

CITY OF INKSTER, MICHIGAN

**FINANCIAL REPORT
WITH SUPPLEMENTAL INFORMATION**

YEAR ENDED JUNE 30, 2010

City of Inkster, Michigan

Contents

Page No.:

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-Wide Financial Statements:	
Statement of Net Assets (Deficit)	12
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Statement of Revenue, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Assets	18
Statement of Revenue, Expenses, and Changes in Net Assets	19
Statement of Cash Flows	20
Fiduciary Funds:	
Statement of Net Assets	21
Statement of Changes in Net Assets	22
Component Units:	
Statement of Net Assets (Deficit)	23
Statement of Activities	24
Notes to Financial Statements	25
Required Supplemental Information	
Budgetary Comparison Schedule – General Fund	50
Budgetary Comparison Schedule – Major Streets Fund	51
Budgetary Comparison Schedule – Local Streets Fund	52
Pension Systems:	
Schedules of Funding Progress	53
Schedules of Employer Contributions	54
Notes to Required Supplemental Information	55

Other Supplemental Information

Non-Major Governmental Funds:

Combining Balance Sheet.....	57
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	58

Fiduciary Funds:

Combining Statement of Net Assets.....	59
Combining Statement of Changes in Net Assets	60



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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Inkster, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the remaining fund information of the City of Inkster, 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 of City of Inkster, Michigan's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

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 Inkster, 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.

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

We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

Auditors' Report
City of Inkster, Michigan

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Alan C. Young, Assoc.

December 30, 2010

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) Year Ended June 30, 2010

As management of the City of Inkster, we offer readers of the City of Inkster's financial statements this narrative overview and analysis of the financial activities of the City of Inkster for the fiscal year ended June 30, 2010. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

FINANCIAL HIGHLIGHTS

- The City's bond rating remains at a /stable.
- Unemployment has improved by 2%.
- The City did not layoff any employees during the year.
- The General Fund – fund balance is 11.27% of revenue.
- The General Fund expenditures came in under budget.
- The City spent \$9 million in sewer improvements.

THE GOVERNMENT-WIDE FINANCIAL STATEMENTS

The first set of financial statements is the government wide financial statements that include the statement of net assets and statement of activities on pages 12-14. These statements provide both long and short-term information about the City's overall financial status and are prepared on the full accrual basis of accounting.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis are intended to serve as an introduction to the City of Inkster's basic financial statements. The City of Inkster's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Table 1 summarizes the major features of the City's financial statements, including the portion of the City government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to provide readers with a broad overview of the City of Inkster's finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Inkster assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Inkster is improving or deteriorating.

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Inkster that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through

Table 1. Major Features of the City of Inkster's Government-wide and Fund Financial Statements

Type of Statements	Government-wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire City government (except fiduciary funds) and the City's component units	The activities of the City that are not proprietary or fiduciary, such as police, fire, and parks	Activities the City operates similar to private businesses: the water and sewer system, and the parking facilities	Instances in which the City is the trustee or agent for someone else's resources, such as the retirement plan for City employees
Required financial statements	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Revenues, Expenses and Changes in Fund Net Assets • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and liabilities, both financial and capital, and short-term and long-term	All assets and liabilities, both short-term and long-term, the City's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during year, regardless of when cash is received or paid	All revenues and expenses during year, regardless of when cash is received or paid

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

GOVERNMENT-WIDE FINANCIAL STATEMENTS (CONTINUED)

user fees and charges (business-type activities). The governmental activities of the City of Inkster include general government, police, fire, public works, parks & recreation and community enrichment and development. The business-type activities of the City of Inkster include the water system, sewer system, and the garage fund.

The government-wide financial statements include not only the City of Inkster itself (known as the primary government), but also a legally separate Downtown Development Authority, Economic Development Corporation, Brownfield Redevelopment Authority and the Beech Daly Tax Increment Finance Authority for which the City of Inkster is financially accountable. Financial information for these component units is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages 12-14 of this report.

Fund Financial Statements – A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Inkster, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Inkster can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City of Inkster maintains seven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, major street fund, and the local street fund. Data from the other five governmental funds are combined into a single, aggregated presentation Non-Major Governmental Funds. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

Governmental Funds (Continued) – The City of Inkster adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 15-16 of this report.

Proprietary Funds – The City of Inkster maintains two different types of proprietary funds enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Inkster uses enterprise funds to account for its Water and Sewer activities. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Inkster's funds. The City of Inkster uses internal service funds to account for its garage activities. The proprietary fund financial statements can be found on pages 18-20 of this report.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Inkster's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic fiduciary fund financial statements can be found on pages 21-22 of this report.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 25-48 of this report.

REQUIRED SUPPLEMENTAL INFORMATION

Other Information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information concerning the City of Inkster's progress in funding its obligation to provide pension benefits to its employees, as well as budgetary comparison schedules. Required supplementary information can be found on pages 50-55 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 57-60 of this report.

Government-wide Financial Analysis

Net assets may serve, over time, as a useful indicator of a government's financial position (See Table 2). Total net assets of the City of Inkster are \$33.4 million a decrease of \$5.1 million from the prior year. The largest portion, \$37.6 million reflects its investment in capital assets (e.g., land, buildings, streets, sidewalks, machinery, and equipment); less depreciation and any related debt used to acquire those assets that is still outstanding. The City of Inkster uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Inkster's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)

Government-Wide Financial Analysis (Continued)

from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**Table 2. City of Inkster's Net Assets
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>
Current and other assets	\$ 9.4	\$ 8.2	\$ 5.9	\$ 6.8	\$ 15.3	\$ 15.0
Capital assets	23.2	22.3	36.2	44.6	59.4	66.9
Total assets	<u>32.6</u>	<u>30.5</u>	<u>42.1</u>	<u>51.4</u>	<u>74.7</u>	<u>81.9</u>
Current liabilities	5.2	6.4	2.5	4.6	7.7	11.0
Long-term liabilities outstanding	16.0	18.5	12.5	19.1	28.5	37.6
Total liabilities	<u>21.2</u>	<u>24.9</u>	<u>15.0</u>	<u>23.7</u>	<u>36.2</u>	<u>48.6</u>
Net assets:						
Invested in capital assets, net of related debt	9.3	11.2	24.3	26.4	33.6	37.6
Restricted	3.5	3.0	0.1	0.1	3.6	3.1
Unrestricted (deficit)	(1.4)	(8.5)	2.7	1.2	1.3	(7.3)
Total net assets	<u>\$ 11.4</u>	<u>\$ 5.7</u>	<u>\$ 27.1</u>	<u>\$ 27.7</u>	<u>\$ 38.5</u>	<u>\$ 33.4</u>

The remaining portion of the City of Inkster's total net assets represents resources of which \$3.1 million are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, (\$7.3) million a deficit reflects the amount the City may need to provide or reduce in the future to meet the government's ongoing long term obligations to current and retired employees (\$4.7 million) as well as our citizens and creditors.

Total net asset are divided into governmental and business-type activities. Governmental total net assets decreased by \$5.8 million; a decrease of \$2 million in assets due mostly to taxes and state shared revenues along with \$3.8 million increase in liabilities due mostly to long term employee benefits.

Business-type activities total net assets increased by \$0.6 million but with an increase to capital assets of \$8.4 million partially offset by an increase in long term debt of \$6.3 million. The increase in capital assets went mostly to make major improvements to the water and sewer system.

Governmental Activities – Changes in Net Assets (Table 3) provide some insight into current year activities as compared to those of the prior year. Total revenues were about the same as last year with a \$0.7 million decrease in the governmental activities revenues and a \$0.7 million increase in Business-type activities. Program revenues, revenues that come from some other source than direct taxes, from governmental activities increased by \$2 million most of the money coming from charges for service. General revenues, from taxes and State Shared revenue decreased by \$2.6 million reflecting the economy in the State. Total expenses

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

Governmental Activities (Continued) – increased by \$3.7 million. Most of the increase, \$2.1 million, was spent on public safety while public works increased by \$1.1 million.

