligation is going to be a major challenge. Our overall funding in 2008 decreased to 65 percent, down 3 percent from the previous year. Major upcoming realignments in the auto industry coupled with a recessionary period of economic activity could pose a serious threat to the financial well-being of the City of Hamtramck, Michigan.

The City, in the current year, recognize the cost of retiree health care and other nonpension postretirement benefits over the working life of the employee, rather than at the time the healthcare premiums are paid. A new Governmental Accounting Standards Board requirement (GASB No. 45) required the City to calculate and report an actuarial determined annual liability for providing postretirement benefits other than pension in the future. A strategy will need to be developed to properly recognize and fund the financial burden of commitments made to current and future retirees. The net other postemployment benefit obligation for the City is \$315,305. Total unfunded actuarial accrued liability is approximately \$30.7 million.

# **City of Hamtramck, Michigan**

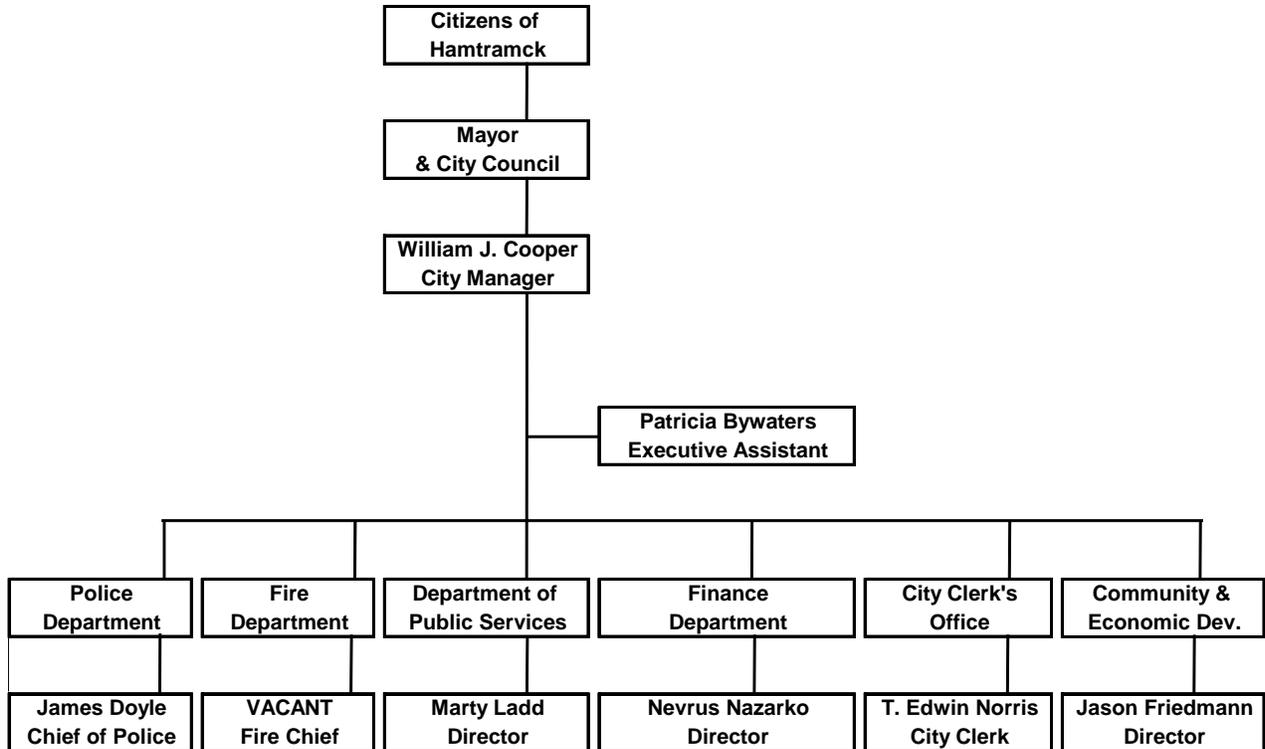
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## **Management's Discussion and Analysis (Continued)**

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the city manager's office at (313) 876-7700 ext. 349, at 3401 Evaline, Hamtramck, MI 48212.

# City of Hamtramck Organization Chart



# City of Hamtramck, Michigan

## Statement of Net Assets June 30, 2009

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 7,578,471	\$ 193,108	\$ 7,771,579	\$ 244,065
Receivables - Net (Note 4)	929,849	2,546,469	3,476,318	6,814
Internal balances	256,404	(256,404)	-	-
Due from component units (Note 6)	102,178	-	102,178	-
Due from other governmental units	5,045,091	-	5,045,091	-
Prepaid costs and other assets	90,973	45	91,018	8
Nondepreciable capital assets - Net (Note 5)	808,656	96,790	905,446	-
Depreciable capital assets - Net (Note 5)	<u>7,395,397</u>	<u>3,127,828</u>	<u>10,523,225</u>	<u>-</u>
Total assets	22,207,019	5,707,836	27,914,855	250,887
<b>Liabilities</b>				
Accounts payable	807,888	1,071,927	1,879,815	14,813
Accrued and other liabilities	1,257,538	10,332	1,267,870	31,825
Due to primary government	-	-	-	102,178
Due to other governmental units	-	-	-	63,214
Deferred revenue (Note 4)	146,376	-	146,376	-
Noncurrent liabilities:				
Debt obligations due within one year (Note 7)	1,935,400	-	1,935,400	-
Debt obligations due in more than one year (Note 7)	<u>5,029,464</u>	<u>46,769</u>	<u>5,076,233</u>	<u>1,542</u>
Total liabilities	<u>9,176,666</u>	<u>1,129,028</u>	<u>10,305,694</u>	<u>213,572</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	6,784,053	3,224,618	10,008,671	-
Restricted:				
Streets and highways	1,218,877	-	1,218,877	-
Drug law enforcement	1,394,244	-	1,394,244	-
Grants	13,889	-	13,889	-
Library	488,650	-	488,650	-
911 emergency	126,492	-	126,492	-
Property revitalization	414,034	-	414,034	-
Unrestricted	<u>2,590,114</u>	<u>1,354,190</u>	<u>3,944,304</u>	<u>37,315</u>
Total net assets	<u>\$ 13,030,353</u>	<u>\$ 4,578,808</u>	<u>\$ 17,609,161</u>	<u>\$ 37,315</u>

# City of Hamtramck, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 3,924,036	\$ 376,924	\$ 253,221	\$ -
Public safety	12,217,585	1,594,244	1,130,567	-
Public works	4,270,979	172,864	1,141,324	-
Community and economic development	426,315	-	646,638	-
Recreation and culture	470,974	-	41,209	-
Interest on long-term debt	176,056	-	-	-
Total governmental activities	21,485,945	2,144,032	3,212,959	-
Business-type activities - Water and sewer	4,404,859	4,733,048	-	-
Total primary government	<u>\$ 25,890,804</u>	<u>\$ 6,877,080</u>	<u>\$ 3,212,959</u>	<u>\$ -</u>
Component units:				
Downtown Development Authority	\$ 80,588	\$ -	\$ -	\$ 4,700
31st District Court	14,238	6,560	-	-
Total component units	<u>\$ 94,826</u>	<u>\$ 6,560</u>	<u>\$ -</u>	<u>\$ 4,700</u>
General revenues:				
Property taxes				
Income taxes				
State-shared revenues				
Unrestricted investment earnings				
Franchise fees				
Total general revenues				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

