

# **City of Eastpointe, Michigan**

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

# City of Eastpointe, Michigan

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# City of Eastpointe, Michigan

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## Independent Auditor's Report

To the Honorable Mayor and Members  
of the City Council  
City of Eastpointe, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Eastpointe, Michigan as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eastpointe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eastpointe, Michigan as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the Honorable Mayor and Members  
of the City Council  
City of Eastpointe, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eastpointe, 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, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

November 22, 2010

# City of Eastpointe, Michigan

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## Management's Discussion and Analysis

The City of Eastpointe, Michigan's (the "City") management's discussion and analysis (MD&A) is a narrative overview of the City's financial activities and performance for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements and notes to the financial statements.

### Financial Highlights

- The City's combined total net assets are reported as \$74.2 million for the fiscal year ended June 30, 2010, compared to \$70.5 last fiscal year.
- In the City's governmental activities, revenue generated \$28.1 million, while expenses totaled \$28.2 million.
- In the City's business-type activities, program revenue generated \$10.4 million, while operating expenses totaled \$8.2 million and capital investment in the City's water system totaled \$1.9 million.
- The total cost of all of the City's programs, including governmental activities and business-type activities, was \$36.4 million, down \$.6 million from last fiscal year; this compares to a \$2.2 million increase last year.
- Total net assets increased \$3.7 million largely due to investments in water main and drain infrastructure.

### Government-wide Statements

The MD&A is followed by the City's basic financial statements, which are comprised of two sections. The first two statements, entitled government-wide statement of net assets followed by the government-wide statement of activities, are financial statements that represent the City as a whole and provide a long-term perspective regarding the City's overall financial status. The statement of net assets includes all of the City's assets and liabilities as described in Notes 4 and 7, respectively, to the financial statements. The difference between the City's assets and liabilities is "net assets," which is a way to measure the financial health of the City as it fluctuates from one year to the next. The statement of activities reports all of the current year's earned revenue and accrued expenses, regardless of when cash is received or paid and represents the change in net assets from one year to the next.

The City's activities are separated into three categories: governmental and business-type activities, which represent the City's total financial performance, followed by the component unit financial information.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

- The governmental activities column reports the City's basic services, including general administration, public safety, public works, and parks and recreation.
- Business-type activities represent those activities for which the City charges fees to customers to cover the cost of services. The City's water and sewer system is the only business-type activity reported.
- The City has two discretely presented component units included in this report as follows: Downtown Development Authority and Economic Development Corporation. Although legally separate, these component units are important because the City is financially accountable. Further information regarding the purpose of each component unit is found in Note I to the financial statements.

### Fund Financial Statements

The City's fund financial statements are similar to the historical presentation; however, this section individually discloses only those funds designated as the City's "major" funds. All nonmajor funds are aggregated into one column. These statements provide a higher level of detail than the government-wide statements and continue to illustrate how the services provided by the City were financed in the short term as well as what remains for future spending. The City has three types of funds that are used to keep track of specific sources of funding and spending for particular purposes as follows:

- **Governmental Funds** - The majority of the City's basic services included in the governmental funds not only focus on how cash and other financial assets that can readily be converted to cash flow in and out, but also what year-end balances are available to finance future City programs. Because this information does not include the additional long-term focus of the government-wide statements, reconciliation statements are provided to explain the differences between the two methods of reporting. Pages 16 and 18 illustrate this concept.
- **Proprietary Funds** - Services for which the City charges customers fees are reported in this fund type. This fund type provides both the short- and long-term financial information comparable to the business-type activity in the government-wide statements. The Water and Sewer Fund is an Enterprise Fund, which typically charges residents usage fees and accounts for the cost of operations.
- **Fiduciary Funds** - The Trust Fund and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individual, private organizations, other governments, and other city funds. The City is responsible for ensuring the assets reported in these funds are used for their intended purpose. The City's fiduciary activities are reported in a separate statement of fiduciary net assets. Fiduciary activities are excluded from the City's government-wide statements because these assets are not available to finance City operations.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

### Financial Analysis of the City as a Whole

**Statement of Net Assets** - The City's combined net assets increased 5.3 percent, or \$3.8 million, from \$70.5 million in 2009 to \$74.2 million in 2010. The net assets for the governmental activity remained relatively even at \$38.1 million. The current level of unrestricted net assets for governmental activities is \$8.7 million, or about 31.1 percent of expenses. The net assets of the business-type activity increased from \$32.3 million in 2009 to \$36.1 million in 2010, or \$3.8 million. The primary change is due to the combination of increased capital assets of \$2.4 million, or 7.2 percent and the reduction in current liabilities of \$0.6 million, or 39.4 percent. The unrestricted net assets increased by \$2.1 million, or 13.8 percent in the business-type activity.

The City's assets totaled \$96.6 million in 2010, up by \$4.0 million. This relates primarily to an overall increase in net capital assets of \$4.2 million or 7.3 percent. Road improvements increased by \$1.4 million in 2010, water and sewer improvements increased by \$1.9 million, and county drain infrastructure increased by \$1.0 million.

The City's total liabilities increased \$0.2 million, or 1.1 percent, to \$22.4 million in 2010. This is primarily due to the increase the liability reported for postemployment benefit obligations of \$.6 million which was offset by a decrease in long-term debt as result of making the annual principal payments due on various outstanding bonds.

In condensed format, the table below shows the comparison of net assets (in millions) as of June 30, 2010 to the prior year:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current assets	\$ 22,183	\$ 23,327	\$ 13,037	\$ 12,063	\$ 35,220	\$ 35,390
Noncurrent assets	25,937	24,154	35,470	33,087	61,407	57,241
Total assets	48,120	47,481	48,507	45,150	96,627	92,631
<b>Liabilities</b>						
Current liabilities	1,874	1,593	971	1,602	2,845	3,195
Long-term liabilities	8,160	7,743	11,399	11,233	19,559	18,976
Total liabilities	10,034	9,336	12,370	12,835	22,404	22,171
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	20,820	19,373	19,230	17,459	40,050	36,832
Restricted	8,530	9,365	-	-	8,530	9,365
Unrestricted	8,736	9,407	16,907	14,856	25,643	24,263
Total net assets	<u>\$ 38,086</u>	<u>\$ 38,145</u>	<u>\$ 36,137</u>	<u>\$ 32,315</u>	<u>\$ 74,223</u>	<u>\$ 70,460</u>

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

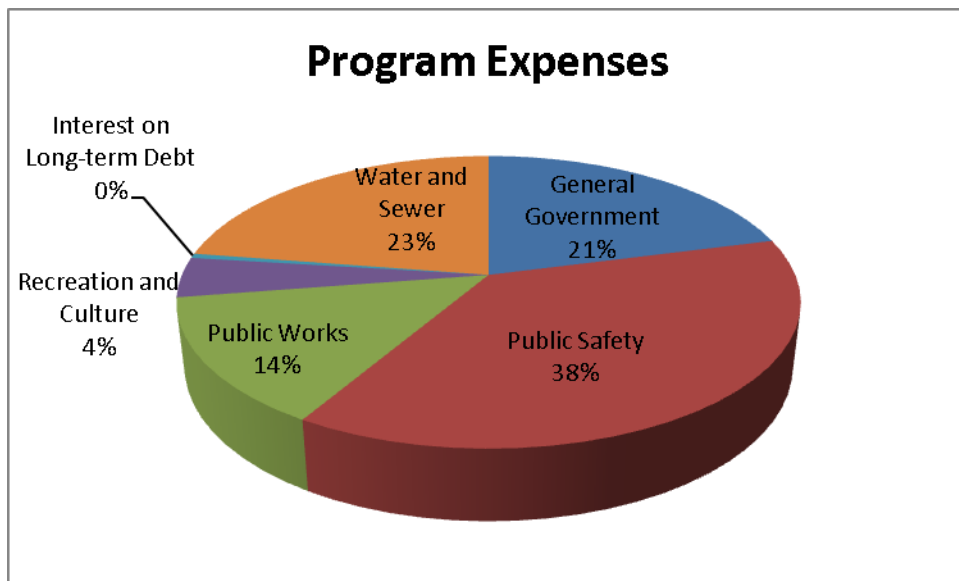
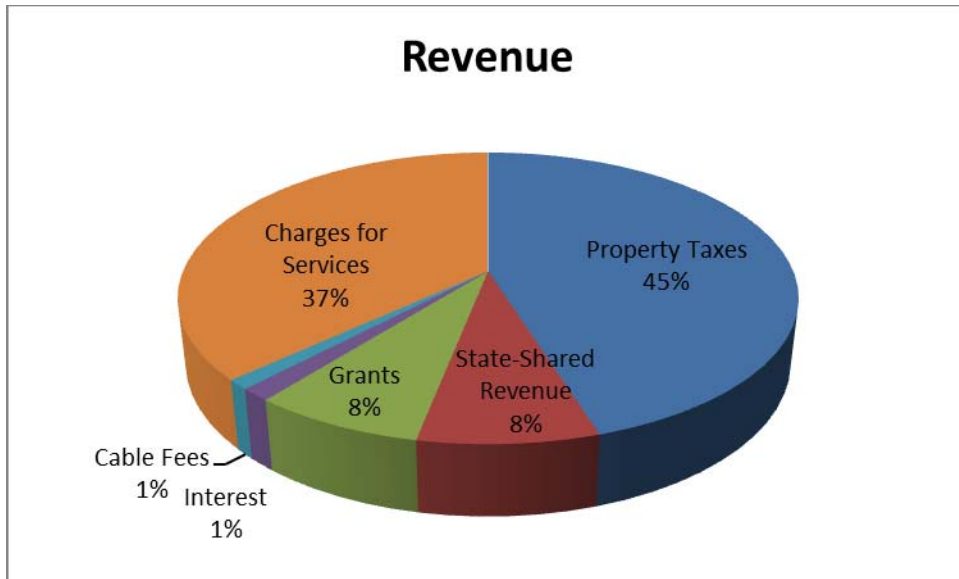
**Changes in Net Assets** - The City's total net assets increased by \$3.8 million during the fiscal year ended June 30, 2010. The table below shows the comparison of changes in net assets (in millions) to the prior year:

	Governmental		Business-type Activities		Total	
	Activities					
	2010	2009	2010	2009	2010	2009
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 4,374	\$ 4,191	\$ 10,424	\$ 9,832	\$ 14,798	\$ 14,023
Operating grants and contributions	2,554	2,208	-	-	2,554	2,208
Capital grants and contributions	214	184	290	65	504	249
General revenue:						
Property taxes	18,133	19,388	-	-	18,133	19,388
State-shared revenue	3,197	3,595	-	-	3,197	3,595
Interest	270	560	296	168	566	728
Loss on sale of capital assets	(3)	(55)	-	-	(3)	(55)
Cable fees and other	425	378	2	5	427	383
Transfers and other revenue	(1,013)	(172)	1,013	172	-	-
Total revenue	28,151	30,277	12,025	10,242	40,176	40,519
<b>Program Expenses</b>						
General government	7,624	7,920	-	-	7,624	7,920
Public safety	13,679	13,859	-	-	13,679	13,859
Public works	5,111	5,110	-	-	5,111	5,110
Recreation and culture	1,611	1,852	-	-	1,611	1,852
Interest on long-term debt	185	190	-	-	185	190
Water and sewer	-	-	8,203	8,013	8,203	8,013
Total program expenses	28,210	28,931	8,203	8,013	36,413	36,944
<b>Change in Net Assets</b>	<b>\$ (59)</b>	<b>\$ 1,346</b>	<b>\$ 3,822</b>	<b>\$ 2,229</b>	<b>\$ 3,763</b>	<b>\$ 3,575</b>