Business –Type Activities – Total revenues in the business-type activities increased by \$0.9 million in charges for service. Expenses increased by \$0.7 million from rate increases. Net assets increased by \$0.5 million.

**Table 3. City of Inkster's Changes in Net Assets
(in Millions)**

	Governmental Activities		Business-type Activities		Total Primary Government	
	2009	2010	2009	2010	2009	2010
Revenues						
Program revenues						
Charges for services	\$ 3.6	\$ 5.7	\$ 6.3	\$ 7.2	\$ 9.9	\$ 12.9
Operating grants	4.9	4.8	-	-	4.9	4.8
General revenues						
Property taxes	8.8	7.8	1.6	1.4	10.4	9.2
State shared revenues	5.3	3.7	-	-	5.3	3.7
Other	0.5	0.4	-	-	0.5	0.4
Total revenues	<u>23.1</u>	<u>22.4</u>	<u>7.9</u>	<u>8.6</u>	<u>31.0</u>	<u>31.0</u>
Expenses						
General government	4.9	5.4	-	-	4.9	5.4
Public safety	10.5	12.6	-	-	10.5	12.6
Public works	6.4	7.5	-	-	6.4	7.5
Parks and Recreation	2.1	2.4	-	-	2.1	2.4
Interest on long term debt	0.5	0.2	-	-	0.5	0.2
Water & Sewer	-	-	7.5	8.1	7.5	8.1
Total Expenses	<u>24.4</u>	<u>28.1</u>	<u>7.5</u>	<u>8.1</u>	<u>31.9</u>	<u>36.2</u>
Changes in net Assets	<u>(1.3)</u>	<u>(5.7)</u>	<u>0.4</u>	<u>0.5</u>	<u>(0.9)</u>	<u>(5.2)</u>
Net assets - beginning	<u>12.7</u>	<u>11.4</u>	<u>26.7</u>	<u>27.1</u>	<u>39.4</u>	<u>38.5</u>
Net assets - end	<u>\$ 11.4</u>	<u>\$ 5.7</u>	<u>\$ 27.1</u>	<u>\$ 27.6</u>	<u>\$ 38.5</u>	<u>\$ 33.3</u>

ANALYSIS OF FUND FINANCIAL STATEMENTS

The next section of the financial report is the fund financial statements. As noted earlier, the City of Inkster uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds – The focus of the City of Inkster's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the City of Inkster's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

ANALYSIS OF FUND FINANCIAL STATEMENTS (CONTINUED)

Governmental Funds (Continued) – As of the end of the 2010 fiscal year, the City of Inkster's governmental funds reported combined fund balances of \$ 5.0 million a decrease of \$1.2 from the prior year. Decreases in property taxes and State Shared revenues account for the \$1.2 decrease in fund balance. However, the \$5 million fund balance for governmental funds is 22.6% of governmental fund revenues.

The general fund is the chief operating fund of the City of Inkster. The \$2 million fund balance in the general fund is 11.27% of 2010 total revenues a decrease from the prior year. The Treasurer of the State of Michigan considers 8% an indicator of a financially sound municipality. The unreserved undesignated portion of the General Fund is \$1.6 million.

The remaining governmental funds have a fund balance of \$3 all of which is unreserved undesignated. The largest fund balances among the other governmental funds are the Major and Local Streets. Other special revenue funds are maintained primarily to demonstrate accountability. Federal or local laws restrict the spending of the money in these funds.

Proprietary Funds – The City of Inkster's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. Like the governmental funds, focus of the City of Inkster's proprietary funds is to provide information on near-term inflows, outflows, and balances of expendable resources but also providing insight into the long term financial requirements of the fund. Wherein the unreserved, undesignated portion of fund balance in the governmental funds may serve as a useful measure of a government's net resources, the unrestricted net assets provide the same measure in proprietary funds. The City has two proprietary funds; the Water and Sewer Fund, an enterprise fund, and the Garage Fund which is an internal service fund.

Total net assets in the Water and Sewer Fund are \$27.7 million, an increase of \$0.6 million from the previous year attributable to operating income. The unrestricted portion of net assets is \$1.2 million down \$1.5 million from the previous year due to capital improvements.

Total net assets in the Garage Fund are \$0.4 million about the same as the previous year. The unrestricted portion of net assets is a negative \$0.4 million due to a cash short fall and the acquisition of new vehicles.

BUDGETARY HIGHLIGHTS

Original to Amended – The general fund amended revenue budget (Table 4) of \$19.4 million was \$0.5 million more than the original budget. The variation is due to increased revenues from administrative and service charges. The amended budget expenditures are \$1.1 million more than the original budget due to a budget amendment for a Community Oriented Policing Services (COPS) grant.

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

BUDGETARY HIGHLIGHTS (CONTINUED)

Original to Amended (Continued)

**Table 4. City of Inkster's General Fund Budget to Actual
(in Millions)**

	FY08 Actual (Audited)	FY09 Actual (Audited)	FY10 Original Budget	FY10 Amended Budget	FY10 Actual (Audited)
Revenues					
Property taxes	\$ 7.8	\$ 8.1	\$ 8.1	\$ 8.1	\$ 7.8
Licenses and permits	0.3	0.3	0.4	0.4	0.3
Federal & State-shared revenue and grants	4.5	5.4	5.7	5.3	4.2
Charges for services	1.8	2.2	1.9	2.4	1.1
Interest	0.3	0.1	0.1	0.1	-
Administrative charges and other revenue	3.1	3.0	2.7	3.1	4.3
Total revenues	<u>17.8</u>	<u>19.1</u>	<u>18.9</u>	<u>19.4</u>	<u>17.7</u>
Expenditures and transfers					
General government	2.8	3.7	4.3	4.5	4.2
Public safety	7.4	7.9	11.2	11.9	10.0
Highways, streets, and public works	2.6	2.8	2.7	2.8	3.0
Cultural and recreation	0.2	0.3	0.3	0.3	0.6
Nondepartmental	4.3	2.6	-	-	-
Operating transfers (out)	0.5	0.5	0.5	0.6	0.6
Total expenditures and transfers	<u>\$ 17.8</u>	<u>\$ 17.8</u>	<u>\$ 19.0</u>	<u>\$ 20.1</u>	<u>\$ 18.4</u>

Amended to Actual – General fund actual revenues were \$1.7 million below the amended budget with Federal & State Shared Revenues \$1.1 million unfavorable due to not receiving any of the COPS grants money in this fiscal year. General fund expenditures totaled \$18.4 million, \$1.7 million below the final amended budget again due to the COPS grant. Without the COPS grant, the City was \$0.6 million below budget which demonstrates the effort that was once again placed on controlling the expenditure budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets – As shown in the statement of net assets (see page 12) and detailed in Note 5, at the end of fiscal year 2010 the City (excluding component units) had \$66.9 million (net of depreciation) invested in capital assets an increase from the prior year of \$7.5 million. Over \$8.4 million was spent on the Combined Sewer Overflow (CSO) project with net reductions in capital assets (buildings, vehicles and equipment) resulting from depreciation.

Debt Administration – The debt related to the acquisition and construction of these assets at June 30, 2009 was \$30.9 million with \$3.1 million of this debt due to be paid within the next year. A detailed listing of all City debt can be found in Note 7.

City of Inkster, Michigan

Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2010

ECONOMIC FACTORS AND NEXT YEARS BUDGET

Economic Factors – The City of Inkster, as has the rest of the nation, has felt the effect of recession. The City is tied to the automobile industry particularly the Ford Motor Company and is pleased to see the reported increase in sales by the Ford Motor Company.