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

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (3,293,891)	\$ -	\$ (3,293,891)	\$ -
(9,492,774)	-	(9,492,774)	-
(2,956,791)	-	(2,956,791)	-
220,323	-	220,323	-
(429,765)	-	(429,765)	-
(176,056)	-	(176,056)	-
(16,128,954)	-	(16,128,954)	-
-	328,189	328,189	-
(16,128,954)	328,189	(15,800,765)	-
-	-	-	(75,888)
-	-	-	(7,678)
-	-	-	(83,566)
7,851,643	-	7,851,643	103,062
2,103,450	-	2,103,450	-
3,693,250	-	3,693,250	-
140,930	1,111	142,041	129
75,202	-	75,202	-
13,864,475	1,111	13,865,586	103,191
(2,264,479)	329,300	(1,935,179)	19,625
15,294,832	4,249,508	19,544,340	17,690
<b>\$ 13,030,353</b>	<b>\$ 4,578,808</b>	<b>\$ 17,609,161</b>	<b>\$ 37,315</b>

# City of Hamtramck, Michigan

## Governmental Funds Balance Sheet June 30, 2009

	Major Special Revenue Fund				
	General Fund	Drug Law Enforcement Fund	Budget Stabilization Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments	\$ 1,797,748	\$ 1,404,651	\$ 2,000,000	\$ 2,376,072	\$ 7,578,471
Receivables - Net (Note 4):					
Taxes	697,782	-	-	-	697,782
Other	176,379	-	-	55,688	232,067
Due from other funds (Note 6)	264,650	-	-	-	264,650
Due from component units	97,135	-	-	5,043	102,178
Due from other governmental units	4,869,472	-	-	175,619	5,045,091
Prepaid costs and other assets	90,941	-	-	32	90,973
<b>Total assets</b>	<b>\$ 7,994,107</b>	<b>\$ 1,404,651</b>	<b>\$ 2,000,000</b>	<b>\$ 2,612,454</b>	<b>\$ 14,011,212</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 673,392	\$ 7,991	\$ -	\$ 126,505	\$ 807,888
Accrued and other liabilities	1,203,998	2,416	-	14,510	1,220,924
Due to other funds (Note 6)	-	-	-	8,246	8,246
Deferred revenue (Note 4)	3,863,561	-	-	146,376	4,009,937
<b>Total liabilities</b>	<b>5,740,951</b>	<b>10,407</b>	<b>-</b>	<b>295,637</b>	<b>6,046,995</b>
<b>Fund Balances</b>					
Reserved for prepaid costs and other assets	90,941	-	-	32	90,973
Unreserved, reported in:					
General Fund	2,162,215	-	-	-	2,162,215
Special Revenue Funds	-	1,394,244	2,000,000	2,316,785	5,711,029
<b>Total fund balances</b>	<b>2,253,156</b>	<b>1,394,244</b>	<b>2,000,000</b>	<b>2,316,817</b>	<b>7,964,217</b>
<b>Total liabilities and fund balances</b>	<b>\$ 7,994,107</b>	<b>\$ 1,404,651</b>	<b>\$ 2,000,000</b>	<b>\$ 2,612,454</b>	

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 funds	8,204,053
Other receivables are expected to be collected over several years and are not available to pay for current year expenditures (net of allowances)	3,863,561
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Compensated absences	(1,747,894)
Other postemployment benefit obligation is not reported in the governmental funds	(301,878)
Long-term debt and accrued interest	(4,951,706)
<b>Net assets of governmental activities</b>	<b>\$ 13,030,353</b>

# City of Hamtramck, Michigan

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

	General Fund	Major Special Revenue Fund		Nonmajor Governmental Funds	Total Governmental Funds
		Drug Law Enforcement Fund	Budget Stabilization Fund		
<b>Revenue</b>					
Property taxes	\$ 11,379,287	\$ -	\$ -	\$ 451,642	\$ 11,830,929
Income taxes	2,103,450	-	-	-	2,103,450
Licenses and permits	320,841	-	-	-	320,841
Federal sources	-	229,710	-	1,165,929	1,395,639
State sources	3,858,293	258,723	-	1,165,182	5,282,198
Charges for services	248,416	-	-	5,500	253,916
Parking meters and permits	105,929	-	-	-	105,929
Fines and forfeitures	974,662	-	-	132,803	1,107,465
Interest	78,457	26,339	-	36,134	140,930
Other	372,740	-	-	19,577	392,317
<b>Total revenue</b>	<b>19,442,075</b>	<b>514,772</b>	<b>-</b>	<b>2,976,767</b>	<b>22,933,614</b>
<b>Expenditures</b>					
General government	4,562,496	-	-	-	4,562,496
Public safety	10,426,758	335,841	-	851,359	11,613,958
Public works	1,945,898	-	-	2,122,331	4,068,229
Code enforcement	380,768	-	-	26,106	406,874
Recreation and culture	-	-	-	489,448	489,448
Community and economic development	131,104	-	-	35,217	166,321
Debt service	609,288	-	-	262,221	871,509
<b>Total expenditures</b>	<b>18,056,312</b>	<b>335,841</b>	<b>-</b>	<b>3,786,682</b>	<b>22,178,835</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>1,385,763</b>	<b>178,931</b>	<b>-</b>	<b>(809,915)</b>	<b>754,779</b>
<b>Other Financing Sources (Uses)</b>					
Transfers in (Note 6)	-	-	-	200,000	200,000
Transfers out (Note 6)	-	-	-	(200,000)	(200,000)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>1,385,763</b>	<b>178,931</b>	<b>-</b>	<b>(809,915)</b>	<b>754,779</b>
<b>Fund Balances - Beginning of year</b>	<b>867,393</b>	<b>1,215,313</b>	<b>2,000,000</b>	<b>3,126,732</b>	<b>7,209,438</b>
<b>Fund Balances - End of year</b>	<b>\$ 2,253,156</b>	<b>\$ 1,394,244</b>	<b>\$ 2,000,000</b>	<b>\$ 2,316,817</b>	<b>\$ 7,964,217</b>

# City of Hamtramck, Michigan

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

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ 754,779
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	868,043
Depreciation expense is not reported in the governmental funds	(431,893)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds (GASB No. 33)	(3,850,848)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	690,400
Compensated absences are included as a liability in governmental activities	(123,488)
Other postemployment benefit obligation expense is recognized in the statement of activities, but not the governmental funds	(301,878)
Long-term liabilities and accrued interest are not due and payable in the current period and are not reported in the funds	125,353
Accrued interest is not reported in the funds	<u>5,053</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (2,264,479)</u></b>