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

The City's governmental activity nearly broke even with a \$0.06 million decrease in net assets to \$38.1 million as of June 30, 2010. Annual revenue for business-type activity exceeded expenses by \$3.8 million, resulting in an increase in net assets to \$36.1 million. The following graphs illustrate the primary sources of revenue and expenses for the total primary government of the City of Eastpointe for the year ended June 30, 2010:



# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

**Governmental Activities** - Of the City's total revenue generated for fiscal year 2010, property tax comprises the largest segment, \$18.1 million. Property tax revenue decreased over the prior year by \$1.3 million, or 6.5 percent, which is consistent with the decrease in property taxable values. State-shared revenue is a primary source of revenue for the City, of which we received \$3.2 million; this is a decrease from 2009 of \$.4 million or 11.1 percent. Of the charges for service revenue of \$4.4 million, \$2.1 million is associated with the 38<sup>th</sup> District Court revenue, \$0.7 million for Building Department activity, \$0.5 million for ambulance service, and \$0.5 million for rental and Parks & Recreation activities. Of the grants and contributions revenue of \$2.5 million, the majority is associated with the governmental activity related to road system improvements in the amount of \$1.7 million. Investment earnings decreased by \$.3 million, or 51.8 percent. This is due to the exceptionally low interest rate environment experienced in 2009.

The majority of governmental expense is associated with the public safety function, which is \$13.7 million, or 48.5 percent of the governmental activity. Public safety includes police, fire, ambulance, and building inspection services. Public works expenses were \$5.1 million, or 18.1 percent which includes road improvements. Recreation and cultural expenses totaled \$1.6 million, or 5.6 percent, which is related to park operations and youth and senior citizen programs. General government expenses total \$7.6 million, or 27.0 percent.

**Business-type Activities** - The City's business-type activities are recorded in the Water and Sewer Fund. The City provides water purchased from the City of Detroit to residents. Of the City's charges for service revenue, the majority is generated from charges passed on to residents, which is \$10.4 million. Charges for service are offset by water and sewer expenses of \$8.2 million, or 22.5 percent of the City's total expenses, and after capital contributions, the business activity has an increased net change in assets of \$3.5 million.

### **Financial Analysis of the City's Funds**

An analysis of the City's major funds follows the government-wide financial statements. The fund level financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to state legislative requirements to maintain separate funds for Act 51 major and local road money, the City creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax millages voted by citizens and earmarked bond proceeds. The City's major funds for fiscal year 2010 include the General Fund, the Public Safety Fund, the Major Road Fund, and the Local Road Fund.

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

The General Fund accounts for most of the City's governmental services. The most significant is general operating, which incurred expenditures of approximately \$2.6 million in 2010, a decrease of 13.3 percent from 2009. Police and fire services are supported by General Fund contributions and a special public safety millage, all of which are recorded in the Public Safety Fund. The Public Safety recorded the receipt of approximately \$7.3 million from the General Fund, an increase of \$1.1 million, or 17.6 percent, from 2009. The amount transferred from the General Fund is determined based on estimated costs to maintain police and fire services, as well as specific capital outlay approved by the City Council. The Major Streets Fund and Local Streets Fund are supported by state-shared gas and weight taxes. State funding of approximately \$1.3 million and \$485,000 was reported in 2010 for the Major Streets Fund and Local Streets Fund, respectively.

**General Fund Budgetary Highlights** - Over the course of the year, the City Council and City administration monitor and amend the budget to take into account unanticipated events during the year. The most significant changes to the budget include an increase to fines and forfeitures for approximately \$480,000, and a decrease to charges for service for approximately \$243,000. All other changes to the original budget were minimal. At year end, actual General Fund revenue came in \$215,000 lower than the amended budget primarily as a result of less than anticipated state-shared revenue. Actual General Fund expenditures came in \$1.0 million below budget. Expenditures were under budget largely due to the accounting treatment toward the purchase of Macomb County Tax Reversion Properties totaling \$658,000, and savings from personnel vacancies through attrition and overall tighter controls on spending. City administration amended the budget as major expenditures occurred with a comprehensive review and amendment prepared at mid-year, and again at year end, to reflect changes to anticipated revenue, debt obligations, and capital improvements. In addition, departments continued to assess every purchase and exercise cost savings measure which provided a positive result on the General Fund's fund balance at year end with an increase of \$283,494 from \$11,581,262 a year ago to \$11,864,756 at June 30, 2010.

**Capital Asset and Debt Administration** - At the end of 2010, the City of Eastpointe had \$55.7 million invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, and water and sewer lines. The largest asset is infrastructure, which consists of roads within the major and local street system, sidewalks, and water and sewer lines. The value of infrastructure assets, net of depreciation contained in this report, is \$41.9 million for fiscal year 2010.

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and buildings and is reported as a liability on the statement of net assets (see Note 7 of the notes to the basic financial statements for additional information).

# City of Eastpointe, Michigan

## Management's Discussion and Analysis (Continued)

**Economic Factors and Next Year's Budgets and Rates** - The City of Eastpointe's budget for next year maintains the general operating millage at the same rate as the current year. However, a decrease in the City's taxable value of approximately \$142.4 million will produce a decrease in tax collections for City operations. Because of the impact of Proposal A, the City continues to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

State cutbacks, a slowing economy, and the resulting impact on sales tax receipts available for distribution to local governments are anticipated to have a negative impact on the actual revenue-sharing payments received. These factors, coupled with continuing decreases from historical norms in other revenue, remain as a major impact on the City in maintaining a balanced budget.

Due to the compounding effect of Proposal A, the Tax Reform Act, and reduced state revenue-sharing payments, the City asked and received voter approval of a public safety millage for a period of five years beginning with the 2006 fiscal year. The approximate \$5.1 million generated from the millage has allowed for the continuance of a fully staffed public safety department and related equipment purchases. Some of the financial burden placed on the General Fund for these necessary services was alleviated through the revenue generated by the millage. In next year's budget, the City will continue evaluating services and related costs in effort to balance the budget, maintain and improve the City's infrastructure system, and again make an actuarial required contribution to the employees' retirement system.

Despite the current financial condition of the City, the City will continue to operate efficiently and evaluate the impact of the changing economy on the next fiscal year. Recent negotiations with various unions and employee groups resulted in containment of current and future costs through changes to pension and retirement healthcare benefits for new hires. The City's pension system is 72 percent funded with required actuarial determined contributions made by the City on an annual basis. A fluctuating financial market in the first quarter of 2009 resulted in the decline of investment returns, used in the actuarial reporting analysis of the pension system, which will challenge the system's ability to help offset future required contributions through investment returns.

The City purchases its water from the City of Detroit. The City's water and sewer rates are based on anticipated costs of the system in the current fiscal year. Costs included the purchase of water from Detroit, disposal and treatment of sewage, personnel and operating costs, and needed system improvements. An annual evaluation process is undertaken to determine the amount of increase, if any, that is needed to continue providing water service to all users in the City. This information will also be presented to the public and discussed during the City's budgeting process.

# **City of Eastpointe, Michigan**

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

**Contacting the City of Eastpointe's Management** - This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Eastpointe'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 administration offices at the City of Eastpointe, 23200 Gratiot Avenue, Eastpointe, MI 48021.

# City of Eastpointe, Michigan

## Statement of Net Assets June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and cash equivalents (Note 3)	\$ 7,023,146	\$ 2,563,498	\$ 9,586,644	\$ 613,916
Investments (Note 3)	12,691,730	4,729,923	17,421,653	-
Receivables:				
Taxes	101,680	-	101,680	-
Special assessments	45,483	-	45,483	-
Accounts - Net of allowance for doubtful accounts of \$144,733	483,040	5,743,546	6,226,586	599
Due from other governmental units	1,716,605	-	1,716,605	-
Prepaid costs and other assets	121,772	-	121,772	16,242
Restricted assets (Note 5)	394,498	21,517	416,015	-
Assets held for sale	658,322	-	658,322	-
Investments in joint ventures (Note 13):				
Southeast Macomb Sanitary District	-	4,524,797	4,524,797	-
South Macomb Disposal Authority	129,879	-	129,879	-
Capital assets (Note 4):				
Nondepreciable	1,504,035	336,472	1,840,507	-
Depreciable	23,250,514	30,587,170	53,837,684	-
Total assets	48,120,704	48,506,923	96,627,627	630,757
<b>Liabilities</b>				
Accounts payable	1,404,611	847,308	2,251,919	21,531
Accrued and other liabilities	469,685	124,129	593,814	3,916
Noncurrent liabilities (Note 7):				
Due within one year	161,523	598,863	760,386	90,000
Due in more than one year	6,650,007	10,799,908	17,449,915	-
Other postemployment benefit obligation (Note 11)	1,348,204	-	1,348,204	-
Total liabilities	10,034,030	12,370,208	22,404,238	115,447
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	20,820,164	19,230,110	40,050,274	-
Restricted:				
Public safety	1,954,256	-	1,954,256	-
Library	148,213	-	148,213	-
Sanitation	658,027	-	658,027	-
Construction projects	525,666	-	525,666	-
Streets and highways	4,488,800	-	4,488,800	-
Debt service	755,267	-	755,267	-
Unrestricted	8,736,281	16,906,605	25,642,886	515,310
Total net assets	<u>\$ 38,086,674</u>	<u>\$ 36,136,715</u>	<u>\$ 74,223,389</u>	<u>\$ 515,310</u>

# City of Eastpointe, Michigan

	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 7,623,861	\$ 2,659,069	\$ 446,408	\$ -
Public safety	13,679,195	1,055,051	273,220	-
Public works	5,110,974	-	1,827,657	213,822
Recreation and culture	1,610,987	660,130	6,843	-
Interest on long-term debt	185,651	-	-	-
Total governmental activities	28,210,668	4,374,250	2,554,128	213,822
Business-type activities - Water and sewer	8,203,108	10,423,868	-	290,222
Total primary government	<u>\$ 36,413,776</u>	<u>\$ 14,798,118</u>	<u>\$ 2,554,128</u>	<u>\$ 504,044</u>
Component units:				
Downtown Development Authority	\$ 182,855	\$ -	\$ 50	\$ -
Economic Development Corporation	53,568	-	55,682	-
Total component units	<u>\$ 236,423</u>	<u>\$ -</u>	<u>\$ 55,732</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Interest				
Loss on sale of capital assets				
Cable fees and other				
Transfers				
Total general revenue and transfers				
<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, 2010**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (4,518,384)	\$ -	\$ (4,518,384)	\$ -
(12,350,924)	-	(12,350,924)	-
(3,069,495)	-	(3,069,495)	-
(944,014)	-	(944,014)	-
(185,651)	-	(185,651)	-
(21,068,468)	-	(21,068,468)	-
-	2,510,982	2,510,982	-
(21,068,468)	2,510,982	(18,557,486)	-
-	-	-	(182,805)
-	-	-	2,114
-	-	-	(180,691)
18,132,791	-	18,132,791	287,622
3,197,406	-	3,197,406	-
269,974	295,908	565,882	9,199
(2,615)	-	(2,615)	-
425,091	2,023	427,114	-
(1,013,144)	1,013,144	-	-
21,009,503	1,311,075	22,320,578	296,821
(58,965)	3,822,057	3,763,092	116,130
38,145,639	32,314,658	70,460,297	399,180
<b>\$ 38,086,674</b>	<b>\$ 36,136,715</b>	<b>\$ 74,223,389</b>	<b>\$ 515,310</b>