The City of Inkster has a good balance between location and economic opportunity. Residents have easy access to Detroit Metropolitan Airport, downtown Detroit and the entire metropolitan region. Median household income per capita effective buying power is rated adequate by Standard & Poor's who recently confirmed the City's General Obligation bond rating as A / stable. Although the City's unemployment rate (16.2%) is above the state average the City anticipates a positive impact on our unemployment from the \$41 billion in American Reinvestment and Recovery Act funds. A new \$25 million construction project is nearing completion and the City has received \$7.7 million in Recovery Zone Economic Development Bonds for the construction of a new police headquarters and court house.

Budget – The FY 2011 budgeted revenues project stable revenue in state shared revenues and property taxes although indications are that the State may again reduce revenue sharing. The City continues to maintain a healthy General Fund – fund balance. The City has obtained health care and wage concessions in the new union contracts which will help offset any loss of state shared revenues and property taxes. The goal of next year's budget will be to continue to keep expenditures in line with the City's limited resources without the use of fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the City of Inkster's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Treasurer/Controller City of Inkster, 26215 Trowbridge, Inkster Michigan 48141.

City of Inkster, Michigan

Statement of Net Assets (Deficit) Year Ended June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Assets:				
Cash and Investments (Note 3)	\$ 1,821,340	\$ (2,468,868)	\$ (647,528)	\$ 1,093,726
Receivables - Net:				
Customers	-	3,241,204	3,241,204	-
Long-Term Receivable from TIFA (Note 4)	817,500	-	817,500	-
Other	1,667,329	-	1,667,329	164,914
Due from Other Governmental Units	3,491,299	4,155,277	7,646,576	-
Deposits and Prepaids	354,342	-	354,342	-
Inventories	86,577	142,520	229,097	-
Deferred Bond Issuance Costs	-	112,743	112,743	-
Restricted Assets (Note 8)	-	1,549,589	1,549,589	-
Investment in Joint Venture-(Note 11)	54,054	-	54,054	-
Capital Assets - Net (Note 5)	22,255,215	44,621,964	66,877,179	4,115,683
Total Assets	30,547,656	51,354,429	81,902,085	5,374,323
Liabilities:				
Accounts Payable	1,958,804	3,433,344	5,392,148	29,134
Accrued and Other Liabilities	961,759	126,447	1,088,206	187,579
Deferred Revenue (Note 4)	30,793	-	30,793	-
Debt - Due within One Year (Note 7)	2,110,538	-	2,110,538	452,500
Other Noncurrent Liabilities - Due Within One Year	1,302,556	1,000,000	2,302,556	-
Noncurrent Liabilities:				
Estimated Worker's Compensation and Other Claims	2,740,246	-	2,740,246	-
Accrued Employee Benefits	1,572,039	-	1,572,039	-
Estimated Property Tax Chargebacks	784,977	-	784,977	-
Pension obligation	58,053	-	58,053	-
OPEB obligation (Note 13)	4,384,027	281,387	4,665,414	-
Debt - Due in More Than One Year (Note 7)	8,964,295	18,823,799	27,788,094	6,805,000
Total Liabilities	24,868,087	23,664,977	48,533,064	7,474,213
Net Assets (Deficit):				
Invested in Capital Assets - Net of Related Debt	11,180,382	26,347,754	37,528,136	-
Restricted:				
Local and Major Streets	2,602,669	-	2,602,669	-
Drug Forfeiture	91,406	-	91,406	-
Capital Projects	56,655	-	56,655	-
Parks & Recreation	286,980	-	286,980	-
Grants	-	-	-	-
Environmental Protection Agency (Note 8)	-	118,118	118,118	-
Brownfield Authority Project	-	-	-	(4,200,156)
Unrestricted (Deficit)	(8,538,523)	1,223,580	(7,314,943)	2,100,266
Total Net Assets (Deficit)	\$ 5,679,569	\$ 27,689,452	\$ 33,369,021	\$ (2,099,890)

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Statement of Activities Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 5,418,987	\$ 4,871,274	\$ 767,720	\$ -
Public Safety	12,573,988	509,454	-	-
Public Works	7,466,459	175,551	3,402,586	-
Recreation and Culture	2,448,137	133,042	672,646	-
Interest on Long-Term Debt	245,483	-	-	-
Total Government Activities	<u>28,153,054</u>	<u>5,689,321</u>	<u>4,842,952</u>	<u>-</u>
Business - Type Activities - Water and Sewer	8,109,229	7,239,506	-	-
Total Primary Government	<u>\$ 36,262,283</u>	<u>\$ 12,928,827</u>	<u>\$ 4,842,952</u>	<u>\$ -</u>
Component Units:				
Beech Daly Tax Increment Finance Authority	594,632	-	-	-
Brownfield Authority	276,512	-	-	-
Economic Development Corporation	-	-	-	-
Downtown Development Authority	179,521	-	-	-
Total Component Units	<u>\$ 1,050,665</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Statement of Activities (Continued) Year Ended June 30, 2010

Functions/Programs	Net (Expense) Revenue and Charges in Net Assets			
	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
Primary Government:				
Governmental Activities:				
General Government	\$ 220,007	\$ -	\$ (1,157,241)	\$ -
Public Safety	(12,064,534)	-	(10,280,255)	-
Public Works	(3,888,322)	-	(2,561,322)	-
Recreation and Culture	(1,642,449)	-	(1,364,811)	-
Interest on Long-Term Debt	(245,483)	-	(498,930)	-
Total Government Activities	(17,620,781)	-	(15,862,559)	-
Business - Type Activities - Water and Sewer	-	(869,723)	(869,723)	-
Total Primary Government	\$ (17,620,781)	\$ (869,723)	\$ (16,732,282)	\$ -
Component Units:				
Beech Daly Tax Increment Finance Authority	-	-	-	(594,632)
Brownfield Authority	-	-	-	(276,512)
Economic Development Corporation	-	-	-	-
Downtown Development Authority	-	-	-	(179,521)
Total Component Units	\$ -	\$ -	\$ -	\$ (1,050,665)
General Revenues:				
Property Taxes	\$ 7,790,208	\$ 1,433,373	\$ 9,223,581	\$ 1,250,212
State-Shared Revenues	3,736,963	-	3,736,963	-
Unrestricted Investment Earnings	4,609	64	4,673	581
Franchise Fees	337,099	3,803	340,902	-
Miscellaneous	-	-	-	27,856
Healthcare Reimbursements	-	-	-	-
Joint Venture Investment Income/(Loss)	-	-	-	-
Total General Revenues	11,868,879	1,437,240	13,306,119	1,278,649
Change in Net Assets	(5,751,902)	567,517	(5,184,385)	227,984
Net Assets (Deficit) - July 1, 2009	11,431,471	27,121,935	38,553,406	(2,327,874)
Net Assets (Deficit) - June 30, 2010	\$ 5,679,569	\$ 27,689,452	\$ 33,369,021	\$ (2,099,890)

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Governmental Funds Balance Sheet June 30, 2010

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds	
	General Fund	Major Streets Fund			Local Streets Fund
Assets					
Cash And Investments	\$ (54,454)	\$ 1,466,814	\$ 472,802	\$ 450,857	\$ 2,336,019
Receivables - Net:					
Long-Term Receivable From TIFA	-	817,500	-	-	817,500
Other	1,042,071	-	464,252	160,806	1,667,129
Due From Other Governments	3,222,341	173,361	73,597	30,000	3,499,299
Deposits/Prepaid	354,342	-	-	-	354,342
Total Assets	\$ 4,564,300	\$ 2,457,675	\$ 1,010,651	\$ 641,663	\$ 8,674,289
Liabilities And Fund Balances					
Liabilities					
Accounts Payable	\$ 1,728,136	\$ 6,912	\$ 1,599	\$ 176,126	\$ 1,912,773
Accrued And Other Liabilities	844,496	11,660	28,186	-	884,342
Deferred Revenue	-	817,500	-	30,793	848,293
Total Liabilities	2,572,632	836,072	29,785	206,919	3,645,408
Fund Balances					
Reserved:					
Unreserved, reported in General Fund --					
Designated For Property Tax Chargebacks	440,701	-	-	-	440,701
Unreserved, Undesignated, Reported In:					
General Fund	1,550,967	-	-	-	1,550,967
Special Revenue Funds	-	1,621,603	981,066	378,089	2,980,758
Capital Projects Funds	-	-	-	56,655	56,655
Total Fund Balances	1,991,668	1,621,603	981,066	434,744	5,029,081
Total Liabilities And Fund Balances	\$ 4,564,300	\$ 2,457,675	\$ 1,010,851	\$ 641,663	\$ 8,674,489
Fund Balance - Total Governmental Funds					\$ 5,029,081
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.					20,422,061
Accounts Receivable from the Tax Increment Finance Authority will be collected over several years and are not available to pay for current year expenditures.					817,500
General Employee pension plan obligation not reported in the funds					(58,053)
Other Post-Employment benefit obligation not reported in the funds					(4,343,567)
Investment in Joint Venture not reported in the funds.					54,054
Long-Term Liabilities are not due and payable in the current period and are not reported in the funds.					(16,601,398)
Internal Service Funds are included as part of governmental activities.					<u>359,891</u>
Net Assets of Governmental Activities					<u>\$ 5,679,569</u>