# City of Hamtramck, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2009

	Enterprise - Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and investments	\$ 193,108
Receivables:	
Taxes	665,107
Customer	1,881,362
Prepaid expenses and other assets	45
Total current assets	2,739,622
Noncurrent assets - Capital assets (Note 5)	3,224,618
Total assets	5,964,240
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	1,071,927
Due to other funds	256,404
Accrued and other liabilities	10,332
Total current liabilities	1,338,663
Noncurrent liabilities:	
Compensated absences (Note 7)	34,883
Other postemployment benefit obligation (Note 7)	11,886
Total noncurrent liabilities	46,769
Total liabilities	1,385,432
<b>Net Assets</b>	
Investment in capital assets - Net of related debt	3,224,618
Unrestricted	1,354,190
Total net assets	<u>\$ 4,578,808</u>

# City of Hamtramck, Michigan

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

	Enterprise - Water and Sewer Fund
<b>Operating Revenue</b>	
Charges for services	\$ 4,580,479
Interest and penalty charges	152,569
Total operating revenue	4,733,048
<b>Operating Expenses</b>	
Cost of water	537,944
Cost of sewage disposal	2,592,146
Operation and maintenance	988,021
Billing and administrative costs	104,867
Depreciation	175,426
Total operating expenses	4,398,404
<b>Operating Income</b>	334,644
<b>Nonoperating Revenue (Expense)</b>	
Interest income	1,111
Interest expense	(6,455)
Total nonoperating expense	(5,344)
<b>Change in Net Assets</b>	329,300
<b>Net Assets - Beginning of year</b>	4,249,508
<b>Net Assets - End of year</b>	<b>\$ 4,578,808</b>

# City of Hamtramck, Michigan

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

	Enterprise - Water and Sewer Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 4,255,220
Payments to suppliers	(3,970,082)
Payments to employees	(304,871)
	(19,733)
<b>Cash Flows from Capital and Related Financing Activities -</b>	
Principal and interest paid on capital debt	(231,004)
<b>Cash Flows from Noncapital Financing Activities -</b>	
Change in interfund payables	256,404
<b>Cash Flows from Investing Activities -</b> Interest received on investments	1,111
	6,778
<b>Net Increase in Cash and Cash Equivalents</b>	6,778
<b>Cash and Cash Equivalents -</b> Beginning of year	186,330
<b>Cash and Cash Equivalents -</b> End of year	\$ 193,108
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 334,644
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	175,426
Changes in assets and liabilities:	
Receivables	(477,828)
Prepaid expenses and other assets	(45)
Accounts payable	(75,751)
Accrued and other liabilities	23,821
	(19,733)
Net cash used in operating activities	\$ (19,733)

# City of Hamtramck, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2009

	Private Purpose		Total Fiduciary Funds
	Trust	Agency Funds	
	Development Agreement Escrow	Tax Collection General	
<b>Assets - Cash and cash equivalents</b>	\$ 2,433,469	\$ 110,080	\$ 2,661,405
<b>Liabilities</b>			
Accounts payable	67,441	-	72,441
Other accrued liabilities	-	-	112,856
Due to other governmental units	-	110,080	110,080
Total liabilities	67,441	110,080	295,377
<b>Net Assets - Reserved for development agreement escrow</b>	<b>\$ 2,366,028</b>	<b>\$ -</b>	<b>\$ 2,366,028</b>

# City of Hamtramck, Michigan

## Fiduciary Funds Statement of Revenues, Expenses, and Changes in Net Assets June 30, 2009

	Private Purpose Trust Development Agreement Escrow Fund
<b>Revenue</b>	
Property taxes	\$ 325,713
Income taxes	1,975
Federal revenue	24,000
Interest	61,810
Total revenue	413,498
<b>Expenses - Community and economic development</b>	1,085,693
<b>Net Change in Net Assets</b>	(672,195)
<b>Net Assets - Beginning of year</b>	3,038,223
<b>Net Assets - End of year</b>	<u><u>\$ 2,366,028</u></u>

# City of Hamtramck, Michigan

## Component Units Combining Statement of Net Assets June 30, 2009

	Downtown Development Authority	31st District Court	Total
<b>Assets</b>			
Cash and investments	\$ 42,052	\$ 202,013	\$ 244,065
Taxes receivable	6,814	-	6,814
Prepaid expenses and other assets	8	-	8
Total assets	48,874	202,013	250,887
<b>Liabilities</b>			
Accounts payable	14,813	-	14,813
Accrued and other liabilities	1,770	30,055	31,825
Due to primary government	-	102,178	102,178
Due to other governmental units	-	63,214	63,214
Other postemployment benefit obligation	1,542	-	1,542
Total liabilities	18,125	195,447	213,572
<b>Net Assets - Unrestricted</b>	<b><u>\$ 30,749</u></b>	<b><u>\$ 6,566</u></b>	<b><u>\$ 37,315</u></b>

# City of Hamtramck, Michigan

## Component Units Combining Statement of Activities Year Ended June 30, 2009

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Downtown	31st	Total
				Development Authority	District Court	
Downtown Development Authority - Community and economic development	\$ 80,588	\$ -	\$ 4,700	\$ (75,888)	\$ -	\$ (75,888)
31st District Court	14,238	6,560	-	-	(7,678)	(7,678)
Total component units	<b><u>\$ 94,826</u></b>	<b><u>\$ 6,560</u></b>	<b><u>\$ 4,700</u></b>	(75,888)	(7,678)	(83,566)
<b>General Revenues</b>						
Interest				129	-	129
Property taxes				<u>103,062</u>	-	<u>103,062</u>
<b>Change in Net Assets</b>				27,303	(7,678)	19,625
<b>Net Assets - Beginning of year</b>				<u>3,446</u>	<u>14,244</u>	<u>17,690</u>
<b>Net Assets - End of year</b>				<b><u>\$ 30,749</u></b>	<b><u>\$ 6,566</u></b>	<b><u>\$ 37,315</u></b>

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

The accounting policies of the City of Hamtramck, 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 Hamtramck, Michigan:

### **Reporting Entity**

The City is governed by an elected six-member council and an elected 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 separate legal entities, in substance, they are part of the City’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City (see discussion below for description).

### **Discretely Presented Component Units**

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA’s governing body, which consists of nine individuals, is appointed by the mayor, subject to approval of the City Council. In addition, the DDA’s budget is subject to approval by the City Council. The DDA does not issue a separate financial report. The DDA’s administrative offices are located at 3401 Evaline, Hamtramck, Michigan 48212.