# City of Eastpointe, Michigan

## Governmental Funds Balance Sheet June 30, 2010

	Major Special Revenue Funds				Other Nonmajor	Total Governmental
	General Fund	Public Safety	Major Streets	Local Streets	Governmental Funds	Funds
<b>Assets</b>						
Cash and cash equivalents (Note 3)	\$ 3,725,733	\$ 368,405	\$ 1,309,198	\$ 245,582	\$ 1,374,228	\$ 7,023,146
Investments (Note 3)	6,869,338	679,747	2,415,608	453,125	2,273,912	12,691,730
Receivables:						
Taxes	101,680	-	-	-	-	101,680
Special assessments	-	-	-	-	45,483	45,483
Accounts - Net of allowance for doubtful accounts of \$22,284	329,805	1,023	3,635	704	147,873	483,040
Prepaid expenses	30,945	-	-	-	-	30,945
Due from other governmental units	1,348,067	32,084	201,468	79,509	55,477	1,716,605
Assets held for resale	658,322	-	-	-	-	658,322
Restricted assets (Note 5)	-	-	-	-	394,498	394,498
<b>Total assets</b>	<b>\$ 13,063,890</b>	<b>\$ 1,081,259</b>	<b>\$ 3,929,909</b>	<b>\$ 778,920</b>	<b>\$ 4,291,471</b>	<b>\$ 23,145,449</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 703,474	\$ 174,492	\$ 180,828	\$ 31,330	\$ 314,487	\$ 1,404,611
Accrued and other liabilities	186,058	207,314	3,684	4,187	22,965	424,208
Deferred revenue (Note 8)	309,602	-	-	-	172,042	481,644
<b>Total liabilities</b>	<b>1,199,134</b>	<b>381,806</b>	<b>184,512</b>	<b>35,517</b>	<b>509,494</b>	<b>2,310,463</b>
<b>Fund Balances</b>						
Reserved for:						
Prepaid expenses	30,945	-	-	-	-	30,945
Personal property taxes	24,880	-	-	-	-	24,880
Assets held for resale	658,322	-	-	-	-	658,322
Construction projects	-	-	-	-	394,498	394,498
Unreserved:						
Designated for subsequent years' expenditures (Note 1)	8,725,000	-	-	-	-	8,725,000
Designated for compensated absences (Note 1)	226,517	523,967	-	-	-	750,484
Undesignated	2,199,092	-	-	-	-	2,199,092
Unreserved - Reported in:						
Special Revenue Funds	-	175,486	3,745,397	743,403	1,966,790	6,631,076
Debt Service Funds - Designated for debt service	-	-	-	-	755,267	755,267
Capital Projects Funds - Designated for capital improvements	-	-	-	-	665,422	665,422
<b>Total fund balances</b>	<b>11,864,756</b>	<b>699,453</b>	<b>3,745,397</b>	<b>743,403</b>	<b>3,781,977</b>	<b>20,834,986</b>
<b>Total liabilities and fund balances</b>	<b>\$ 13,063,890</b>	<b>\$ 1,081,259</b>	<b>\$ 3,929,909</b>	<b>\$ 778,920</b>	<b>\$ 4,291,471</b>	<b>\$ 23,145,449</b>

# City of Eastpointe, Michigan

## Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2010

<b>Total Fund Balances for Governmental Funds</b>	<b>\$ 20,834,986</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	24,754,549
Certain receivables are expected to be collected over several years in the Fire/ALS Fund and are not available to pay for current year expenditures	144,382
Special assessment and personal property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	337,262
Long-term bonds payable are not due and payable in the current period and are not reported in the funds	(4,328,882)
Investment in joint venture is not included as an asset in the governmental funds	129,879
Long-term portion of compensated absences is not due and payable in the current period and is not reported in the funds	(750,484)
Accrued interest payable is not reported in the funds	(45,475)
Long-term portion of uninsured losses is not reported in the funds	(196,830)
Debt issuance costs are an expenditure in the governmental funds and are capitalized and amortized over the life of the related debt in the governmental activities	90,824
Other postemployment benefit obligation in governmental activities is not reported in the funds	(1,348,204)
Net pension obligation in governmental activities is not reported in the funds	<u>(1,535,333)</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 38,086,674</u></b>

# City of Eastpointe, Michigan

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

	Major Special Revenue Funds				Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Public Safety	Major Streets	Local Streets		
<b>Revenue</b>						
Property taxes	\$ 9,386,814	\$ 5,111,270	\$ -	\$ -	\$ 3,634,707	\$ 18,132,791
Special assessments	-	-	-	-	143,914	143,914
Licenses and permits	784,928	-	-	-	-	784,928
Intergovernmental:						
Federal sources	-	184,008	-	-	16,103	200,111
State sources	3,227,662	89,212	1,342,207	485,450	6,693	5,151,224
Charges for services	479,715	-	-	-	507,147	986,862
Rental income	164,985	-	-	4,000	228,579	397,564
Fines and forfeits	2,132,063	-	-	-	222,644	2,354,707
Interest income	149,391	12,068	40,292	11,145	57,526	270,422
Other	272,738	112,716	-	-	70,255	455,709
<b>Total revenue</b>	<b>16,598,296</b>	<b>5,509,274</b>	<b>1,382,499</b>	<b>500,595</b>	<b>4,887,568</b>	<b>28,878,232</b>
<b>Expenditures</b>						
Current:						
General government	5,605,929	-	-	-	-	5,605,929
Public safety	650,623	12,049,068	-	-	795,576	13,495,267
Public works	444,404	-	742,079	1,351,920	2,528,547	5,066,950
Recreation and culture	1,461,719	-	-	-	656,218	2,117,937
Capital outlay	-	-	-	-	2,087,822	2,087,822
Debt service:						
Principal	-	-	-	-	115,000	115,000
Interest	-	-	-	-	186,894	186,894
<b>Total expenditures</b>	<b>8,162,675</b>	<b>12,049,068</b>	<b>742,079</b>	<b>1,351,920</b>	<b>6,370,057</b>	<b>28,675,799</b>
<b>Excess of Revenue Over (Under)</b>						
<b>Expenditures</b>	8,435,621	(6,539,794)	640,420	(851,325)	(1,482,489)	202,433
<b>Other Financing Sources (Uses)</b>						
Transfers in	-	7,274,831	-	-	1,710,118	8,984,949
Transfers out	(8,152,127)	(809,913)	-	-	(1,036,053)	(9,998,093)
<b>Total other financing sources (uses)</b>	<b>(8,152,127)</b>	<b>6,464,918</b>	<b>-</b>	<b>-</b>	<b>674,065</b>	<b>(1,013,144)</b>
<b>Net Change in Fund Balances</b>	<b>283,494</b>	<b>(74,876)</b>	<b>640,420</b>	<b>(851,325)</b>	<b>(808,424)</b>	<b>(810,711)</b>
<b>Fund Balances - Beginning of year</b>	<b>11,581,262</b>	<b>774,329</b>	<b>3,104,977</b>	<b>1,594,728</b>	<b>4,590,401</b>	<b>21,645,697</b>
<b>Fund Balances - End of year</b>	<b>\$ 11,864,756</b>	<b>\$ 699,453</b>	<b>\$ 3,745,397</b>	<b>\$ 743,403</b>	<b>\$ 3,781,977</b>	<b>\$ 20,834,986</b>

# City of Eastpointe, 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, 2010

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (810,711)
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	3,415,890
Depreciation is recorded as an expense in the statement of activities but not in the governmental funds	(2,042,358)
Special assessment and personal property tax revenue is recorded in the statement of activities when the assessment is made; it is not reported in the funds until collected or collectible within 60 days of year end	(150,455)
Revenue is reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33)	29,943
Change in other postemployment benefit obligation is recorded when incurred in the statement of activities	(598,358)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	116,523
Change in investment in joint venture is not recorded in the governmental funds	(38,565)
Interest expense is reported in the statement of activities when a liability is incurred; it is reported in the governmental funds only when payment is due	1,241
Changes in estimated general liability and workers' compensation claims are recorded when incurred in the statement of activities	(65,034)
Changes in accumulated employee sick and vacation pay are recorded when earned in the statement of activities	164,742
Change in net pension obligation is recorded when incurred in the statement of activities	(34,878)
Debt issuance costs are an expenditure in the governmental funds and are capitalized and amortized over the life of the related debt in the governmental activities	(4,082)
In the statement of activities, only the gain/loss on the sale of an asset is reported, whereas in the governmental funds, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the proceeds from the assets sold	<u>(42,863)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (58,965)</u></b>

# City of Eastpointe, Michigan

## Proprietary Fund - Enterprise Fund Statement of Net Assets June 30, 2010

	Water and Sewer Fund
<b>Assets</b>	
Current assets:	
Cash and cash equivalents (Note 3)	\$ 2,563,498
Investments (Note 3)	4,729,923
Customer receivables - Net of allowance for doubtful accounts of \$122,449	5,743,546
Restricted assets (Note 5)	<u>21,517</u>
Total current assets	13,058,484
Noncurrent assets:	
Investment in Southeast Macomb Sanitary District (Note 13)	4,524,797
Capital assets - Net (Note 4)	<u>30,923,642</u>
Total noncurrent assets	<u>35,448,439</u>
Total assets	48,506,923
<b>Liabilities</b>	
Current liabilities:	
Accounts payable	847,308
Accrued and other liabilities	124,129
Current portion of long-term debt (Note 7)	<u>598,863</u>
Total current liabilities	1,570,300
Noncurrent liabilities:	
Provision for compensated absences (Note 7)	20,194
Long-term debt - Net of current portion (Note 7)	<u>10,779,714</u>
Total noncurrent liabilities	<u>10,799,908</u>
Total liabilities	<u>12,370,208</u>
<b>Net Assets</b>	
Invested in capital assets - Net of related debt	19,566,582
Unrestricted	<u>16,570,133</u>
Total net assets	<u><u>\$ 36,136,715</u></u>