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

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

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds	
	General Fund	Major Streets Fund			Local Streets Fund
Revenue					
Property Taxes	\$ 7,790,208	\$ -	\$ 1,740,986	\$ 672,646	\$ 10,203,840
Licenses and Permits	312,076	-	-	-	312,076
Federal Grants	80,905	-	-	294,052	374,957
State Revenues and Grants	4,128,112	1,058,484	449,352	-	5,635,948
Charges for Services	1,088,269	-	-	-	1,088,269
Interest	1,178	2,889	389	153	4,609
Administrative Charges and Other Revenue	4,264,379	-	1,714	361,696	4,627,789
Total Revenue	17,665,127	1,061,373	2,192,441	1,328,547	22,247,488
Expenditures					
Current:					
General Government	4,208,956	-	-	-	4,208,956
Public Safety	10,021,511	-	-	138,439	10,159,950
Highways, Streets, and Public Works	3,004,226	973,265	984,593	-	4,962,084
Grant Expenditures	-	-	-	329,161	329,161
Recreation and Culture	553,000	-	-	1,353,125	1,906,125
Debt Service	-	205,019	1,845,464	-	2,050,483
Total Expenditures	17,787,693	1,178,284	2,830,057	1,820,725	23,616,759
Excess of Revenue Over (Under) Expenditures	(122,566)	(116,911)	(637,616)	(492,178)	(1,369,271)
Other Financing Sources/(Expenses)					
Operating Transfers In	-	153,764	-	604,521	758,285
Operating Transfers Out	(604,521)	-	-	-	(604,521)
Total Other Financing Sources	(604,521)	153,764	-	604,521	153,764
Net Change in Fund Balances	(727,087)	36,853	(637,616)	112,343	(1,215,507)
Fund Balances - July 1, 2009	2,718,755	1,584,750	1,618,682	322,401	6,244,588
Fund Balances - June 30, 2010	\$ 1,991,668	\$ 1,621,603	\$ 981,066	\$ 434,744	\$ 5,029,081

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

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

Net Change In Fund Balances - Total Governmental Funds	\$ (1,215,507)
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:	
Capital Outlay	255,057
Depreciation Expenses	(1,757,044)
Repayment of Bond Principal is an Expenditure in the Governmental Funds, but not in The Statement of Activities (Where it Reduces Long-Term Debt)	1,805,000
Increase in Estimated Long-Term General Liability Claims	(1,726,621)
Increase in Long-Term Accrued Employee Sick and Vacation Pay	(124,021)
Decrease in Pension Obligation Expense	34,671
Increase in other Post-Employment Benefit Obligation	(2,241,743)
Increase in Property Tax Chargebacks	(730,907)
Internal Service Funds are also Included As Governmental Activities	(52,670)
Increase in Joint Venture Investment	<u>1,883</u>
Change In Net Assets of Governmental Activities	<u>\$ (5,751,902)</u>

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Proprietary Funds Statement of Net Assets Year Ended June 30, 2010

	Enterprise - Water and Sewer Fund	Internal Service Funds	
		Garage Fund	Information Technology Fund
Assets			
Current Assets:			
Cash and Cash Equivalents	\$ (2,468,868)	\$ (322,394)	\$ (191,745)
Receivables - Net	3,241,204	-	-
Due from Other Governmental Units	4,155,277	-	-
Inventories	142,520	86,577	-
Deferred Bond Issuance Costs	112,743	-	-
Total Current Assets	5,182,876	(235,817)	(191,745)
Non-Current Assets:			
Restricted Assets	1,549,589	-	-
Capital Assets	44,621,964	1,534,119	299,035
Total Non-Current Assets	46,171,553	1,534,119	299,035
Total Assets	51,354,429	1,298,302	107,290
Liabilities			
Current Liabilities:			
Accounts Payable	3,433,344	40,055	94,396
Accrued and Other Liabilities	407,834	126,417	-
Current Portion of Long-Term Debt	1,000,000	245,538	-
Total Current Liabilities	4,841,178	412,010	94,396
Non-Current Liabilities - Long-Term Debt - Net of Current Portion	18,823,799	539,295	-
Total Liabilities	23,664,977	951,305	94,396
Net Assets			
Investment in Capital Assets - Net of Related Debt	26,347,754	749,286	210,615
Restricted	118,118	-	-
Unrestricted	1,223,580	(402,289)	(197,721)
Total Net Assets	\$ 27,689,452	\$ 346,997	\$ 12,894

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Change in Net Assets Year Ended June 30, 2010

	Enterprise - Water and Sewer Fund	Internal Service Funds	
		Garage Fund	Information Technology Fund
Operating Revenue			
Water and Sewer User Charges	\$ 6,805,109	\$ -	\$ -
Federal Grants	-	-	-
Other Charges for Services	434,397	1,722,271	82,962
Total Operating Revenue	7,239,506	1,722,271	82,962
Operating Expenses			
Cost of Water	1,231,333	-	-
Cost of Sewage Disposal	2,051,632	-	-
Wages and Fringes	1,052,826	357,513	-
Operating Supplies	113,069	244,407	10,013
Contractual Services	1,698,650	255,997	-
Repairs and Maintenance	16,528	475,271	-
Insurance, Claims, and Other	663,974	62,101	24,083
Depreciation	710,053	352,256	48,540
Total Operating Expenses	7,538,065	1,747,545	82,636
Operating Income (Loss)	(298,559)	(25,274)	326
Non-Operating Revenue (Expense)			
Investment Income	64	-	-
Interest Expense	(571,164)	(27,722)	-
Property Taxes	1,433,373	-	-
Miscellaneous Revenue	3,803	-	-
Total Non-Operating Revenue (Expense)	866,076	(27,722)	-
Income (Loss)	567,517	(52,996)	326
Change in Net Assets	567,517	(52,996)	326
Net Assets - July 1, 2009	27,121,935	399,993	12,568
Net Assets - June 30, 2010	\$27,689,452	\$ 346,997	\$ 12,894