The 31<sup>st</sup> District Court (the “District Court”) records the collection of amounts that are subsequently returned to or paid to third parties. The fund also maintains certain fees collected on behalf of the City’s General Fund to pay jury fees and certain operating expenses. The District Court is also collecting a fee to provide funds for the renovation and/or construction of a new court building. The District Court is governed by separately elected judges. However, it is included here because it is fiscally dependent on the City. Complete financial reports of the District Court can be obtained at its administrative offices at 3401 Evaline, Hamtramck, Michigan 48212.

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

### **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. For the most part, 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 fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

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

### **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 fund, fiduciary fund, 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.

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

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. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a “deferred revenue” liability.

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.

The City reports the following 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. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

**Budget Stabilization Fund** - The Budget Stabilization Fund accounts for funds set aside for future budget needs of the City.

**Drug Law Enforcement Fund** - The Drug Law Enforcement Fund accounts for funds used to enforce drug laws to prevent and reduce the harmful effects of illegal drug use.

The City reports the following major proprietary fund:

**Water and Sewer Fund** - The Water and Sewer Fund is used to account for the activities of the water distribution and sewage collection systems.

Additionally, the City reports the following fiduciary activities:

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

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

**Development Agreement Escrow Fund** - The Development Agreement Escrow Fund records money held in trust resulting from a 1981 court judgment. The judgment required the City to create a Tax Increment Finance Authority (TIFA) District (R-31). All revenues, including property taxes, income taxes, and sale and building permit proceeds, must be held in this fund and used for the replacement and rehabilitation of homes in this district. The judgment called for the creation of two corporations to supervise the development in this district.

### **Other Policies**

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 elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

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 our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) and the cost of infrastructure as operating revenue. 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.

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

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

#### Property Taxes

Property taxes are levied on each July 1 and December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2008 tax is levied and collectible on July 1 and December 1, 2008, and is recognized as revenue in the year ended June 30, 2009, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2008 taxable valuation of the City totaled \$258.5 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA). Taxes were levied as follows:

Purpose	Date Levied	Millage Rate	Revenue (Net of TIFA/DDA Captures)
General operating	July 1	17.0403	\$ 4,139,459
Rubbish	July 1	2.5558	620,830
Police and fire pension	July 1	0.5000	121,439
Library	July 1	1.8171	461,289
DDA District	December 1	1.8251	32,040

#### 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, based on quoted market prices.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances 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 and property tax receivables are shown as net of allowance for uncollectible amounts.

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

**Prepaid Items** - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**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 as assets with an initial individual cost of more than \$5,000 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.

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Roads, sidewalks, and alleys	30 years
Streetlights	20 years
Water and sewer facilities	50 years
Buildings and improvements	15 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	5 to 12 years
Library collection	10 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. All sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

**Other Postemployment Benefit Costs** - The City offers retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

## **Note I - 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 statement of net assets. 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.

**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 period. Actual results could differ from those estimates.

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 2 - Stewardship, Compliance, and Accountability

**State Construction Code Act** - 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. 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:

Shortfall at June 30, 2008	\$ (794,874)
Current year building permit revenue	146,332
Related expenses:	
Direct costs	380,768
Estimated indirect costs	<u>152,308</u>
Current year shortfall	<u>(386,744)</u>
Cumulative shortfall at June 30, 2009	<u>\$ (1,181,618)</u>

### Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit 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 City has designated two banks for the deposit of its funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 follows the state statutory authority as listed above.

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

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

**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. The GASB has established risk categories for deposits as follows:

- Category 1 - Insured or collateralized with securities held by the City or by its agent in the City's name
- Category 2 - Collateralized with securities held by the pledging financial institution's trust department or agent in the City's name
- Category 3 - Uncollateralized with securities held by the pledging financial institution's trust department or agent, but not in the City's name

At year end, the City had \$10,158,189 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$500,000 was FDIC insured (Category 1), \$9,658,189 was collateralized (Category 2), and there were no deposits that were uninsured or 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.

**Credit Risk** - State law limits investments in commercial paper to the top two ratings issued by nationally recognized statistical rating organizations. The City's investment policy does not further limit its investment choices. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Allegiant Government Money Market Fund	\$ 422,261	AAAm	Standard and Poor's (S&P)

**Component Unit - District Court** - The cash of the District Court consists only of bank deposits. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had \$207,245 of bank deposits (certificates of deposit, checking, and savings accounts) all of which was insured and collateralized.

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 4 - Receivables

Receivables as of year end for the City's individual major funds and the nonmajor and fiduciary funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Water and Sewer Fund	Nonmajor and Other Funds	Total	Component Unit
Receivables:					
Taxes	\$ 697,782	\$ 665,107	\$ 43,169	\$ 1,406,058	\$ 6,814
Accounts	-	1,881,362	-	1,881,362	-
Intergovernmental	4,869,472	-	175,619	5,045,091	-
Interest and other	176,379	-	12,519	188,898	-
Net receivables	<u>\$ 5,743,633</u>	<u>\$ 2,546,469</u>	<u>\$ 231,307</u>	<u>\$ 8,521,409</u>	<u>\$ 6,814</u>

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. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
CIPP interlocal agreement (Note 12)	\$ 2,692,923	\$ -	\$ 2,692,923
Wayne County payment in lieu of taxes	1,000,000	-	1,000,000
Special assessments	170,638	-	170,638
Unspent grant proceeds	-	146,376	146,376
Total	<u>\$ 3,863,561</u>	<u>\$ 146,376</u>	<u>\$ 4,009,937</u>

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 808,656	\$ -	\$ -	\$ 808,656
Construction in progress	307,839	-	(307,839)	-
Total capital assets not being depreciated	1,116,495	-	(307,839)	808,656
Capital assets being depreciated:				
Roads, sidewalks, and alleys	5,631,602	608,083	-	6,239,685
Street lights	208,400	14,848	-	223,248
Buildings and improvements	4,291,235	55,764	-	4,346,999
Vehicles	2,967,875	439,410	-	3,407,285
Machinery and equipment	201,052	-	-	201,052
Library collection	1,050,000	57,777	(15,000)	1,092,777
Subtotal	14,350,164	1,175,882	(15,000)	15,511,046
Accumulated depreciation:				
Roads, sidewalks, and alleys	3,534,471	92,647	-	3,627,118
Street lights	36,470	10,791	-	47,261
Buildings and improvements	953,569	86,974	-	1,040,543
Vehicles	2,175,762	178,454	-	2,354,216
Machinery and equipment	132,622	28,199	-	160,821
Library collection	865,862	34,828	(15,000)	885,690
Subtotal	7,698,756	431,893	(15,000)	8,115,649
Net capital assets being depreciated	6,651,408	743,989	-	7,395,397
Net capital assets	\$ 7,767,903	\$ 743,989	\$ (307,839)	\$ 8,204,053

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 5 - Capital Assets (Continued)