# City of Eastpointe, Michigan

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

	Water and Sewer Fund
<b>Operating Revenue</b>	
Water sales	\$ 2,438,508
Sewage disposal	5,266,907
Penalties	411,775
Charges for services	<u>2,306,678</u>
Total operating revenue	10,423,868
<b>Operating Expenses</b>	
Water purchases	997,476
Sewage treatment	3,772,916
Maintenance and operation	273,797
General and administration	1,809,604
Depreciation	<u>1,002,717</u>
Total operating expenses	<u>7,856,510</u>
<b>Operating Income</b>	2,567,358
<b>Nonoperating Revenue (Expense)</b>	
Interest income	295,908
Interest expense	(346,598)
Gain on sale of scrap metal	<u>2,023</u>
Total nonoperating expense	<u>(48,667)</u>
<b>Income - Before contributions and transfers</b>	2,518,691
<b>Capital Grants</b>	290,222
<b>Transfers from Other Funds</b>	<u>1,013,144</u>
<b>Change in Net Assets</b>	3,822,057
<b>Net Assets - Beginning of year</b>	<u>32,314,658</u>
<b>Net Assets - End of year</b>	<u><u>\$ 36,136,715</u></u>

# City of Eastpointe, Michigan

## Proprietary Fund - Enterprise Fund Statement of Cash Flows Year Ended June 30, 2010

	Water and Sewer Fund
<b>Cash Flows from Operating Activities</b>	
Receipts from customers	\$ 10,749,143
Payments to suppliers	(7,210,592)
Payments to employees	(271,286)
Other payments	<u>(134,033)</u>
Net cash provided by operating activities	3,133,232
<b>Cash Flows from Noncapital Financing Activities</b>	
Interfund transfers in	1,013,144
Scrap metal sales	<u>2,023</u>
Net cash provided by noncapital financing activities	1,015,167
<b>Cash Flows from Capital and Related Financing Activities</b>	
Capital grants	290,222
Principal and interest paid on long-term debt	(841,445)
Proceeds from issuance of debt	657,616
Purchase of capital assets	<u>(3,251,615)</u>
Net cash used in capital and related financing activities	(3,145,222)
<b>Cash Flows from Investing Activities</b>	
Interest received on investments	295,908
Purchase of investments	<u>(3,892,268)</u>
Net cash used in investing activities	<u>(3,596,360)</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(2,593,183)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>5,156,681</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><u>\$ 2,563,498</u></u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>	
Operating income	\$ 2,567,358
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation	1,002,717
Changes in assets and liabilities:	
Receivables	325,275
Restricted assets	(21,517)
Investment in joint venture	(112,516)
Accounts payable	(631,867)
Accrued and other liabilities	<u>3,782</u>
Net cash provided by operating activities	<u><u>\$ 3,133,232</u></u>

# City of Eastpointe, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2010

	Pension and Other Employee Benefit Trust Funds	<u>Agency Funds</u>
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 1,708,923	\$ 68,676
Investments (Note 3):		
Corporate bonds and notes	1,602,296	-
U.S. government obligations	23,761	-
U.S. government agency bonds/notes	1,589,110	-
Common and preferred stock	23,093,262	-
Mutual funds	<u>13,946,163</u>	<u>-</u>
Total assets	41,963,515	<u><u>\$ 68,676</u></u>
<b>Liabilities</b>		
Accounts payable	105,076	\$ 2,900
Accrued and other liabilities	-	65,325
Due to other governmental units	<u>-</u>	<u>451</u>
Total liabilities	<u>105,076</u>	<u><u>\$ 68,676</u></u>
<b>Net Assets - Held in trust for pension and other employee benefits</b>	<u><u>\$ 41,858,439</u></u>	

# City of Eastpointe, Michigan

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## Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2010

### Additions

Investment income (loss):	
Interest and dividends	\$ 1,215,120
Net adjustment to fair value of investments	3,849,671
Less investment expenses	<u>(264,758)</u>
Net investment income	4,800,033
Employer contributions	<u>4,649,528</u>
Total additions - Net	9,449,561

### Deductions

Benefit payments	4,712,891
Health insurance premiums	2,223,656
Administrative expenses	<u>9,016</u>
Total deductions	<u>6,945,563</u>

### Change in Net Assets

2,503,998

**Net Assets** - Beginning of year

39,354,441

**Net Assets** - End of year

\$ 41,858,439

# City of Eastpointe, Michigan

## Component Units Statement of Net Assets Year Ended June 30, 2010

	Downtown Development Authority	Economic Development Corporation	Total
<b>Assets</b>			
Cash and cash equivalents (Note 3)	\$ 186,519	\$ 427,397	\$ 613,916
Prepaid costs and other assets	16,424	417	16,841
Total assets	202,943	427,814	630,757
<b>Liabilities</b>			
Accounts payable	21,531	-	21,531
Accrued liabilities	2,517	1,399	3,916
Noncurrent liabilities (Note 7) - Due within one year	90,000	-	90,000
Total liabilities	114,048	1,399	115,447
<b>Net Assets - Unrestricted</b>	<b>\$ 88,895</b>	<b>\$ 426,415</b>	<b>\$ 515,310</b>

# City of Eastpointe, Michigan

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		Program Revenue	
	Expenses	Charges for Services	Operating Grants/ Contributions
Downtown Development Authority - Community enrichment/development and interest on long-term debt	\$ 182,855	\$ -	\$ 50
Economic Development Corporation - Public works	53,568	-	55,682
Total governmental activities	<b>\$ 236,423</b>	<b>\$ -</b>	<b>\$ 55,732</b>

General revenue:

Property taxes

Interest and other investment earnings

Total general revenue

**Change in Net Assets**

**Net Assets (Deficit) - Beginning of year**

**Net Assets - End of year**

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

Net (Expense) Revenue and Changes in Net Assets		
Downtown Development Authority	Economic Development Corporation	Total
\$ (182,805)	\$ -	\$ (182,805)
<u>-</u>	<u>2,114</u>	<u>2,114</u>
(182,805)	2,114	(180,691)
287,622	-	287,622
<u>4,065</u>	<u>5,134</u>	<u>9,199</u>
<u>291,687</u>	<u>5,134</u>	<u>296,821</u>
108,882	7,248	116,130
<u>(19,987)</u>	<u>419,167</u>	<u>399,180</u>
<b><u>\$ 88,895</u></b>	<b><u>\$ 426,415</u></b>	<b><u>\$ 515,310</u></b>

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

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

### **Reporting Entity**

The City of Eastpointe, Michigan operates with the council-manager form of government. It is governed by a City Council consisting of a mayor and four council members who are elected at large to overlapping four-year terms. In accordance with the provisions of the City Charter, the City Council appoints, among others, the city manager and the finance director, each of whom reports directly to the City Council. The city manager is responsible for the administration of the affairs of the City, except for those affairs that are the responsibility of other appointed officials. The finance director is responsible for the administration of the financial affairs of the City, including keeping and supervision of accounts, collections of taxes, and the custody and disbursement of City funds.

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 legal separate entities, in substance, they are part of the City's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

### **Blended Component Units**

The Building Authority of Eastpointe, an entity legally separate from the City, is governed by a three-member board appointed by the City Council. For financial reporting purposes, the Building Authority is reported as if it were a part of the City's operations because its purpose is to finance and construct buildings for the City. The operations of the Building Authority are reported as nonmajor Debt Service and Capital Projects Funds.

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

### **Discretely Presented Component Units**

The City of Eastpointe Downtown Development Authority (the "Authority") was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of nine individuals, is selected by the city manager and approved by the City Council. In addition, the Authority's budget is subject to approval by the City Council. Complete financial statements for the Downtown Development Authority can be obtained from the administrative offices at 23200 Gratiot Avenue, Eastpointe, MI 48021.

The City of Eastpointe Economic Development Corporation (the "EDC") was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to the residents of the City. The EDC's governing body, which consists of nine individuals, is selected by the city manager and approved by the City Council. Complete financial statements for the EDC can be obtained from the administrative offices at 23200 Gratiot Avenue, Eastpointe, MI 48021.

The City has excluded the Housing Commission from this report since the City does not have the ability to impose its will.

### **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 City (the primary government) and its discretely presented component units. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on 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.

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

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or identifiable activity (business-type activities) are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or activity. Taxes and other revenue items properly excluded from program revenue are reported as general revenue.

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

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.

**Public Safety Fund** - The Public Safety Fund accounts for police and fire safety activities within the City. Funding is provided primarily through a local property tax levy and a transfer from the General Fund.

**Major Streets Fund** - The Major Streets Fund accounts for maintenance and improvement activities for streets designated as "major" within the City. Funding is provided primarily through state-shared gas and weight taxes.

**Local Streets Fund** - The Local Streets Fund accounts for maintenance and improvement activities for streets designated as "local" within the City. Funding is provided primarily through state-shared gas and weight taxes.

The City reports the following major Enterprise Fund:

**Water and Sewer Fund** - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage and storm water collection system. Funding is provided primarily through user charges.

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

Additionally, the City reports the following fund types:

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the employee benefit plans, which accumulate resources for pension and other postemployment benefit payments to qualified employees.

**Agency Funds** - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

### **Measurement Focus and Basis of Accounting**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized in the accounting period in which it becomes susceptible to accrual - that is, when it becomes 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, generally collected within 60 days of the end of the current fiscal period. Revenue susceptible to accrual includes property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. 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. When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted resources.

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 Enterprise Fund.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

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

Amounts reported as program revenue include (1) charges for services to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. 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) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating 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.

**Property Tax Revenue** - Property taxes are levied on each July 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 2009 tax is levied and collectible on July 1, 2009 and is recognized as revenue in the year ended June 30, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the City totaled \$739 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 12.1754 mills for operating purposes, 1.5580 mills for refuse collection, .8865 mills for library services, 6.9181 mills for public safety, and 2.4753 mills for debt service. This resulted in approximately \$9.0 million for operating, \$1.2 million for refuse collection, \$655,000 for library services, \$5.1 million for public safety, and \$1.8 million for debt service. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

## **Note 1 - Summary of Significant Accounting Policies (Continued)**

### **Assets, Liabilities, and Net Assets or Equity**

**Cash 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. Pooled investment income from the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds is generally allocated to each fund using a weighted average.

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." There were no balances outstanding between funds or the governmental and business-type activities at June 30, 2010.

All trade and property tax receivables are shown net of an allowance for uncollectible amounts. Properties are assessed as of December 31. These taxes are billed on July 1 of the following year and become a lien on December 1. These taxes are due September 1 with the final collection date of February 28 before they are added to the county tax rolls.

**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.

**Restricted Assets** - The City has amounts on deposit with the Macomb County Drain Commission for use in the Lake St. Clair Water Initiative that have been classified as restricted assets. In addition, the City's governmental activities have unspent bond proceeds which are restricted for construction.

**Capital Assets** - Capital assets, which include property, buildings, 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.

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

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure	25 years
Water and sewer distribution systems	40 years
Buildings and building improvements	20 years
Machinery and equipment	5 to 7 years

**Compensated Absences** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability is recorded when incurred in the government-wide financial statements and the proprietary fund financial statements. A liability for these amounts is reported in governmental funds only when they have matured or come due for payment - generally when an individual's employment has terminated as of year end.

**Long-term Obligations** - In the government-wide financial statements and the proprietary 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 statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding 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 and deferred amount on refunding. 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.

**Pension and Other Postemployment Benefit Costs** - The City offers both pension and 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, pension and OPEB costs are recognized as contributions are made.