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

	Enterprise Fund	Internal Service Funds	
	Water and Sewer Fund	Garage Fund	Information Technology Fund
Cash Flows from Operating Activities			
Receipts from Customers	\$ 3,891,295	\$ 1,722,271	\$ 84,221
Receipts from Grants	-	-	-
Payments to Suppliers	(2,588,422)	(1,114,959)	(28,120)
Payments to Employees	(1,017,421)	(392,639)	-
Internal Activity - Payments from (to) Other Funds	(896,337)	-	(46,324)
Net Cash Provided by Operating Activities	(610,885)	214,673	9,777
Cash Flows from Capital and Related Financing Activities			
Proceeds from Property Tax Levy Restricted for Debt Service	1,437,176	-	-
Purchase of Capital Assets	(9,086,580)	(698,981)	(201,522)
Principal and Interest Paid on Capital Debt	(1,586,164)	(349,833)	-
Disposal of assets	-	-	-
New Bond Issue/Capital Leases	7,377,689	511,747	-
State Grant	-	-	-
Net Cash Used in Capital and Related Financing Activities	(1,857,879)	(537,067)	(201,522)
Cash Flows from Investing Activities - Interest on Investments	64	-	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,468,700)	(322,394)	(191,745)
Cash and Cash Equivalents - July 1, 2009	(168)	-	-
Cash and Cash Equivalents - June 30, 2010	<u>\$ (2,468,868)</u>	<u>\$ (322,394)</u>	<u>\$ (191,745)</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating Income (Loss)	\$ (298,559)	\$ (25,274)	\$ 326
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:			
Depreciation and Amortization	710,053	352,256	48,540
Changes in Assets and Liabilities:			
Receivables	(3,348,211)	-	1,259
Inventories	668	(58,442)	-
Deferred Bond Issuance Costs	-	-	-
Accounts Payable and Accrued Liabilities	3,198,236	(53,867)	5,976
Restricted Assets	23,265	-	-
Due to Other Funds	(896,337)	-	(46,324)
Net Cash Provided by Operating Activities	<u>\$ (610,885)</u>	<u>\$ 214,673</u>	<u>\$ 9,777</u>

Non-Cash Investing, Capital, and Financing Activities - During the year ended June 30, 2010, the following non-cash activities occurred:

The Information Technology Fund purchased certain capital assets on account during the year. The outstanding balance payable at June 30, 2010 was \$88,420

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Fiduciary Funds Statement of Net Assets Year Ended June 2010

	Pension and Other Employee Benefit Trust Funds	Agency Fund Escrow Fund
Assets		
Cash and Cash Equivalents	\$ -	\$ 440,822
Investments:		
Corporate Bonds	7,497,309	-
U.S. Government Securities	292,462	-
U.S. Government Agency Securities	4,507,337	-
Common and Preferred Stock	10,687,122	-
Pension Guarantee Contract Pooled Fund	9,220,219	-
Bank Investment Pools	1,350,934	-
Receivables - Accrued Interest and Other	87,859	-
	<u>\$ 33,643,242</u>	<u>\$ 440,822</u>
Total Assets		
	<u>\$ 33,643,242</u>	<u>\$ 440,822</u>
Liabilities		
Bonds and Deposits	\$ -	\$ 440,822
	<u>\$ -</u>	<u>\$ 440,822</u>
Total Liabilities		
	<u>\$ -</u>	<u>\$ 440,822</u>
Net Assets - Held in Trust for Employee Pension Benefits	<u>\$ 33,643,242</u>	

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 2010

	Pension and Other Employee Benefit Trust Funds
Additions	
Investment Income:	
Interest and Dividends	\$ 1,270,851
Net Increase (Decrease) in Fair Value of Investments	2,594,109
Net Investment Income	3,864,960
Contributions:	
Employer	725,020
Employee	435,915
Total Contributions	1,160,935
Total Additions	5,025,895
Deductions	
Benefit Payments	2,557,101
Refunds of Contributions	(205,403)
Administrative Expenses	234,021
Total Deductions	2,585,719
Net Increase	2,440,175
Net Assets - Held in Trust for Pension and Other Employee Benefits	
July 1, 2009	31,203,067
June 30, 2010	\$ 33,643,242

The accompanying notes are an integral part of these financial statements.

City of Inkster, Michigan

Component Units Statement of Net Assets (Deficit) Year Ended June 30, 2010

	Economic Development Corporation	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Total
Assets					
Cash and Investments	\$ -	\$ 1,043,178	\$ (135,156)	\$ 185,704	\$ 1,093,726
Accounts receivable	-	7,335	157,579	-	164,914
Total Current Assets	-	1,050,513	22,423	185,704	1,258,640
Non-Current Assets:					
Capital Assets - Net	-	3,645,751	-	469,932	4,115,683
Total Non-Current Assets	-	3,645,751	-	469,932	4,115,683
Total Assets	-	4,696,264	22,423	655,636	5,374,323
Liabilities					
Accounts Payable	-	29,134	-	-	29,134
Other Liabilities	-	-	157,579	30,000	187,579
Liabilities to be Paid from Restricted Assets:					
Long-Term Debt	-	2,992,500	4,065,000	200,000	7,257,500
Total Liabilities	-	3,021,634	4,222,579	230,000	7,474,213
Net Assets (Deficit)					
Restricted for Brownfield Project	-	-	(4,200,156)	-	(4,200,156)
Unrestricted (Deficit)	-	1,674,630	-	425,636	2,100,266
Total Net Assets (Deficit)	\$ -	\$ 1,674,630	\$ (4,200,156)	\$ 425,636	\$ (2,099,890)

The accompanying notes are an integral part of these financial statements.

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

	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets				Total
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Economic Development Corporation	Beech Daily Tax Increment Finance Authority	Brownfield Redevelopment Authority	Downtown Development Authority	
Economic Development Corporation	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Beech Daily Tax Increment Finance Authority	-	-	-	-	(594,632)	-	-	(594,632)
Brownfield Tax Increment Finance Authority	-	-	-	-	-	(276,512)	-	(276,512)
Downtown Development Authority	-	-	-	-	-	-	(179,521)	(179,521)
Total Governmental Activities	\$ -	\$ -	\$ -	\$ -	\$ (594,632)	\$ (276,512)	\$ (179,521)	\$ (1,050,665)
Property Taxes				\$ -	\$ 992,724	\$ 91,232	\$ 166,256	\$ 1,250,212
Other Revenue				-	-	27,856	-	27,856
Interest				-	453	3	125	581
Total General Revenues					993,177	119,091	166,381	1,278,649
Change in Net Assets (Deficit)					398,545	(157,421)	(13,140)	227,984
Operating Transfers In/(Out)								
Net Assets (Deficit) - July 1, 2009					(2,449,505)	(4,042,735)	183,693	(6,308,547)
Prior Period Adjustment					3,725,590	-	255,083	3,980,673
Net Assets (Deficit) - July 1, 2010				\$ -	\$ 1,674,630	\$ (4,200,156)	\$ 425,636	\$ (2,099,890)

The accompanying notes are an integral part of these financial statements.

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Inkster, 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.

Reporting Entity

The City is governed by an elected mayor and six-member council. 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. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate for the City (see discussion below for description).

The Inkster Building Authority is governed by a board that is appointed by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's buildings.

The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column to emphasize that they are legally separate from the City.

- a. The Beech Daly Tax Increment Finance Authority (TIFA) was created to correct and prevent deterioration in the TIFA district, encourage historical preservation, and to promote economic growth within the district. The TIFA's governing body, which consists of 13 individuals, is selected by the City Council.
- b. The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Downtown Development Authority's governing body, which consists of nine individuals, is selected by the City Council.
- c. The Brownfield Redevelopment Authority was created to revert tax-reverted and condemned properties as well as other properties into new residential housing. The Brownfield Redevelopment Authority's governing body, which consists of not less than five individuals, is selected by the City Council.

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund 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 as soon as all eligibility requirements imposed by the provider have been met.

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

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the fiscal period. Major revenue types for which receivables are recorded on the current accounting period's balance sheet include property taxes and state-shared revenue.

The City reports the following major governmental funds:

- 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.
- The Major Streets Fund is a Special Revenue Fund that accounts for revenue received from gasoline tax through the State of Michigan under ACT 51. Expenditures of this fund include the maintenance of major streets, as well as improvement of roadways and related financing expenditures.
- The Local Streets Fund is a Special Revenue Fund that accounts for revenue received from gasoline tax through the State of Michigan under ACT 51. Expenditures of this fund include the maintenance of local streets, as well as improvement of roadways and related financing expenditures.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

- The Internal Service Funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. The City's Internal Service Funds are the Garage Fund, which is used to account for the City's vehicles and other machinery, and the Information Technology Fund which is used to account for computer support and other technology services.
- Special Revenue Funds account for the revenues and expenditures related to drug enforcement and traffic immobilization activities and Community Development Block Grant and other miscellaneous grant activity.
- Capital Projects Funds accounts for the development and improvement of capital facilities and sidewalks, other than those financed by the operations of the proprietary fund.