	Balance July 1, 2008	Additions	Disposals	Balance June 30, 2009
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 96,790	\$ -	\$ -	\$ 96,790
Construction in progress	<u>452,912</u>	<u>-</u>	<u>(452,912)</u>	<u>-</u>
Total capital assets not being depreciated	549,702	-	(452,912)	96,790
Capital assets being depreciated:				
Water and sewer mains	3,319,004	452,912	-	3,771,916
Machinery and equipment	<u>1,415,290</u>	<u>-</u>	<u>-</u>	<u>1,415,290</u>
Subtotal	4,734,294	452,912	-	5,187,206
Accumulated depreciation:				
Water and sewer mains	1,180,364	54,693	-	1,235,057
Machinery and equipment	<u>703,588</u>	<u>120,733</u>	<u>-</u>	<u>824,321</u>
Subtotal	<u>1,883,952</u>	<u>175,426</u>	<u>-</u>	<u>2,059,378</u>
Net capital assets being depreciated	<u>2,850,342</u>	<u>277,486</u>	<u>-</u>	<u>3,127,828</u>
Net capital assets	<u>\$ 3,400,044</u>	<u>\$ 277,486</u>	<u>\$ (452,912)</u>	<u>\$ 3,224,618</u>

Depreciation expense was charged to programs of the primary government as follows:

<b>Governmental activities:</b>	
General government	\$ 68,042
Public safety	197,184
Public works	112,390
Recreation and culture	<u>54,277</u>
Total governmental activities	<u>\$ 431,893</u>
Business-type activities - Water and sewer	<u>\$ 175,426</u>

**Construction Commitments** - The City had no active construction projects at year end.

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

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

The composition of interfund balances is as follows:

#### Due to/from Other Funds

Fund Due To	Fund Due From	Amount
Major fund - General Fund	Nonmajor governmental fund	\$ 8,246
Major fund - General Fund	Major proprietary fund - Water and Sewer Fund	<u>256,404</u>
	Total primary government	<u>\$ 264,650</u>

#### Due to/from Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
Major fund - General Fund	31st District Court	\$ 97,135
Nonmajor governmental fund	31st District Court	<u>5,043</u>
	Total component units	<u>\$ 102,178</u>

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

Interfund transfers reported in the fund financial statements are comprised of the following:

#### Interfund Transfers

Fund Transferred From	Fund Transferred To	Amount
Nonmajor Gov. Fund - Major Streets	Nonmajor Gov. Fund - Local Streets	\$ 200,000 [1]

[1] - Transfer made under State of Michigan Public Act 51 for local street projects

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 7 - 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.

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
<b>Governmental Activities</b>					
<u>General Obligation Bonds</u>					
2004 Series A refunding bonds, issued in the amount of \$2,865,000. Principal payments are due annually on May 1, with interest ranging from 2.75 percent to 3.75 percent, maturing in 2013	\$ 1,780,000	\$ -	\$ (360,000)	\$ 1,420,000	\$ 375,000
2002 Fiscal Stabilization Bonds, issued in the amount of \$2,500,000. Principal payments are due annually on November 1, with interest ranging from 4.30 percent to 5.15 percent, maturing in 2021	1,885,000	-	(105,000)	1,780,000	110,000
Brownfield Cleanup Revolving Loan, issued in the amount of \$326,715. Principal payments are due annually on March 1 beginning in 2006, with 0 percent interest, maturing in 2011	193,915	-	(66,400)	127,515	66,400
Grand Haven/Dyar Section 108 loan, at the authorized amount of \$750,000. Principal payments are due annually August 1, with interest ranging from 3.8 percent to 5.0 percent, maturing in 2013	501,000	-	(83,000)	418,000	83,000
Joseph Campau Streetscape Project Section 108 loan, at an authorized amount of \$758,000. Principal payments are due annually August 1, with interest ranging from 3.9 percent to 5.1 percent, maturing in 2014	530,000	-	(76,000)	454,000	76,000
<u>Accumulated Benefits, Insurance, and Other</u>					
Employee compensated absences	1,624,406	986,740	(863,252)	1,747,894	950,000
Other postemployment benefit obligation (Note 10)	-	301,878	-	301,878	-
Estimated insurance claims:					
Workers' compensation (Note 8)	715,930	-	(125,353)	590,577	150,000
General liability (Note 8)	125,000	-	-	125,000	125,000
Total governmental activities	<u>\$ 7,355,251</u>	<u>\$ 1,288,618</u>	<u>\$ (1,679,005)</u>	<u>\$ 6,964,864</u>	<u>\$ 1,935,400</u>

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 7 - Long-term Debt (Continued)

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
<b>Business-type Activities</b>					
Water meter equipment and software purchased in February 2002 in the amount of \$1,348,290. Principal payments are due monthly beginning in July 2002, with interest at 5.24 percent	\$ 224,549	\$ -	\$ (224,549)	\$ -	\$ -
Employee compensated absences	22,609	12,274	-	34,883	-
Other postemployment benefit obligation (Note 10)	-	11,886	-	11,886	-
Total business-type activities	<u>\$ 247,158</u>	<u>\$ 24,160</u>	<u>\$ (224,549)</u>	<u>\$ 46,769</u>	<u>\$ -</u>
<b>Component Unit Activities</b>					
Other postemployment benefit obligation (Note 10)	\$ -	\$ 1,542	\$ -	\$ 1,542	\$ -

Annual debt service requirements to maturity for the above bonds and note obligations (excluding amortization of bond issuance costs and discounts) are as follows:

	Governmental Activities		
	Principal	Interest	Total
2010	\$ 710,400	\$ 157,742	\$ 868,142
2011	696,115	134,169	830,284
2012	625,000	109,446	734,446
2013	713,000	83,418	796,418
2014	285,000	64,850	349,850
2015-2019	790,000	203,428	993,428
2020-2023	380,000	19,828	399,828
Total	<u>\$ 4,199,515</u>	<u>\$ 772,881</u>	<u>\$ 4,972,396</u>

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 8 - 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 fleet, dishonesty, boiler, and medical benefits. The City is partially self-insured for general liability claims and uninsured for workers' compensation claims. Beginning July 1, 2009, the City will be partially insured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. In addition, the City estimates the general liability claims that are in excess of its aggregate limits. Changes in the estimated liability for the past two fiscal years were as follows:

	<u>Workers'</u> <u>Compensation</u>	<u>General</u> <u>Liability</u>
Estimated liability - June 30, 2007	\$ 862,992	\$ 125,000
Estimated claims incurred, including changes in estimates	38,111	257,989
Claim payments	<u>(185,173)</u>	<u>(257,989)</u>
Estimated liability - June 30, 2008	715,930	125,000
Estimated claims incurred, including changes in estimates	5,368	285,345
Claim payments	<u>(130,721)</u>	<u>(285,345)</u>
Estimated liability - June 30, 2009	<u>\$ 590,577</u>	<u>\$ 125,000</u>

### Note 9 - Defined Benefit Pension Plan

**Plan Description** - The City participates in the Michigan Municipal Employees' Retirement System (MERS), an agent multiple-employer defined benefit pension plan that covers substantially all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The Michigan Municipal Employees' Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for MERS. That report may be obtained by writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

# City of Hamtramck, Michigan

## Notes to Financial Statements June 30, 2009

### Note 9 - Defined Benefit Pension Plan (Continued)

**Funding Policy** - The obligation to contribute to and maintain MERS for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 5 percent.