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

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.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. General Fund designations of fund balance at June 30, 2010 consist of the following:

	General Fund Designated Fund Balance
	<u>                    </u>
<b>Subsequent Year's Expenditures</b>	
Property assessment reduction	\$ 2,950,000
Retiree healthcare obligations	3,250,000
Unfunded pension liability	<u>2,525,000</u>
Total	<u>\$ 8,725,000</u>

In addition, the following designations have been made for compensated absences:

Compensated absences - General Fund	\$ 226,517
Compensated absences - Public Safety	<u>523,967</u>
Total	<u>\$ 750,484</u>

**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.

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

### **Budgetary Information**

The City is legally subject to the budgetary control requirements of State of Michigan P.A. 621 of 1978 (the Uniform Budgeting Act). The following statements represent a brief synopsis of the major provisions of this Act:

1. Budgets must be adopted for the General Fund and Special Revenue Funds.
2. The budgets must be balanced. The balanced budget may include a contribution to or appropriation from fund balance.
3. The budgets must be amended when necessary.
4. Debt cannot be entered into unless permitted by law.
5. Expenditures cannot exceed budget appropriations.
6. Expenditures cannot be made unless authorized in the budget.
7. Public hearings must be held before budget adoptions.

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

The City follows these procedures in establishing the budget reflected in the financial statements:

1. The city manager, on or before 60 days prior to the commencement of the fiscal and budgetary year (July 1), shall prepare and submit to the City Council a complete itemized proposed budget before the next fiscal year.
2. A public hearing on the budget shall be held before its final adoption, at such time and place as the City Council shall direct, and notice of such public hearing shall be published at least 10 days in advance thereof by the clerk.
3. The City Council shall, on or before 30 days prior to the commencement of the next fiscal year, adopt a budget for the ensuing fiscal year.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

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

The annual budget is prepared by the city manager and adopted by the City Council; subsequent amendments are approved by the City Council. Budgeted amounts of the revenue and expenditures presented for the General and Special Revenue Funds are as amended by the City Council. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2010 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenue and expenditures, including budget variances, for the General Fund and major Special Revenue Funds is presented in the required supplemental information. A comparison of actual results of operations to the nonmajor Special Revenue Funds' budgets as adopted by the City Council is available at the City offices for inspection. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

**State Construction Code Act** - The City oversees building construction, in accordance with the State's Construction Code Act, including inspections of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. Beginning January 1, 2000, the law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2009		\$ (3,637,597)
Building permit revenue		167,744
Related expenditures:		
Direct costs	\$ 155,499	
Estimated indirect costs	<u>23,325</u>	
Total construction code expenditures		<u>178,824</u>
Excess of expenditures over revenue		<u>(11,080)</u>
Cumulative shortfall - June 30, 2010		<u><u>\$ (3,648,677)</u></u>

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

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The City is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. During the year, the City invested in certain assets outside the scope of Public Act 20 of 1943. As of August 2010, the City no longer held these assets.

The Employees' Retirement System, the Employees' Death Benefit Fund, and the Retiree Health Care Fund are also authorized by Michigan Public Act 485 of 1996 to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,169,079 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The City held deposits in five financial institutions as of June 30, 2010.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

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

#### Interest Rate Risk

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

Investment	Fair Value	Weighted Average Maturity (in years)
U.S. government agency bonds or notes	\$ 5,028,603	.75
Municipal bonds	4,372,948	1.06
Floating income mutual funds	5,097,679	1.62
Negotiable certificates of deposit	1,471,230	1.07
U.S. government agency bonds or notes (pension)	446,227	9.04
U.S. government obligations (pension)	1,156,071	7.71
Corporate bonds (pension)	1,194,309	9.05

#### Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Bank investment pools	\$ 2,826,472	A1/P1/F1	Standard and Poor's
U.S. government agency bonds or notes	4,770,148	AAA	Standard and Poor's
U.S. government obligations	258,455	A-1 +	Standard and Poor's
State and local municipal bonds or notes	100,088	A+	Standard and Poor's
State and local municipal bonds or notes	151,037	AA	Standard and Poor's

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

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

Investment	Fair Value	Rating	Rating Organization
State and local municipal bonds or notes	\$ 1,536,026	AA-	Standard and Poor's
State and local municipal bonds or notes	179,437	Aa3	Standard and Poor's
State and local municipal bonds or notes	265,006	AAA	Standard and Poor's
State and local municipal bonds or notes	950,918	Not rated	Standard and Poor's
State and local municipal bonds or notes	1,189,663	SPI	Standard and Poor's
Floating income mutual fund	5,097,777	BB	Standard and Poor's
Negotiable certificates of deposit	1,471,230	Not rated	Standard and Poor's
U.S. government agency bonds or notes (pension)	446,227	AAA	Standard and Poor's
U.S. government obligations (pension)	1,156,071	AAA	Standard and Poor's
Corporate bonds (pension)	1,194,309	BB+-AAA	Standard and Poor's
Commercial paper	1,207,684	AI- AI+	Standard and Poor's

#### Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer. More than 5 percent of the City's portfolio is invested in the following issuers:

Issuer	Amount	Percent of Portfolio
Federal Home Loan Bank	\$ 2,771,827	9.8%
Federal Home Loan Mortgage Corporation	1,483,140	5.3%

The City's fiduciary funds subject to Michigan Public Act 485 of 1996 are limited by law in that investments in any one issuer (other than the U.S. government) may not exceed 5 percent of total investments. At June 30, 2010, there were no investments in any one issuer (other than the U.S. government) that exceeded 5 percent of total investments for the fiduciary funds.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 4 - Capital Assets

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

	Balance July 1, 2009	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2010
Governmental activities:					
Capital assets not being depreciated:					
Land	\$ 1,504,035	\$ -	\$ -	\$ -	\$ 1,504,035
Infrastructure construction in progress	376,565	-	-	(376,565)	-
Subtotal	1,880,600	-	-	(376,565)	1,504,035
Capital assets being depreciated:					
Infrastructure:					
Roads	15,532,108	1,303,241	-	-	16,835,349
Sidewalks	6,747,948	126,688	-	-	6,874,636
Buildings and building improvements	17,617,850	1,502,483	-	376,565	19,496,898
Machinery and equipment	7,234,464	483,478	205,377	-	7,512,565
Subtotal	47,132,370	3,415,890	205,377	376,565	50,719,448
Accumulated depreciation:					
Infrastructure:					
Roads	8,188,603	550,942	-	-	8,739,545
Sidewalks	3,049,600	252,405	-	-	3,302,005
Buildings and building improvements	9,364,341	655,163	-	-	10,019,504
Machinery and equipment	4,986,543	583,848	162,511	-	5,407,880
Subtotal	25,589,087	2,042,358	162,511	-	27,468,934
Net capital assets being depreciated	21,543,283	1,373,532	42,866	376,565	23,250,514
Net capital assets	<u>\$ 23,423,883</u>	<u>\$ 1,373,532</u>	<u>\$ 42,866</u>	<u>\$ -</u>	<u>\$ 24,754,549</u>

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 4 - Capital Assets (Continued)

	Balance July 1, 2009	Additions	Disposals and Adjustments	Transfers	Balance June 30, 2010
Business-type activities:					
Capital assets not being depreciated -					
Infrastructure construction in progress	\$ -	\$ 336,472	\$ -	\$ -	\$ 336,472
Capital assets being depreciated:					
Buildings	315,817	-	-	-	315,817
Utility system	41,492,259	2,847,338	-	-	44,339,597
Machinery and equipment	1,211,087	67,805	-	-	1,278,892
Subtotal	43,019,163	2,915,143	-	-	45,934,306
Accumulated depreciation:					
Buildings	305,948	1,208	-	-	307,156
Utility system	13,185,891	931,005	-	-	14,116,896
Machinery and equipment	852,580	70,504	-	-	923,084
Subtotal	14,344,419	1,002,717	-	-	15,347,136
Net capital assets	<u>\$ 28,674,744</u>	<u>\$ 2,248,898</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,923,642</u>

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

Governmental activities:

General government	\$ 1,200,534
Public safety	387,719
Public works	70,380
Recreation and culture	383,724

Total governmental activities \$ 2,042,357

Business-type activities - Water and sewer \$ 1,002,717

### Note 5 - Restricted Assets

The City's business-type activities have \$21,517 in funds held by the Macomb County Drain Commission on behalf of the City to be used for the Lake St. Clair Clean Water Initiative, including related debt service. In addition, the City's governmental activities have unspent bond proceeds of \$394,498 which are restricted for construction.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 6 - Interfund Transfers

The transfer from the General Fund to the Public Safety Fund represents unrestricted resources required for current public safety expenditures. The transfer from the nonmajor governmental funds into the Water and Sewer Fund represents the transfer of property tax revenue restricted for debt service expense incurred by the Water and Sewer Fund. All other transfers provided funding for capital projects, capital acquisitions, and debt service.

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Public Safety Fund	\$ 7,274,831
	Nonmajor governmental funds	<u>877,296</u>
	Total General Fund	8,152,127
Public Safety Fund	Nonmajor governmental funds	809,913
Nonmajor governmental funds	Water and Sewer Fund	1,013,144
	Nonmajor governmental funds	<u>22,909</u>
	Total nonmajor governmental funds	<u>1,036,053</u>
	Total	<u>\$ 9,998,093</u>

### 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. County contractual agreements and installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences and certain risk liabilities.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

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

Long-term obligation activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions and Adjustments	Ending Balance	Due Within One Year
Governmental activities:							
General obligation bond:							
Building Authority General Obligation Bonds							
Amount of issue - \$4,500,000	4.25% -	\$90,000 -	\$ 4,410,000	\$ -	\$ (115,000)	\$ 4,295,000	\$ 120,000
Maturing through 2033	4.375%	\$280,000					
Plus unamortized premium on issuance			35,406	-	(1,523)	33,883	1,523
Other long-term obligations:							
Compensated absences			915,226	-	(164,742)	750,484	40,000
Net pension obligation			1,500,455	34,878	-	1,535,333	-
Uninsured losses (Note 9)			131,796	65,034	-	196,830	-
Total governmental activities			6,992,883	99,912	(281,265)	6,811,530	161,523
Business-type activities - Water and Sewer:							
County Drain Contract:							
Lake St. Clair Clean Water Initiative							
Amount of issue - \$12,144,547	Various	\$178,790 -					
Maturing through 2030	Various	\$731,432	9,828,340	-	(494,848)	9,333,492	511,935
County Drain Contract:							
8 1/2 Mile Relief Drain							
Amount of issue - \$1,958,157	2.50%	\$96,928 -					
Maturing through 2030		\$135,825	1,387,469	657,616	-	2,045,085	86,928
Other long-term obligations - Compensated absences			17,683	2,511	-	20,194	-
Total business-type activities			11,233,492	660,127	(494,848)	11,398,771	598,863
Total			<u>\$ 18,226,375</u>	<u>\$ 760,039</u>	<u>\$ (776,113)</u>	<u>\$ 18,210,301</u>	<u>\$ 760,386</u>
Component unit - 1992 Downtown Development							
Authority Bonds:							
Amount of issue - \$995,000		\$85,000 -					
Maturing through 2011	6.00%	\$90,000	\$ 175,000	\$ -	\$ (85,000)	\$ 90,000	\$ 90,000

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

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

Annual debt service requirements to maturity for the above bond obligations and contracts are as follows:

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 120,000	\$ 181,900	\$ 301,900	\$ 598,863	\$ 346,952	\$ 945,815
2012	120,000	176,800	296,800	611,196	330,531	941,727
2013	125,000	171,594	296,594	628,590	313,161	941,751
2014	130,000	166,175	296,175	647,660	295,230	942,890
2015	135,000	160,544	295,544	665,256	276,707	941,963
2016-2020	765,000	709,856	1,474,856	3,629,281	1,081,848	4,711,129
2021-2025	940,000	529,125	1,469,125	3,042,406	536,942	3,579,348
2026-2030	1,150,000	306,800	1,456,800	1,555,325	166,211	1,721,536
2031-2033	810,000	54,031	864,031	-	-	-
Total	<u>\$ 4,295,000</u>	<u>\$ 2,456,825</u>	<u>\$ 6,751,825</u>	<u>\$ 11,378,577</u>	<u>\$ 3,347,582</u>	<u>\$ 14,726,159</u>

Year Ending June 30	Component Unit		
	Principal	Interest	Total
2011	<u>\$ 90,000</u>	<u>\$ 2,700</u>	<u>\$ 92,700</u>

**Defeased Debt** - In prior years, the City defeased certain bonds by placing City funds or proceeds from new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2010, \$3,610,000 of bonds outstanding are considered defeased.