**Annual Pension Cost** - For the year ended June 30, 2009, the City's annual pension cost of \$3,116,381 for the plan was equal to the City's required and actual contribution.

Three-year trend information is as follows:

	2009	2008	2007
Annual pension costs (APC)	\$ 3,116,381	\$ 2,990,991	\$ 2,982,680
Percentage of APC contributed	100%	100%	100%
Net pension obligation	Unknown	Unknown	Unknown

	Actuarial Valuation as of December 31		
	2008	2007	2006
Actuarial value of assets	\$ 60,550,323	\$ 61,349,691	\$ 59,513,274
Actuarial accrued liability (AAL) (entry age)	92,917,819	89,752,345	88,826,394
Unfunded AAL (UAAL)	32,367,496	28,402,654	29,313,120
Funded ratio	65%	68%	67%
Covered payroll	\$ 6,903,656	\$ 6,955,451	\$ 7,063,402
UAAL as a percentage of covered payroll	469%	408%	415%

**Actuarial Methods and Assumptions** - In the December 31, 2008 actuarial valuation (the most recent actuarial valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.50 percent per year attributable to inflation, and (c) additional salary increase of 0 percent to 8.4 percent per year attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 28 years.

## **Note 9 - Defined Benefit Pension Plan (Continued)**

**Policemen and Firemen Plan** - Prior to 1994, the City operated a self-administered pension system for its police and fire personnel. During the 1980s and early 1990s, the City did not fully fund this pension system in accordance with actuarially required contributions. In June 1994, the Wayne County Circuit Court (the "Court") ordered the City's pension plan to be transferred to the Michigan Municipal Employees' Retirement System. The Court also ordered the City to fund the total unfunded accrued liability of \$37,886,752 over a 20-year period in annual installments. The City's annual pension contribution includes a provision to fund this unfunded liability. As a result of the underpayments during the 1980s and early 1990s, the City has a net pension obligation. However, this amount has not been calculated by either the actuary or the City.

## **Note 10 - Other Postemployment Benefits**

**Plan Description** - The City provides healthcare and dental insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Life insurance is provided to employees from AFSCME Local 666 upon retirement. Currently, the plan has 277 members, of which 150 retirees are eligible for dental and health care and 62 retirees are eligible for life insurance.

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions. The City allowed certain police retirees, those who retired between July 1, 1986 and June 30, 1989, to pay for their own healthcare benefits after age 65. There are currently six police retirees that purchase their healthcare benefits through a deduction from their pension checks. In addition, the City allowed police and firefighters the option to continue to pay for their own life insurance. There are currently 49 retired police/firefighters that purchase life insurance through a deduction from their pension checks. Expenditures for the postemployment benefits are recognized as the insurance premiums become due.

**Funding Policy** - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

### Note 10 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of May 1, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,941,430
Amounts contributed - Payments of current premiums	<u>(1,626,125)</u>
Increase in net OPEB obligation	315,305
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u><u>\$ 315,305</u></u>

The annual OPEB costs, the percentage paid, and the net OPEB obligation for the current year are as follows:

Annual OPEB costs	\$ 1,941,430
Percentage paid	83.8%
Net OPEB obligation	315,305

Because 2009 is the initial year of implementation, trend information is not available. The plan has received one actuarial valuation, summarized as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	30,693,743
Unfunded AAL (UAAL)	30,693,743
Funded ratio	0%
Covered payroll	5,588,458
UAAL as a percentage of covered payroll	549%

## **Note 10 - 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 plan 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 plan (the plan 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 May 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 5 percent investment rate of return (net of administrative costs), a projected salary increase rate of 4.5 percent, and an annual healthcare cost trend rate of 8 percent in the first year, graded down to 4.5 percent in 0.5 percent increments over the next seven years. The UAAL is being amortized as a level percentage of payroll. The amortization period at May 1, 2009 is 30 years.

## **Note 11 - The Wyandotte Project (Michigan R-31)**

A class action lawsuit was brought against the City by minority residents who lived in the R-31 Urban Renewal Area (Wyandotte Project) who allege discrimination in the City of Hamtramck and the U.S. Department of Housing (HUD) Urban Development Program.

The Court determined that there was merit to the complaint and the decision ordered the City to set up a Tax Increment Financing Authority (TIFA) district in the R-31 area. All revenue collected in this area, including property taxes, income tax, permits, interest, and property sales, must be placed in a separate fund and used for the construction of housing for the families displaced by the development project.

The City is currently in the process of satisfying the judgment. The Development Agreement Escrow Fund was created to accumulate the earmarked revenue. The fund had reserved fund balance of \$2,366,028 at June 30, 2009.

## **Note 11 - The Wyandotte Project (Michigan R-31) (Continued)**

The City completed the infrastructure for the project, including putting in water and sewer lines and construction of streets and sidewalks, during the year ended June 30, 2005. All prior year infrastructure expenditures incurred were paid from Community Development Block Grant revenue, Section 108 loans, Brownfield Economic Initiative program loans and grants, Wayne County Brownfield Redevelopment loans, and contributions from the Major, Local, and Water and Sewer Funds. The City began actual housing construction in spring 2006. Cumulative costs for this project through June 30, 2009 total approximately \$7,851,000. The remaining fund balance will be used for actual housing construction to be completed by fiscal year 2009.

The City is uncertain if the funds collected to date and the additional commitments noted above will be sufficient to cover the entire cost of the project.

## **Note 12 - Central Industrial Park Project (CIPP Interlocal Agreement)**

The CIPP interlocal agreement is an agreement between the City, Wayne County, and the City of Detroit regarding the distribution of property tax and income tax revenues generated from the GM Poletown property. Under the agreement, the City is guaranteed to receive 50 percent of the first \$3.4 million collected and the City of Detroit will receive the other 50 percent. Any amounts collected over \$3.4 million will be distributed to each city based on the allocation of the qualifying project costs. If excess collections are received after project costs are paid, the balance will be distributed one-third to Hamtramck and two-thirds to Detroit. Collections for the year ended June 30, 2009 totaled approximately \$4.3 million. Based on an estimate provided by the City of Detroit, most project costs have been completed at June 30, 2005. The City's annual collections under this agreement are estimated to be \$3 million for the 2010 through 2014 fiscal years.

## **Note 13 - Environmental Commitment**

In a prior year, the City and additional defendants entered into a consent judgment with the State of Michigan and Michigan Department of Environmental Quality (MDEQ) to clean up a piece of property. The agreement called for the property to be cleaned up and an amount to be placed in a trust for future operating and maintenance costs. The City completed the cleanup during 2003 and placed approximately \$442,000 in a trust for future operating and maintenance costs related to the property. The balance in the trust at June 30, 2009 totaled approximately \$422,000.

### **Note 14 - Settlement Receivable**

During the year ended June 30, 2005, Wayne County unilaterally changed its method for calculating the annual payment in lieu of taxes (PILOT) due to the City. Based on the calculation in the agreement signed many years ago, the City believed the payments for the 2005 and 2006 fiscal years should be approximately \$1,300,000 and \$1,400,000, respectively. Wayne County paid the City only \$500,000 during the year ended June 30, 2005 and made no payments during the year ended June 30, 2006. The City initiated a lawsuit against Wayne County during the 2005 fiscal year that was settled during the 2007 fiscal year. The agreement adjusted the annual payment due to the City each December from Wayne County to \$1,000,000 for the years 2004 through 2008. Beginning in December 2009, the payment will be adjusted annually by CPI to a maximum of \$1,500,000. In April 2007, the County paid the balance due from December 2004 of \$500,000. The remaining balance at June 30, 2008 totaled \$2,000,000 for December 2005 and 2006. A total of \$1,000,000 was paid during the current fiscal year, with the remaining balance due by December 2009. The City has recorded \$1,000,000 as a receivable in the General Fund at June 30, 2009. As required under governmental accounting standards, the City has also recorded deferred revenue of \$1,000,000 in the General Fund given the timing of the collection.

### **Note 15 - New Accounting Standard**

In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the governmental activities of \$301,878, the business-type activities of \$11,886, and the component unit activities of \$1,542 in excess of what would have been reported in prior years.

## **Note 16 - Upcoming Accounting Pronouncement**

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement Statement No. 54 beginning with the fiscal year ending June 30, 2010.

## **Required Supplemental Information**

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# City of Hamtramck, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenues</b>				
Property taxes:				
Property taxes	\$ 5,208,092	\$ 5,208,092	\$ 5,021,548	\$ (186,544)
GM revenue	4,300,000	4,300,000	4,307,077	7,077
Payments in lieu of taxes	2,035,000	2,035,000	2,050,662	15,662
Total property taxes	11,543,092	11,543,092	11,379,287	(163,805)
Income taxes	2,180,000	2,180,000	2,103,450	(76,550)
Licenses and permits	240,000	240,000	320,841	80,841
State sources	3,995,639	3,995,639	3,858,293	(137,346)
Charges for services	255,000	255,000	248,416	(6,584)
Parking meters and permits	110,000	110,000	105,929	(4,071)
Fines and forfeitures	980,000	980,000	974,662	(5,338)
Interest	50,000	50,000	78,457	28,457
Other	274,500	274,500	511,440	236,940
Total revenue	19,628,231	19,628,231	19,580,775	(47,456)
<b>Expenditures</b>				
General government:				
Legislative	50,392	71,392	69,050	2,342
District Court	530,004	530,004	525,728	4,276
City manager's office	207,809	207,809	187,979	19,830
Mayor	-	-	78	(78)
Elections	29,100	36,100	33,993	2,107
Assessor	78,569	98,569	100,974	(2,405)
Legal	1,700,000	1,700,000	1,347,611	352,389
Clerk	157,752	172,032	166,673	5,359
Controller	319,256	319,256	249,940	69,316
Treasurer	187,734	187,734	172,411	15,323
Income tax	213,129	216,129	210,095	6,034
Personnel	190,697	190,697	177,634	13,063
General administration	3,294,369	2,794,369	2,068,318	726,051
Total general government	6,958,811	6,524,091	5,310,484	1,213,607
Public safety:				
Police	5,658,129	5,858,129	5,813,085	45,044
Fire	4,853,054	4,922,063	4,448,924	473,139
Auto theft grant	169,879	169,879	164,749	5,130
Total public safety	10,681,062	10,950,071	10,426,758	523,313

(Continued on next page)

# City of Hamtramck, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Expenditures (Continued)</b>				
Public works	\$ 1,466,141	\$ 1,936,704	\$ 1,945,898	\$ (9,194)
Code enforcement	370,174	437,174	380,768	56,406
Community and economic development	150,058	150,058	131,104	18,954
Total expenditures	<u>19,626,246</u>	<u>19,998,098</u>	<u>18,195,012</u>	<u>1,803,086</u>
<b>Net Change in Fund Balance</b>	1,985	(369,867)	1,385,763	1,755,630
<b>Fund Balance - Beginning of year</b>	<u>867,393</u>	<u>867,393</u>	<u>867,393</u>	<u>-</u>
<b>Fund Balance - End of year</b>	<u><b>\$ 869,378</b></u>	<u><b>\$ 497,526</b></u>	<u><b>\$ 2,253,156</b></u>	<u><b>\$ 1,755,630</b></u>

# City of Hamtramck, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund - Drug Law Enforcement Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
<b>Revenues</b>				
Federal sources	\$ 125,700	\$ 125,700	\$ 229,710	\$ 104,010
State sources	90,000	90,000	258,723	168,723
Interest	5,460	5,460	26,339	20,879
Total revenue	221,160	221,160	514,772	293,612
<b>Expenditures - Public safety</b>	221,160	221,160	335,841	(114,681)
<b>Net Change in Fund Balances</b>	-	-	178,931	178,931
<b>Fund Balances - Beginning of year</b>	1,215,313	1,215,313	1,215,313	-
<b>Fund Balances - End of year</b>	<u>\$ 1,215,313</u>	<u>\$ 1,215,313</u>	<u>\$ 1,394,244</u>	<u>\$ 178,931</u>

# City of Hamtramck, Michigan

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## Note to Required Supplemental Information

### Note - Budgetary Information

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers out have been included in the “expenditure” category instead of “other financing uses” and reimbursements have been included in the “revenue” category, rather than as a reduction to expenditures. All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City’s management and adopted by the City Council; subsequent amendments are approved by the City Council.

The City adopts its budget based on total expenditures by fund, except for the General Fund for which it adopts budgeted expenditures on an activity basis. This then represents the level of classification detail at which expenditures may not legally exceed appropriations. Expenditures at this level in excess of amounts budgeted are in violation of Michigan law. The level of detail presented in the required supplemental information for the General Fund is on this budget basis. Copies of the budget for all budgeted funds are available at the office of the city clerk.

The budget process is initiated in January, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize the departmental appropriation requests and submit them to the finance director on or before February 15. During the month of February, the City manager and finance director review the appropriation requests, meet with the departments and the mayor, and put together the budget. By the first of March, the City Council adopts a budget calendar that establishes deadlines for review and adoption phases for the upcoming fiscal year. The budget is submitted to the City Council for approval on or before May 15. During the next two weeks, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by a resolution no later than the second day in June.

The budget document presents information by fund, department, and line items. The legal level of budgetary control adopted by the governing body is the activity basis level.