**County Contractual Obligations** - The above contractual obligations to the County are the result of the County issuance of bonds on behalf of the City and other communities involved in the Lake St. Clair Clean Water Initiative Project and the 8 ½ Drain Relief Project. The City has pledged to raise property taxes, to the extent permitted by law, as necessary to fund the obligation to repay the County. The remaining principal and interest to be paid by the City of Eastpointe on the bonds total \$14,726,161. During the current year, total property taxes levied to fund debt obligations of the City totaled \$1,828,463. Total principal and interest paid by the City for County-issued debt totaled \$841,446.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 8 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 27,660	\$ -
Other miscellaneous charges	232,802	-
Personal property taxes	76,800	-
Ambulance billings	<u>144,382</u>	<u>-</u>
Total deferred revenue	<u>\$ 481,644</u>	<u>\$ -</u>

### Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits and workers' compensation; 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 participates in the Michigan Municipal Risk Management Authority risk pool for claims other than medical benefits.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Michigan Municipal Risk Management that it uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City of Eastpointe, Michigan.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 9 - Risk Management (Continued)

The City is self-funded for claims up to a retention amount, at which time the City's reinsurance coverage begins. The City estimates the liability for claims that have been incurred through the end of the year, including both those claims that have been reported as well as those that have not been reported.

Changes in the estimated liability by category for the past two fiscal years were as follows:

	General Liability, Auto, and Property		Workers' Compensation	
	2010	2009	2010	2009
Estimated liability - Beginning of year	\$ 128,631	\$ 37,629	\$ 3,165	\$ 3,065
Estimated claims incurred, including changes in estimates	218,554	148,361	(3,936)	100
Claims payments	(149,584)	(57,359)	-	-
Estimated liability - End of year	<u>\$ 197,601</u>	<u>\$ 128,631</u>	<u>\$ (771)</u>	<u>\$ 3,165</u>

### Note 10 - Defined Benefit Pension Plan

**Plan Description** - The City of Eastpointe Employees' Retirement System is the administrator of a single-employer public employees' retirement system, established pursuant to collective bargaining agreements that covers all full-time employees of the City. The system provides retirement and death benefits to plan members and their beneficiaries. At June 30, 2009, the date of the most recent actuarial valuation, membership consisted of 190 retirees and beneficiaries currently receiving benefits, 14 terminated employees entitled to benefits but not yet receiving them, and 143 current active employees.

**Contributions** - Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Plan members are not required to contribute. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 10 - Defined Benefit Pension Plan (Continued)

**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 funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

#### Funded Status and Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
06/30/07	\$ 49,964,926	\$ 59,481,086	\$ 9,516,160	84	\$ 9,392,368	101
06/30/08	50,448,315	62,522,948	12,074,633	81	10,294,149	117
06/30/09	48,368,055	67,624,394	19,256,339	72	10,218,230	188

This valuation's computed contributions and actual funding are summarized as follows:

	Pension Plan
Annual required contribution (recommended)	\$ 2,071,959
Interest on prior year's net pension obligation	120,036
Less adjustment to the annual required contribution	<u>(85,158)</u>
Annual pension cost	2,106,837
Amounts contributed - Contributions	<u>2,071,959</u>
Change in pension obligation	34,878
Net pension obligation:	
Beginning of year	<u>1,500,455</u>
End of year	<u><u>\$ 1,535,333</u></u>

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 10 - Defined Benefit Pension Plan (Continued)

**Annual Pension Costs** - For the year ended June 30, 2010, the City's annual pension cost was \$2,106,837 for the plan. The annual required contribution was \$2,071,959, which equals the amount contributed by the City during the year. The annual required contribution was determined as part of an actuarial valuation at June 30, 2008, using the individual entry age actuarial funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4 percent to 7 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 30 years.

**Reserves** - As of June 30, 2010, the plan's legally required reserves are as follows:

Reserve for employees' contributions	\$	56,963
Reserve for retired benefit payments		37,755,815

### Three-year Trend Information

Year Ended June 30	Beginning Net Pension Obligation	Annual Pension Cost (APC)	Percentage of APC Contributed	Change in Net Pension Obligation	Ending Net Pension Obligation
2008	\$ 1,433,056	\$ 1,720,060	98%	\$ 33,312	\$ 1,466,368
2009	1,466,368	1,820,166	98%	34,087	1,500,455
2010	1,500,455	2,106,837	98%	34,878	1,535,333

### Note 11 - Other Postemployment Benefits

**Plan Description** - The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to police, fire, and general employee groups. As of June 30, 2008, the date of the most recent actuarial valuation, the plan had 340 members, including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits.

This is a single employer defined benefit plan administered by the City. 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.

**Funding Policy** - The collective bargaining agreements currently do not require a contribution from employees. 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). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

**Funding Status and Funding Progress** - For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through the Postretirement Healthcare Plan through actuarial valuations as of June 30, 2008. The valuations compute 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.

The funding progress of the plan, as of the most recent valuation date, June 30, 2008, is as follows:

Actuarial value of assets	\$	2,250,959
Actuarial accrued liability (AAL)	\$	44,937,892
Unfunded AAL (UAAL)	\$	42,686,933
Funded ratio		5%
Annual covered payroll	\$	10,294,149
Ratio of UAAL to covered payroll		415%

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 11 - Other Postemployment Benefits (Continued)

This valuation's computed contributions and actual funding is summarized as follows:

	Postretirement Healthcare Plan
Annual required contribution (recommended)	\$ 3,115,938
Interest on prior year's net OPEB obligation	59,989
Less adjustment to the annual required contribution	-
Annual OPEB cost	<u>3,175,927</u>
Amounts contributed - Contributions	<u>2,577,569</u>
Change in OPEB	598,358
Net OPEB obligation:	
Beginning of year	<u>749,846</u>
End of year	<u>\$ 1,348,204</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB asset for the plan for the current year and previous year are as follows:

	Postretirement Healthcare Plan	
	Fiscal Year Ended June 30, 2009	Fiscal Year Ended June 30, 2010
Annual OPEB cost	\$ 3,227,616	\$ 3,175,927
Percentage contributed	77%	81%
Net OPEB obligation	\$ (749,849)	\$ (1,348,204)

## **Note 11 - 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. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the assets of the Postretirement Healthcare Plan is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits of the plans.

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 June 30, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included an 8.0 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, grading down to 4 percent over the next eight years. Both rates included a 4 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2008 was 30 years.

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 12 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Pension and Other Employee Benefit Trust Funds			
	Employees'			Total
	Retirement System	Employees' Death Benefit	Retiree Health Care	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,299,943	\$ 44,593	\$ 364,387	\$ 1,708,923
Investments:				
U.S. government obligations	1,492,648	-	109,648	1,602,296
Local government obligations	22,135	-	1,626	23,761
Corporate bonds and notes	1,112,580	394,801	81,729	1,589,110
Common and preferred stock	21,512,939	-	1,580,323	23,093,262
Mutual funds	12,496,290	531,905	917,968	13,946,163
Total assets	37,936,535	971,299	3,055,681	41,963,515
<b>Liabilities</b> - Accounts payable	69,961	4,000	31,115	105,076
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 37,866,574</u>	<u>\$ 967,299</u>	<u>\$ 3,024,566</u>	<u>\$ 41,858,439</u>

# City of Eastpointe, Michigan

## Notes to Financial Statements June 30, 2010

### Note 12 - Pension and Other Employee Benefit Trust Funds (Continued)

	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 1,063,060	\$ 49,982	\$ 102,078	\$ 1,215,120
Net adjustment to fair value of investments	3,671,764	85,470	92,439	3,849,673
Less investment expenses	(264,383)	-	(375)	(264,758)
Net investment income	4,470,441	135,452	194,142	4,800,035
Employer contributions	2,071,959	-	2,577,569	4,649,528
Total additions - Net	6,542,400	135,452	2,771,711	9,449,563
<b>Deductions</b>				
Benefit payments	4,670,891	42,000	-	4,712,891
Health insurance premiums	-	-	2,223,656	2,223,656
Administrative expenses	9,018	-	-	9,018
Total deductions	4,679,909	42,000	2,223,656	6,945,565
<b>Change in Net Assets</b>	1,862,491	93,452	548,055	2,503,998
<b>Net Assets - Beginning of year</b>	36,004,083	873,847	2,476,511	39,354,441
<b>Net Assets - End of year</b>	<u>\$ 37,866,574</u>	<u>\$ 967,299</u>	<u>\$ 3,024,566</u>	<u>\$ 41,858,439</u>

### Note 13 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage to participating municipalities in Macomb County, Michigan. Other members include the cities of Roseville and St. Clair Shores, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest of \$4,524,797 is recorded in the Water and Sewer Fund fund financial statements and within the business-type activities column in the statement of net assets.

Complete financial statements for the South Macomb Sanitary District can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

## **Note 13 - Joint Ventures (Continued)**

The City is a member of the South Macomb Disposal Authority, which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Center Line, Roseville, St. Clair Shores, and Warren, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest in the Authority's operating reserve of \$129,879 is recorded within the governmental activities column of the statement of activities.

Complete financial statements for the South Macomb Disposal Authority can be obtained from the administrative offices at 20001 Pleasant Avenue, Box 286, St. Clair Shores, MI 48080. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future.

## **Note 14 - Employees' Death Benefit Fund**

The Employees' Death Benefit Fund was established by City Ordinance on October 13, 1958 for the purpose of providing a death benefit for employees who elect to participate in the plan. Prior year contributions from the City and plan members have been determined to be sufficient to fully fund the plan at June 30, 2010. Benefits at date of death are payable to designated beneficiaries in varying amounts. The obligation to contribute and maintain the plan was established by negotiation with the City's collective bargaining units.

## **Note 15 - Upcoming Accounting Pronouncement Disclosures**

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 2011.

## **Required Supplemental Information**

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# City of Eastpointe, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 9,366,751	\$ 9,394,906	\$ 9,386,814	\$ (8,092)
Licenses and permits	592,035	660,035	784,928	124,893
State sources	3,406,861	3,413,706	3,227,662	(186,044)
Charges for services	729,670	486,105	479,715	(6,390)
Rental income	167,989	168,769	164,985	(3,784)
Fines and forfeitures	1,690,474	2,170,302	2,132,063	(38,239)
Interest income	163,000	163,000	149,391	(13,609)
Other	317,850	356,285	272,738	(83,547)
<b>Total revenue</b>	<b>16,434,630</b>	<b>16,813,108</b>	<b>16,598,296</b>	<b>(214,812)</b>
<b>Expenditures</b>				
General government:				
City Council	37,974	37,974	27,828	10,146
City manager	413,230	451,230	439,999	11,231
City clerk and elections	285,538	272,038	243,625	28,413
Finance	924,882	785,882	689,811	96,071
Assessor	284,702	284,702	282,781	1,921
Law	171,347	171,347	162,107	9,240
Judicial	1,132,523	1,132,523	1,098,201	34,322
General operating	2,863,576	3,295,782	2,605,895	689,887
Public safety - Building inspection	756,402	724,787	650,623	74,164
Public works - Administration	464,756	489,756	444,404	45,352
Recreation and culture:				
Administration	600,989	600,989	552,648	48,341
Parks	645,845	635,845	527,890	107,955
Kennedy Park pool	121,020	99,020	80,724	18,296
Senior citizens' center	222,552	224,352	186,993	37,359
Senior citizen SMART	75,350	85,350	76,331	9,019
Community enrichment and development:				
Planning	43,300	43,300	30,561	12,739
Beautification	6,890	8,390	6,572	1,818
<b>Total expenditures</b>	<b>9,050,876</b>	<b>9,343,267</b>	<b>8,106,993</b>	<b>1,236,274</b>
<b>Excess of Revenue Over Expenditures</b>	<b>7,383,754</b>	<b>7,469,841</b>	<b>8,491,303</b>	<b>1,021,462</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	228,660	-	-	-
Transfers out	(8,284,197)	(8,645,963)	(8,207,809)	438,154
<b>Total other financing uses</b>	<b>(8,055,537)</b>	<b>(8,645,963)</b>	<b>(8,207,809)</b>	<b>438,154</b>
<b>Net Change in Fund Balance</b>	<b>(671,783)</b>	<b>(1,176,122)</b>	<b>283,494</b>	<b>1,459,616</b>
<b>Fund Balance - Beginning of year</b>	<b>11,581,262</b>	<b>11,581,262</b>	<b>11,581,262</b>	<b>-</b>
<b>Fund Balance - End of year</b>	<b>\$ 10,909,479</b>	<b>\$ 10,405,140</b>	<b>\$ 11,864,756</b>	<b>\$ 1,459,616</b>

# City of Eastpointe, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2010

	Public Safety Fund			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
<b>Revenue</b>				
Property taxes	\$ 5,125,981	\$ 5,115,868	\$ 5,111,270	\$ (4,598)
Federal sources	94,400	191,343	184,008	(7,335)
State sources	81,168	112,413	89,212	(23,201)
Interest income	37,500	22,500	12,068	(10,432)
Other	-	-	112,716	112,716
Total revenue	5,339,049	5,442,124	5,509,274	67,150
<b>Expenditures - Public safety</b>	12,643,860	12,609,771	12,049,068	560,703
<b>Excess of Expenditures Over Revenue</b>	(7,304,811)	(7,167,647)	(6,539,794)	627,853
<b>Other Financing Sources (Uses)</b>				
Transfers in	7,768,667	7,768,667	7,274,831	(493,836)
Transfers out	(644,500)	(864,709)	(809,913)	54,796
Total other financing sources	7,124,167	6,903,958	6,464,918	(439,040)
<b>Net Change in Fund Balance</b>	(180,644)	(263,689)	(74,876)	188,813
<b>Fund Balance - Beginning of year</b>	774,329	774,329	774,329	-
<b>Fund Balance - End of year</b>	<u>\$ 593,685</u>	<u>\$ 510,640</u>	<u>\$ 699,453</u>	<u>\$ 188,813</u>

# City of Eastpointe, Michigan

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	Major Streets Fund			Variance with Amended Budget
	Original Budget	Amended Budget	Actual	
<b>Revenue</b>				
State-shared revenue and grants	\$ 1,350,900	\$ 1,439,245	\$ 1,342,207	\$ (97,038)
Interest income	18,600	18,600	40,292	21,692
Other	-	-	-	-
Total revenue	1,369,500	1,457,845	1,382,499	(75,346)
<b>Expenditures - Public works</b>	<u>1,144,118</u>	<u>1,144,118</u>	<u>742,079</u>	<u>402,039</u>
<b>Net Change in Fund Balances</b>	225,382	313,727	640,420	326,693
<b>Fund Balances - Beginning of year</b>	<u>3,104,977</u>	<u>3,104,977</u>	<u>3,104,977</u>	-
<b>Fund Balances - End of year</b>	<u><b>\$ 3,330,359</b></u>	<u><b>\$ 3,418,704</b></u>	<u><b>\$ 3,745,397</b></u>	<u><b>\$ 326,693</b></u>

**Required Supplemental Information  
Budgetary Comparison Schedule  
Major Special Revenue Funds (Continued)  
Year Ended June 30, 2010**

Local Streets Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ 511,570	\$ 511,570	\$ 485,450	\$ (26,120)
12,510	12,510	11,145	(1,365)
-	-	4,000	4,000
524,080	524,080	500,595	(23,485)
<u>1,539,923</u>	<u>1,539,923</u>	<u>1,351,920</u>	<u>188,003</u>
(1,015,843)	(1,015,843)	(851,325)	164,518
<u>1,594,728</u>	<u>1,594,728</u>	<u>1,594,728</u>	<u>-</u>
<b><u>\$ 578,885</u></b>	<b><u>\$ 578,885</u></b>	<b><u>\$ 743,403</u></b>	<b><u>\$ 164,518</u></b>

# City of Eastpointe, Michigan

## Required Supplemental Information Retirement System Schedule of Funding Progress June 30, 2010

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
06/30/04	\$ 54,289,686	\$ 50,999,509	\$ (3,290,177)	106	\$ 9,102,598	(36)
06/30/05	51,215,561	54,961,821	3,746,260	93	9,496,345	39
06/30/06 *	48,907,812	56,647,165	7,739,353	86	9,429,156	82
06/30/07	49,964,926	59,481,086	9,516,160	84	9,392,368	101
06/30/08	50,448,315	62,522,948	12,074,633	81	10,294,149	117
06/30/09	48,368,055	67,624,394	19,256,339	72	10,218,230	188

\* Includes changes in benefit provisions

# City of Eastpointe, Michigan

## Required Supplemental Information Retirement System Schedule of Employer Contributions June 30, 2010

The schedule of employer contributions is as follows:

Fiscal Year Ended June 30	Annual Required Contribution*	Percentage Contributed
2005	\$ 432,939	-
2006	777,640	-
2007	1,529,421	100%
2008	1,686,748	100%
2009	1,786,080	100%
2010	2,071,959	100%

\* The required contribution is expressed to the City as a percentage of payroll.

Valuation date	June 30, 2009
Actuarial cost method	Individual entry age
Amortization method	Level percent open
Remaining amortization period	30 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return *	8.0%
Projected salary increases *	4%-7%
*Includes inflation at	4%
Cost of living adjustments	None

# City of Eastpointe, Michigan

## Required Supplemental Information Retiree Healthcare System Schedule of Funding Progress June 30, 2010

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2008, the latest actuarial valuation, is as follows:

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	Unfunded (Overfunded) AAL as a Percentage of Covered Payroll
06/30/08	\$ 2,250,959	\$ 44,937,892	\$ 42,686,933	5	\$ 10,294,149	415

The schedule of employer contributions is as follows:

Fiscal Year Ended June 30	Annual OPEB Cost	Percentage Contributed
2009	\$ 3,277,616	77%
2010	3,175,927	81%

Additional information as of June 30, 2008, the latest actuarial valuation, is as follows:

Valuation date	June 30, 2008
Actuarial cost method	Individual entry age
Amortization method	Level percent of payroll
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	8.0%
Projected salary increases *	4%-7%
*Includes inflation at	4%
Cost of living adjustments	None
Valuation healthcare cost trend rate	9% in 2010, grading to 4% in 2017

# City of Eastpointe, Michigan

## Note to Required Supplemental Information June 30, 2010

### Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

The budgetary comparison schedules for the General and Major Special Revenue Funds are presented on the same basis of accounting used in preparing the adopted budgets. Following is a reconciliation of the budgetary comparison schedule for the General Fund to the governmental funds (statement of revenue, expenditures, and changes in fund balance):

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 16,598,296	\$ 8,162,675
Expenditure budgeted as a transfer	-	(55,682)
Amounts per budget statement	<u>\$ 16,598,296</u>	<u>\$ 8,106,993</u>

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year ended June 30, 2010, the City of Eastpointe did not incur expenditures in any of its major Special Revenue Funds that were in excess of the amounts budgeted.

## **Other Supplemental Information**

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# City of Eastpointe, Michigan

	Nonmajor Special Revenue Funds				
	Fire/ALS	Garbage and Rubbish Collection	Library	Drug Law Enforcement	Library - J Tinor Reading
<b>Assets</b>					
Cash and cash equivalents	\$ 181,682	\$ 286,232	\$ 31,765	\$ 229,057	\$ 42,287
Investments	335,223	528,128	58,426	398,648	-
Receivables:					
Special assessments	-	-	-	-	-
Accounts - Net of allowance for doubtful accounts	144,885	795	88	598	41
Due from other governmental units	-	40	44,006	1,426	-
Restricted assets	-	-	-	-	-
<b>Total assets</b>	<b>\$ 661,790</b>	<b>\$ 815,195</b>	<b>\$ 134,285</b>	<b>\$ 629,729</b>	<b>\$ 42,328</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 13,967	\$ 157,168	\$ 17,557	\$ 13,144	\$ -
Accrued and other liabilities	12,122	-	10,843	-	-
Deferred revenue	144,382	-	-	-	-
<b>Total liabilities</b>	<b>170,471</b>	<b>157,168</b>	<b>28,400</b>	<b>13,144</b>	<b>-</b>
<b>Fund Balances</b>					
Reserved for construction projects	-	-	-	-	-
Unreserved:					
Designated for debt service	-	-	-	-	-
Designated for capital improvements	-	-	-	-	-
Undesignated	491,319	658,027	105,885	616,585	42,328
<b>Total fund balances</b>	<b>491,319</b>	<b>658,027</b>	<b>105,885</b>	<b>616,585</b>	<b>42,328</b>
<b>Total liabilities and fund balances</b>	<b>\$ 661,790</b>	<b>\$ 815,195</b>	<b>\$ 134,285</b>	<b>\$ 629,729</b>	<b>\$ 42,328</b>