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

# City of Hamtramck, Michigan

## Note to Required Supplemental Information

### Note - Budgetary Information (Continued)

A reconciliation of the budgetary comparison schedule to the fund-based statement of changes in fund balance is as follows:

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 19,442,075	\$ 18,056,312
Reimbursements from other funds	138,700	138,700
Amounts per budgetary comparison schedule	<u>\$ 19,580,775</u>	<u>\$ 18,195,012</u>

A reconciliation of expenditure classifications between the budgetary comparison schedule to the fund-based statement of changes in fund balance is as follows:

	General Government Expenditures
Amounts per operating statement	\$ 4,562,496
Reimbursements from other funds	138,700
Debt service	609,288
Amounts per budgetary comparison schedule	<u>\$ 5,310,484</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Hamtramck, Michigan incurred general governmental expenditures within the General Fund that were in excess of the amounts budgeted, as follows:

	Amended		Variance with
	Budget	Actual	Amended Budget
General Fund:			
Assessor	\$ 98,569	\$ 100,974	\$ (2,405)
Mayor	-	78	(78)
Public Works	1,936,704	1,945,898	(9,194)
Drug Law Enforcement Fund - Public safety	221,160	335,841	(114,681)

# **City of Hamtramck, Michigan**

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## **Note to Required Supplemental Information**

### **Note - Budgetary Information (Continued)**

In the public work's department, the operating supplies were greater than budgeted. In the Drug Law Enforcement Fund, approximately \$89,000 of police vehicles were purchased that had not originally been budgeted for.

## **Other Supplemental Information**

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# City of Hamtramck, Michigan

	Special				
	Major Streets	Local Streets	Library	U.S. Justice Department Grants	Community Development Block Grant
<b>Assets</b>					
Cash and investments	\$ 354,408	\$ 788,170	\$ 479,415	\$ 121,093	\$ 13,543
Accounts receivable	-	-	43,169	-	12,500
Due from component units	-	-	-	-	-
Due from other governmental units	134,413	41,206	-	-	-
Prepaid costs and other assets	-	-	32	-	-
Total assets	<u>\$ 488,821</u>	<u>\$ 829,376</u>	<u>\$ 522,616</u>	<u>\$ 121,093</u>	<u>\$ 26,043</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 29,407	\$ 69,913	\$ 19,456	\$ -	\$ 760
Accrued and other liabilities	-	-	14,510	-	-
Due to other funds	-	-	-	-	-
Deferred revenue	-	-	-	121,093	25,283
Total liabilities	29,407	69,913	33,966	121,093	26,043
<b>Fund Balances - Unreserved</b>	<u>459,414</u>	<u>759,463</u>	<u>488,650</u>	<u>-</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 488,821</u>	<u>\$ 829,376</u>	<u>\$ 522,616</u>	<u>\$ 121,093</u>	<u>\$ 26,043</u>

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

Revenue Funds

911 Emergency	Miscellaneous State Grants	Building and Improvement	Property Revitalization	Total Nonmajor Governmental Funds
\$ 133,461	\$ 13,889	\$ 49,832	\$ 422,261	\$ 2,376,072
-	-	-	19	55,688
-	-	5,043	-	5,043
-	-	-	-	175,619
-	-	-	-	32
<b><u>\$ 133,461</u></b>	<b><u>\$ 13,889</u></b>	<b><u>\$ 54,875</u></b>	<b><u>\$ 422,280</u></b>	<b><u>\$ 2,612,454</u></b>
\$ 6,969	\$ -	\$ -	\$ -	\$ 126,505
-	-	-	-	14,510
-	-	-	8,246	8,246
-	-	-	-	146,376
6,969	-	-	8,246	295,637
<u>126,492</u>	<u>13,889</u>	<u>54,875</u>	<u>414,034</u>	<u>2,316,817</u>
<b><u>\$ 133,461</u></b>	<b><u>\$ 13,889</u></b>	<b><u>\$ 54,875</u></b>	<b><u>\$ 422,280</u></b>	<b><u>\$ 2,612,454</u></b>

# City of Hamtramck, Michigan

	Special				
	Major Streets	Local Streets	Library	U.S. Justice Department Grants	Community Development Block Grant
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ 451,642	\$ -	\$ -
Federal sources	-	-	-	842,385	323,544
State sources	886,162	255,162	23,858	-	-
Charges for services	-	-	-	-	-
Fines and forfeitures	-	-	-	-	-
Interest income	15,782	14,083	-	-	-
Other	2,226	-	17,351	-	-
<b>Total revenue</b>	<b>904,170</b>	<b>269,245</b>	<b>492,851</b>	<b>842,385</b>	<b>323,544</b>
<b>Expenditures</b>					
Public safety	-	-	-	800,185	-
Public works	1,247,884	660,226	-	-	-
Code enforcement	-	-	-	-	26,106
Recreation and cultural	-	-	489,448	-	-
Community and economic development	-	-	-	-	35,217
Debt service	-	-	-	-	262,221
<b>Total expenditures</b>	<b>1,247,884</b>	<b>660,226</b>	<b>489,448</b>	<b>800,185</b>	<b>323,544</b>
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	(343,714)	(390,981)	3,403	42,200	-
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	200,000	-	-	-
Transfers out	(200,000)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(200,000)</b>	<b>200,000</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(543,714)</b>	<b>(190,981)</b>	<b>3,403</b>	<b>42,200</b>	<b>-</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>1,003,128</b>	<b>950,444</b>	<b>485,247</b>	<b>(42,200)</b>	<b>-</b>
<b>Fund Balances - End of year</b>	<b>\$ 459,414</b>	<b>\$ 759,463</b>	<b>\$ 488,650</b>	<b>\$ -</b>	<b>\$ -</b>

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

Revenue Funds				
911 Emergency	Miscellaneous State Grants	Building and Improvement	Property Revitalization	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 451,642
-	-	-	-	1,165,929
-	-	-	-	1,165,182
5,500	-	-	-	5,500
-	-	132,803	-	132,803
2,966	271	-	3,032	36,134
-	-	-	-	19,577
<u>8,466</u>	<u>271</u>	<u>132,803</u>	<u>3,032</u>	<u>2,976,767</u>
51,174	-	-	-	851,359
-	-	211,721	2,500	2,122,331
-	-	-	-	26,106
-	-	-	-	489,448
-	-	-	-	35,217
-	-	-	-	262,221
<u>51,174</u>	<u>-</u>	<u>211,721</u>	<u>2,500</u>	<u>3,786,682</u>
(42,708)	271	(78,918)	532	(809,915)
-	-	-	-	200,000
-	-	-	-	(200,000)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(42,708)	271	(78,918)	532	(809,915)
169,200	13,618	133,793	413,502	3,126,732
<b><u>\$ 126,492</u></b>	<b><u>\$ 13,889</u></b>	<b><u>\$ 54,875</u></b>	<b><u>\$ 414,034</u></b>	<b><u>\$ 2,316,817</u></b>