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

Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds	
Juvenile Justice	Welfare and Catastrophe	Community Center	Eastpointe Fire	Memorial Library	Building Authority	Chapter 20 Drain Debt Service
\$ 2,517	\$ 25,839	\$ 15,912	\$ 1,052	\$ 7,277	\$ 334	\$ 265,664
-	-	-	-	-	-	490,177
-	-	-	-	-	-	-
-	25	16	1	7	-	737
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<b>\$ 2,517</b>	<b>\$ 25,864</b>	<b>\$ 15,928</b>	<b>\$ 1,053</b>	<b>\$ 7,284</b>	<b>\$ 334</b>	<b>\$ 756,578</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,645
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	1,645
-	-	-	-	-	-	-
-	-	-	-	-	334	754,933
-	-	-	-	-	-	-
2,517	25,864	15,928	1,053	7,284	-	-
2,517	25,864	15,928	1,053	7,284	334	754,933
<b>\$ 2,517</b>	<b>\$ 25,864</b>	<b>\$ 15,928</b>	<b>\$ 1,053</b>	<b>\$ 7,284</b>	<b>\$ 334</b>	<b>\$ 756,578</b>

# City of Eastpointe, Michigan

## Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds June 30, 2010

	Nonmajor Capital Projects Funds				Total Nonmajor Governmental Funds
	Capital Improvement	SEMSD Clean Water Initiative	Equipment Replacement	Building Authority Construction	
<b>Assets</b>					
Cash and cash equivalents	\$ 169,539	\$ -	\$ 81,564	\$ 33,507	\$ 1,374,228
Investments	312,817	-	150,493	-	2,273,912
Receivables:					
Special assessments	45,483	-	-	-	45,483
Accounts - Net of allowance for doubtful accounts	465	-	215	-	147,873
Due from other governmental units	-	-	10,005	-	55,477
Restricted assets	-	-	-	394,498	394,498
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<b><u>\$ 528,304</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 242,277</u></b>	<b><u>\$ 428,005</u></b>	<b><u>\$ 4,291,471</u></b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,638	\$ -	\$ 74,861	\$ 33,507	\$ 314,487
Accrued and other liabilities	-	-	-	-	22,965
Deferred revenue	27,660	-	-	-	172,042
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	30,298	-	74,861	33,507	509,494
<b>Fund Balances</b>					
Reserved for construction projects	-	-	-	394,498	394,498
Unreserved:					
Designated for debt service	-	-	-	-	755,267
Designated for capital improvements	498,006	-	167,416	-	665,422
Undesignated	-	-	-	-	1,966,790
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	498,006	-	167,416	394,498	3,781,977
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<b><u>\$ 528,304</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 242,277</u></b>	<b><u>\$ 428,005</u></b>	<b><u>\$ 4,291,471</u></b>

# City of Eastpointe, Michigan

	Nonmajor Special Revenue Funds				
	Garbage and		Library	Drug Law Enforcement	Library - J Tinor Reading
	Fire /ALS	Rubbish Collection			
<b>Revenue</b>					
Property taxes	\$ -	\$ 1,151,034	\$ 654,905	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental:					
Federal sources	-	-	-	16,103	-
State sources	-	-	6,693	-	-
Charges for services	505,843	-	1,304	-	-
Rental income	-	-	-	-	-
Fines and forfeitures	-	-	57,314	165,330	-
Interest	7,393	16,302	2,695	6,797	298
Other	-	1,725	-	10,110	42,030
Total revenue	513,236	1,169,061	722,911	198,340	42,328
<b>Expenditures</b>					
Current:					
Public safety	679,237	-	-	116,339	-
Public works	-	1,679,100	-	-	-
Recreation and culture	-	-	656,218	-	-
Capital outlay	7,203	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
Total expenditures	686,440	1,679,100	656,218	116,339	-
<b>Excess of Revenue Over (Under) Expenditures</b>	(173,204)	(510,039)	66,693	82,001	42,328
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	-	-	-
Transfers out	-	-	-	(22,909)	-
Total other financing sources (uses)	-	-	-	(22,909)	-
<b>Net Change in Fund Balances</b>	(173,204)	(510,039)	66,693	59,092	42,328
<b>Fund Balances - Beginning of year</b>	664,523	1,168,066	39,192	557,493	-
<b>Fund Balances - End of year</b>	<u>\$ 491,319</u>	<u>\$ 658,027</u>	<u>\$ 105,885</u>	<u>\$ 616,585</u>	<u>\$ 42,328</u>

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

Nonmajor Special Revenue Funds					Nonmajor Debt Service Funds	
Juvenile Justice	Welfare and Catastrophe	Community Center	Eastpointe Fire	Memorial Library	Building Authority	Chapter 20 Drain Debt Service
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,828,768
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	314	194	13	88	-	12,775
-	-	-	-	150	-	-
-	314	194	13	238	-	1,841,543
-	-	-	-	-	-	-
-	-	-	-	-	325	849,122
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	115,000	-
-	-	-	-	-	186,894	-
-	-	-	-	-	302,219	849,122
-	314	194	13	238	(302,219)	992,421
-	-	-	-	-	302,369	-
-	-	-	-	-	-	(846,301)
-	-	-	-	-	302,369	(846,301)
-	314	194	13	238	150	146,120
2,517	25,550	15,734	1,040	7,046	184	608,813
<b>\$ 2,517</b>	<b>\$ 25,864</b>	<b>\$ 15,928</b>	<b>\$ 1,053</b>	<b>\$ 7,284</b>	<b>\$ 334</b>	<b>\$ 754,933</b>

# City of Eastpointe, Michigan

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

	Nonmajor Capital Projects Funds				Total Nonmajor Governmental Funds
	Capital Improvement	SEMSD Clean Water Initiative	Equipment Replacement	Building Authority Construction	
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ 3,634,707
Special assessments	143,914	-	-	-	143,914
Intergovernmental:					
Federal sources	-	-	-	-	16,103
State sources	-	-	-	-	6,693
Charges for services	-	-	-	-	507,147
Rental income	-	-	228,579	-	228,579
Fines and forfeitures	-	-	-	-	222,644
Interest	6,805	-	2,691	1,161	57,526
Other	-	-	16,240	-	70,255
Total revenue	<u>150,719</u>	<u>-</u>	<u>247,510</u>	<u>1,161</u>	<u>4,887,568</u>
<b>Expenditures</b>					
Current:					
Public safety	-	-	-	-	795,576
Public works	-	-	-	-	2,528,547
Recreation and culture	-	-	-	-	656,218
Capital outlay	126,688	-	1,952,460	1,471	2,087,822
Debt service:					
Principal	-	-	-	-	115,000
Interest	-	-	-	-	186,894
Total expenditures	<u>126,688</u>	<u>-</u>	<u>1,952,460</u>	<u>1,471</u>	<u>6,370,057</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	24,031	-	(1,704,950)	(310)	(1,482,489)
<b>Other Financing Sources (Uses)</b>					
Transfers in	-	-	1,407,749	-	1,710,118
Transfers out	-	(166,843)	-	-	(1,036,053)
Total other financing sources (uses)	<u>-</u>	<u>(166,843)</u>	<u>1,407,749</u>	<u>-</u>	<u>674,065</u>
<b>Net Change in Fund Balances</b>	24,031	(166,843)	(297,201)	(310)	(808,424)
<b>Fund Balances - Beginning of year</b>	473,975	166,843	464,617	394,808	4,590,401
<b>Fund Balances - End of year</b>	<u>\$ 498,006</u>	<u>\$ -</u>	<u>\$ 167,416</u>	<u>\$ 394,498</u>	<u>\$ 3,781,977</u>

# City of Eastpointe, Michigan

	Pension and Other Employee Benefit Trust Funds			
	Employees'	Employees'	Retiree Health	Total
	Retirement	Death Benefit	Care	
	System			
<b>Assets</b>				
Cash and cash equivalents	\$ 1,299,943	\$ 44,593	\$ 364,387	\$ 1,708,923
Investments:				
U.S. government obligations	1,492,648	-	109,648	1,602,296
Local government obligations	22,135	-	1,626	23,761
Corporate bonds and notes	1,112,580	394,801	81,729	1,589,110
Common and preferred stock	21,512,939	-	1,580,323	23,093,262
Mutual funds	<u>12,496,290</u>	<u>531,905</u>	<u>917,968</u>	<u>13,946,163</u>
Total assets	37,936,535	971,299	3,055,681	41,963,515
<b>Liabilities</b>				
Accounts payable	69,961	4,000	31,115	105,076
Accrued liabilities	-	-	-	-
Due to other governmental units	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>69,961</u>	<u>4,000</u>	<u>31,115</u>	<u>105,076</u>
<b>Net Assets</b> - Held in trust for pension and other employee benefits	<u>\$ 37,866,574</u>	<u>\$ 967,299</u>	<u>\$ 3,024,566</u>	<u>\$ 41,858,439</u>

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

Agency Funds			
Cash and Performance Bonds	Tax Collection	Imprest Payroll	Total
\$ 64,623	\$ 451	\$ 3,602	\$ 68,676
-	-	-	-
-	-	-	-
-	-	-	-
<b>\$ 64,623</b>	<b>\$ 451</b>	<b>\$ 3,602</b>	<b>\$ 68,676</b>
\$ 2,900	\$ -	\$ -	\$ 2,900
61,723	-	3,602	65,325
-	451	-	451
<b>\$ 64,623</b>	<b>\$ 451</b>	<b>\$ 3,602</b>	<b>\$ 68,676</b>

# City of Eastpointe, Michigan

## Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2010

	Employees' Retirement System	Employees' Death Benefit	Retiree Health Care	Total
<b>Additions</b>				
Investment income (loss):				
Interest and dividends	\$ 1,063,060	\$ 49,982	\$ 102,078	\$ 1,215,120
Net adjustment to fair value of investments	3,671,763	85,470	92,439	3,849,672
Less investment expenses	<u>(264,382)</u>	<u>-</u>	<u>(375)</u>	<u>(264,757)</u>
Net investment income	4,470,441	135,452	194,142	4,800,035
Employer contributions	<u>2,071,959</u>	<u>-</u>	<u>2,577,569</u>	<u>4,649,528</u>
Total additions - Net	6,542,400	135,452	2,771,711	9,449,563
<b>Deductions</b>				
Benefit payments	4,670,891	42,000	-	4,712,891
Health insurance premiums	-	-	2,223,656	2,223,656
Administrative expenses	<u>9,018</u>	<u>-</u>	<u>-</u>	<u>9,018</u>
Total deductions	<u>4,679,909</u>	<u>42,000</u>	<u>2,223,656</u>	<u>6,945,565</u>
<b>Change in Net Assets</b>	1,862,491	93,452	548,055	2,503,998
<b>Net Assets - Beginning of year</b>	<u>36,004,083</u>	<u>873,847</u>	<u>2,476,511</u>	<u>39,354,441</u>
<b>Net Assets - End of year</b>	<u><b>\$ 37,866,574</b></u>	<u><b>\$ 967,299</b></u>	<u><b>\$ 3,024,566</b></u>	<u><b>\$ 41,858,439</b></u>