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

- Pension Trust Funds account for the activities of the police and fire employees' retirement system and general government employees' retirement system, which accumulate resources for pension benefit payments to qualified employees.
- The Agency Fund is used to account for assets held by the City as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

The effect of interfund activity has been eliminated from the government-wide financial statements. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as program revenue include (1) charges 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.

The proprietary fund distinguishes operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with the proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary fund 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 the proprietary fund 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 assessed on the taxable valuation of property as of the preceding December 31. The related property taxes are billed on July 1 and December 1 of the following year. Taxes are considered delinquent on March 1 and September 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 and December 1, 2009, and is recognized as revenue in

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Property Tax Revenue (Continued)

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 \$362,271,517 (a portion of which is abated and a portion of which is captured by the TIFA, Brownfield and DDA), on which taxes levied consisted of 17.2349 mills for operating purposes, 2.5851 mills for rubbish collection services, and 12.2372 mills for debt service. This resulted in approximately \$5.8 million for operations, approximately \$937,000 for rubbish collection services, and approximately \$4.2 million for debt service. These amounts are recognized in the General Fund, Enterprise Fund and Local Streets (Special Revenue) Fund financial statements as tax revenue. The Parks and Receptions fund had a tax millage of 1.9814 mills resulting in tax revenue of approximately \$731,000.

Assets, Liabilities, and Net Assets or Equity

Cash Equivalents – 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 – Investments are recorded at fair value. Securities traded on a national exchange are valued at the last reported sales price. Investments that do not have an established market are reported at estimated fair value. See Note 3 for additional investment information.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables are shown net of allowance for uncollectible amounts.

Inventories – Inventories are valued at cost, on a first-in first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Restricted Assets – The revenue bonds of the Enterprise Fund require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the County being held for the construction or debt service of the City’s water and sewer system. The unspent bond proceeds in the Local Streets Fund are required to be set aside for local street construction. These amounts have been classified as restricted assets

1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets – Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Road and Sidewalks	15 to 30 years
Water and Sewer Systems	40 to 100 years
Building and Building Improvements	40 to 50 years
Vehicles	3 to 10 years
Office Furnishings	7 to 10 years
Other Tools and Equipments	7 to 10 years

In conjunction with the Carver Homes project (see Note 5), the City and the Brownfield Redevelopment Authority have agreed to acquire, improve, and then sell to the developer certain property in the City. Consistent with the lower-of-cost or market valuation principle, the project expenditures incurred through June 30, 2010, which are reported by the Brownfield Redevelopment Authority, have been expensed since it anticipated that the future costs to acquire the property will exceed the future sales price to the developer.

Prior Period Adjustment – The prior period adjustment in the Beach Daly TIFA and the DDA represents capital assets not previously reflected in the full accrual financial statements.

Compensated Absences (Vacation and Sick Leave) – It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. All vacation pay is accrued when incurred in the government-wide proprietary and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year-end.

Property Tax Chargeback – The property tax chargebacks represent real property tax collected from the County Tax Revolving Fund that is estimated to be uncollectible when the related parcels are later sold in land sales. The balance at June 30, 2010 consists of those amounts estimated to be charged back to the City in the years after June 30, 2010.

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

1) **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Long-term Obligations (Continued) – business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are generally deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable recorded bond premium or discount. Recorded 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 recorded 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. Generally, premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

Use of Estimates – The preparation of financial statements in conformity with accounting principles generally accepted the United State of America requires management to make estimates and assumptions that affect reported amounts of 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.

2) **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

Construction Code Fees – The City oversees building construction, in accordance with the State’s Construction Code Act, including inspection of building construction and renovation to ensure compliance with the building codes. The City charges fees for these services. 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 current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Shortfall at July 1, 2009	\$ (470,925)
Current Year Building Permit Revenue	426,233
Related Expenses:	<u>(434,318)</u>
Cumulative Shortfall at June 30, 2010	<u><u>\$ (479,010)</u></u>

Noncompliance with Legal or Contractual Provisions – The City was not in compliance with legal provisions as follows:

- The City is in violation of the State Budget Act by exceeding budgeted appropriations as discussed in the required supplemental information section of this report.

2) **STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)**

Fund Deficit – The Brownfield Redevelopment Authority reported a negative balance of unrestricted net assets at June 30, 2010. The modified accrual unreserved fund balance is a deficit of \$135,156. See Note 5 for further discussion of the Brownfield Carver Homes Project.

3) **DEPOSITS AND INVESTMENTS**

Michigan Compiled Laws, Section 129.91 (Public Act 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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated two banks for the deposit of local unit funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs for the City's funds. The City's deposits and investment policy are in accordance with statutory authority.

Custodial Credit Risk of Investments

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 formal policy for custodial credit risk. At year end, the City had \$1,489,151 of bank deposits (certificates of deposit, checking, and saving 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.

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

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 the end of the year, the average maturities of investments are as follows:

Investment	Fair Value	Average Maturity
U.S. Government or Agency Treasury Notes and Bonds	\$ 4,507,337	7.19 years
Treasury Notes and Bonds	\$ 292,463	3.81 years
Corporate Bonds	\$ 7,497,309	3.45 years

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Investment Pools (Pension)	\$ 10,571,153	None	N/A
Corporate Bonds	\$ 175,158	AAA	S&P
	\$ 740,459	AA	S&P
	\$ 3,650,918	A	S&P
	\$ 2,215,146	BBB	S&P
	\$ 262,252	BB	S&P
	\$ 668,572	None	N/A
U.S. Agencies not Explicitly Guaranteed by the U.S. Government	\$ 4,155,853	AAA	S&P
	\$ 42,962	AA	S&P
	\$ 385,789	A	S&P
	\$ 215,196	None	N/A

Component Units

The cash and cash equivalents of the City component units consist of interests in the City's shared bank accounts totaling \$1,093,726 at June 30, 2010. The portion of these balances covered by federal depository insurance is not known since the accounts are shared with the City.

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

4) RECEIVABLES AND RELATED 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>
Receivable from Component Unit-TIFA*	\$ 817,500	\$ -
Grants Received prior to Meeting all Eligibility Requirements	-	30,793
Total	<u>\$ 817,500</u>	<u>\$ 30,793</u>

*The City issued bonds on behalf of the TIFA, which are discussed in detail in Note 7. The TIFA has committed to repay 75 percent of the bonds' debt service, The City's Major Streets Fund has recorded this receivable at an amount equal to the 75 percent of the bonds principal payments. The interest portion of the bond payments will be recorded when received. The TIFA's current and future commitment to the repayment of these bonds is limited to its ability to capture sufficient revenue.

4) CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance July 1, 2009</u>	<u>Additions 2009-10</u>	<u>Disposals 2009-10</u>	<u>Balance June 30, 2010</u>
Capital Assets not being Depreciated:				
Land	\$ 307,195	\$ -	\$ -	\$ 307,195
Capital assets being depreciated:				
Land Improvements	300,190	-	-	300,190
Roads and Sidewalks	23,617,006	-	-	23,617,006
Buildings and Improvements	7,581,027	9,300	-	7,590,327
Vehicles	5,564,555	765,620	-	6,330,175
Furniture and Equipment	4,648,983	371,074	-	5,020,057
Subtotal	41,711,761	1,145,994	-	42,857,755
Accumulated Depreciation:				
Land Improvements	85,422	14,237	-	99,659
Roads and Sidewalk	5,894,839	788,990	-	6,683,829
Buildings and Improvements	4,871,850	476,996	-	5,348,846
Vehicles	4,380,103	507,517	-	4,887,620
Furniture and Equipment	3,596,469	293,312	-	3,889,781
Subtotal	18,828,683	2,081,052	-	20,909,735
Net Capital Assets being Depreciated	<u>22,883,078</u>	<u>(935,058)</u>	<u>-</u>	<u>21,948,020</u>
Net Capital Assets	<u>\$ 23,190,273</u>	<u>\$ (935,058)</u>	<u>\$ -</u>	<u>\$ 22,255,215</u>

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

5) CAPITAL ASSETS (Continued)

Business-Type Activities:	Balance July 1, 2009	Additions 2009-10	Deletions 2009-10	Balance June 30, 2010
Capital Assets not being Depreciated:				
Land	\$ 2,745	\$ -	\$ -	\$ 2,745
Construction in Progress	9,735,738	9,086,581	-	18,822,319
Subtotal	9,738,483	9,086,581	-	18,825,064
Capital Assets being Depreciated:				
Water Distribution System	6,416,245	-	-	6,416,245
Water Meters	406,206	-	-	406,206
Sewer Distribution System	30,882,975	-	-	30,882,975
Pump Stations	429,898	-	-	429,898
Buildings and Building Improvements	66,444	-	-	66,444
Office Furnishings	4,348	-	-	4,348
Other Tools and Equipment	22,676	-	-	22,676
Subtotal	38,228,792	-	-	38,228,792
Accumulated depreciation:				
Water Distribution System	4,097,995	136,068	-	4,234,063
Water Meters	368,343	4,207	-	372,550
Sewer Distribution System	6,951,742	538,855	-	7,490,597
Pump Stations	210,291	30,923	-	241,214
Buildings and Building Improvements	66,444	-	-	66,444
Office Furnishings	4,348	-	-	4,348
Other Tools and Equipment	22,676	-	-	22,676
Subtotal	11,721,839	710,053	-	12,431,892
Net Capital Assets Being Depreciated	26,506,953	(710,053)	-	25,796,900
Net Capital Assets	<u>\$ 36,245,436</u>	<u>\$ 8,376,528</u>	<u>\$ -</u>	<u>\$ 44,621,964</u>

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

Governmental Activities	
General Government	\$ 158,466
Public Safety	304,056
Public Works & Roads	1,168,699
Culture and Recreation	125,823
Internal Service Funds Depreciation Charged to various functions based on their usage of the assets	324,008
Total Government Activities	<u>\$ 2,081,052</u>
Business-Type Activities - Water and Sewer	<u>\$ 710,053</u>

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

5) CAPITAL ASSETS (Continued)

<u>Component Unit Activities:</u>	<u>Balance July 1, 2009</u>	<u>Additions 2009-10</u>	<u>Adjustments 2009-10</u>	<u>Disposals 2009-10</u>	<u>Balance June 30, 2010</u>
Capital Assets not being Depreciated:					
Land	\$ -	\$ -	\$ 277,068	\$ -	\$ 277,068
Capital Assets being Depreciated:					
Land Improvements	-	-	203,015	-	203,015
Buildings	-	-	2,025,340	-	2,025,340
Infrastructure	-	-	2,990,000	-	2,990,000
Office Equipment and Furniture	-	-	173,763	-	173,763
Subtotal	-	-	5,392,118	-	5,392,118
Accumulated Depreciation:					
Land Improvements	-	10,151	-	-	10,151
Buildings	-	67,511	210,959	-	278,470
Infrastructure	-	149,500	1,046,000	-	1,195,500
Office Equipment and Furniture	-	17,376	52,006	-	69,382
Subtotal	-	244,538	1,308,965	-	1,553,503
Net Capital Assets being Depreciated	-	(244,538)	4,083,153	-	3,838,615
Net Capital Assets	<u>\$ -</u>	<u>\$ (244,538)</u>	<u>\$ 4,360,221</u>	<u>\$ -</u>	<u>\$ 4,115,683</u>

Construction Commitments –The City of Inkster, Michigan, in conjunction with the City of Inkster Brownfield Redevelopment Authority, has entered into an agreement with a development company and its affiliate to redevelop the Carver Homes area of the City. Under the agreement, the City will acquire, improve, and then sell the project real estate to the developer. The City issued bonds for \$2,000,000 during the fiscal year 2003/04 and transferred the proceeds to the Brownfield Redevelopment Authority to be used for preliminary engineering and administrative costs as well as property acquisition and demolition expenditures. The City has reprogrammed future grant funds to pay for the majority of the debt service costs of this issue. The City is also relying on current and future grant monies to fund the related relocation costs.

It is intended that the Carver Homes area redevelopment project will be amended to split the project into three phases (PH1A, PH1B and PH2) subject to the developer meeting two conditions before construction. The first condition requires the developer to provide the City a notice to proceed with construction on one hundred and eight (108) homes in the development area. The second condition requires the developer to provide evidence to the City that the developer can guarantee payment of a future \$4,155,000 City debt issue for the infrastructure cost of this development. The City has received the notice to proceed and the guarantee.

Phase 1A requires that the developer build seventeen (17) homes on Annapolis Avenue. The developer will pay for the infrastructure for the seventeen (17) homes. In exchange, the City will sell the land where the seventeen (17) homes will be located for one dollar (\$1.00). Phase 1B requires that the developer build ninety-one (91) more homes in the development area. This work began in the fiscal year 2006/07.

City of Inkster, Michigan

Notes to Financial Statement (Continued)
Year Ended June 30, 2010

5) **CAPITAL ASSETS (Continued)**

From the proceeds the City will reimburse the developer for infrastructure costs on the first seventeen (17) homes built and pay for the cost of the infrastructure for the remaining ninety-one (91) homes. Once the debt is sold for the entire project and the developer is reimbursed for infrastructure costs in Phase 1A, the developer will pay \$2,000 per lot to the City for all lots developed in the development area. The bond issue was closed on November 8, 2006. It was intended that debt service costs from the \$4,155,000 debt issue will be paid from tax captures from the City Brownfield development area, however the project has not proceeded as planned and the tax captures are currently insufficient to meet the debt service costs.

Commitment – During the year ended June 30, 1992, the City negotiated an agreement with the Michigan Department of Natural Resources to ensure compliance with the Clean Water Act. This agreement requires the construction of retention basins and/or the construction of separate sanitary and storm sewer lines to be completed to two phases. Phase one of the project was substantially complete at June 30, 2003 and phase two Western Out Falls design work was started in 2006. The construction for Western Out Falls and design and construction for Eastern Out Falls is expected to be completed by 2013. The estimated cost of phase two is not anticipated to exceed \$54,000,000.

6) **INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

<u>Fund Due to</u>	<u>Fund Due from</u>	<u>Amount</u>
Parks and Recreation Fund	Downtown Development Authority	\$ 30,000

TRANSFERS

<u>From</u>	<u>To</u>	<u>Amount</u>
General Fund	Parks & Recreation Fund	\$ 604,521
TIFA (Component Unit)	Major Streets Fund	\$ 153,764

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

7) LONG-TERM DEBT

The following is a summary of the primary government debt of the City outstanding as of June 30, 2010:

	Interest Rate Ranges	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities						
General obligation bonds						
(for road and other construction):						
Act 175 Motor Vehicle Bond, 2001 Series						
Refunding bonds						
Amount of Issues - \$1,780,000	2.00% -					
Maturing through 8/2014	4.625%	\$ 1,090,000	\$ -	\$ (160,000)	\$ 930,000	\$ 170,000
General Obligation, Unlimited Tax 2003 Series						
Local road bonds						
Amount of Issues - \$5,000,000	2.5% -					
Maturing through 3/2013	3.625%	2,165,000	-	(510,000)	1,655,000	530,000
2003 Capital Improvement Bonds						
Amount of Issues - \$2,000,000	2.5% -					
Maturing through 11/2013	5.125%	1,085,000	-	(195,000)	890,000	205,000
Unlimited Tax General Obligation						
Local street bonds, series 2006						
Amount of issue - \$5,000,000	4.0% -					
Maturing through 3/1/2016	4.250%	3,645,000	-	(475,000)	3,170,000	485,000
Local Road Bonds, Series 2007 B						
Amount of issue- \$5,000,000						
Maturing through 3/1/2017	4.110%	4,110,000	-	(465,000)	3,645,000	475,000
Total bond obligations		12,095,000	-	(1,805,000)	10,290,000	1,865,000
Other long-term obligations						
9 Chevy Impalas / 2 Tahoes purchase						
Amount of Issue - \$242,167.45						
Maturing through 8/27/2012	6.70%	-	242,167	(66,729)	175,438	54,624
Caterpillar Backhoe / Loader purchase						
Amount of Issue - \$86,991						
Maturing through 12/2013	5.15%	-	86,991	(19,188)	67,803	15,696
2010 Dodge Charger Hemi						
Amount of Issue - \$22,043.50						
Maturing through 12/2011	4.60%	-	22,044	(7,681)	14,363	7,020
Chevy 2009 C-4500						
Amount of Issue - \$160,545						
Maturing through 12/2015	5.50%	-	160,545	(26,777)	133,768	19,420
2 Ford Rangers & 1 Ford 150						
Amount of Issue - \$53,110						
Maturing through 1/2011	5.60%	21,774	-	(10,591)	11,184	11,184
2 Ford F-250 Pick Ups						
Amount of Issue- \$ 44416						
Maturing through 10/2011	5.60%	26,597	-	(8,387)	18,210	8,857
2 Ford Taurus-2008						
Amount of Issue- \$38674						
Maturing through 10/2009	5.65%	12,878	-	(12,878)	-	-
4 Ford Crown Vic Police Cars						
Amount of Issue - \$83,104						
Maturing through 11/2009	5.65%	27,674	-	(27,674)	-	-
4 Ford Crown Vic Police Cars						
Amount of Issus- \$81848						
Maturing through 10/2010	4.75%	53,290	-	(26,027)	27,263	27,263
2008 Sterling Vector						
Amount of Issue- \$340,037						
Maturing through 10/2012	4.50%	265,915	-	(62,156)	203,759	64,953
2009 GMC Plow						
Amount of Issue- \$ 109,405						
Maturing through 12/2012	4.50%	85,557	-	(19,998)	65,559	20,898
4 Ford Fusions						
Amount of Issue-\$86,585						
Maturing through 10/2013	5.15%	86,585	-	(19,098)	67,487	15,623
Total other long-term obligations		580,270	511,747	(307,184)	784,833	245,538
Total Governmental Activities		\$ 12,675,270	\$ 511,747	\$ (2,112,184)	\$ 11,074,833	\$ 2,110,538

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

7) LONG-TERM DEBT (Continued)

	Interest Rate Ranges	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Business-type Activities						
Wayne County Contracts (for construction of system improvements):						
Wayne County Sewage Disposal System, 1994						
Wayne County Sewage Disposal System, 1999						
CSO Basin Series B Refunding Bonds						
Amount of Issue - \$2,730,000						
	3.75% -					
Maturing through 11/2015 - Net of \$86,538						
	4.80%	1,653,462		(215,000)	1,438,462	230,000
of deferred charges at June 30, 2008						
Wayne County Sewage Disposal System, 1999						
CSO Basin Series C Refunding Bonds						
Amount of Issue - \$6,390,000						
	3.75% -					
Maturing through 11/2015 - Net of \$201,928						
	4.80%	3,753,072	-	(535,000)	3,218,072	505,000
of deferred charges at June 30, 2008						
1994 State Revolving Fund Loan **						
Amount of Issue - \$2,590,000						
	2.00%	1,025,000	-	(140,000)	885,000	140,000
Maturing through 4/2016						
CSO Bonds						
Amount of Issue - \$3,200,000						
	4.0%-					
Maturing through 2026						
	5.25%	2,965,000	-	(125,000)	2,840,000	125,000
2008 SRF Bonds						
Amount of Issue - \$ 21,160,000						
	2.50%	4,095,367	7,346,898		11,442,265	-
Maturing through 10/2030						
Total Business-type activities		\$ 13,491,901	\$ 7,346,898	\$ (1,015,000)	\$ 19,823,799	\$ 1,000,000

** A portion of these bonds was defeased during the year ended June 30, 2003.

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

7) LONG-TERM DEBT (Continued)

	Interest Rate Ranges	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Component Units						
Beech Daly Tax Increment Finance Authority - Road Improvement						
2001 Series Bonds*						
Amount of Issue - \$1,655,000	2.00%					
Maturing through 11/2019	5.00%	\$ 1,160,000	\$ -	\$ (115,000)	\$ 1,045,000	\$ 115,000
Beech Daly Tax Increment Finance Authority - City Facilities Project						
Series 2006						
Amount of Issue - \$1,300,000	4.6% -					
Maturing through 11/1/2025	5.0%	1,180,000	-	(50,000)	1,130,000	50,000
Due to the City of Inkster						
75% of City of Inkster 2001 Series Act 175 Motor Vehicle Highway Refunding Bonds						
Original amount of obligation - \$1,335,000 (75% of \$1,780,000)	2.00% -					
Maturing through 8/2014	4.625%	817,500	-		817,500	247,500
Brownfield Redevelopment Authority-Tax Incremental Bonds-Series 2006						
Amount of Issue- \$ 4,155,000	6.2%-					
Maturing through 11/2025	6.125%	4,130,000	-	(65,000)	4,065,000	15,000
Downtown Development Authority Promissary Note						
Amount of Issue - \$225,000						
Maturing 06/2018	0.000%	-	225,000	(25,000)	200,000	25,000
Total Component Units		\$ 7,287,500	\$ 225,000	\$ (255,000)	\$ 7,257,500	\$ 452,500

*A portion of these bonds was defeased during the year ended June 30, 2003.

Under certain circumstances, the issuance of future Enterprise fund bonds is restricted unless "net revenues" meets minimum bond requirements.

The City has pledged its full faith and credit for the bond obligation of the Beech Daly Tax Increment Finance Authority, a component unit.

The City anticipates that 75 percent of the debt service requirement for two of the Act 175 Motor Vehicle Highway bonds (with an outstanding balance of \$817,500 at June 30, 2010) will ultimately be provided by the Tax Increment Finance Authority (TIFA), a component unit

7) LONG-TERM DEBT (Continued)

The TIFA's payment of the above described obligations is limited to the amount of TIFA revenue legally available and in excess of the amounts which are required to pay the debt service of the outstanding TIFA bonds, if any. Historically, annual TIFA revenue has, in varying amounts, exceeded the total annual debt service payments for the outstanding TIFA bonds.

Annual debt service requirements to maturity for the above governmental, business type, and component unit bonds and note obligations are as follows:

Year	Governmental Activities			Business-Type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,865,000	\$ 408,100	\$ 2,273,100	\$ 1,000,000	\$ 352,435	\$ 1,352,435	\$ 452,500	\$ 345,698	\$ 798,198
2012	1,930,000	333,355	2,263,355	1,885,000	310,877	2,195,877	415,000	335,109	750,109
2013	2,005,000	253,778	2,258,778	1,960,000	266,674	2,226,674	438,750	321,484	760,234
2014	1,485,000	180,484	1,665,484	2,020,000	219,736	2,239,736	461,250	306,809	768,059
2015	1,290,000	121,338	1,411,338	2,095,000	170,395	2,265,395	485,000	291,084	776,084
2016-2020	1,715,000	94,965	1,809,965	6,855,000	423,925	7,278,925	2,010,000	1,165,384	3,175,384
2021-2025	-	-	-	4,008,799	203,875	4,212,674	2,370,000	563,637	2,933,637
2026-	-	-	-	-	12,600	12,600	625,000	18,578	643,578
	<u>\$ 10,290,000</u>	<u>\$ 1,392,020</u>	<u>\$ 11,682,020</u>	<u>\$ 19,823,799</u>	<u>\$ 1,960,516</u>	<u>\$ 21,784,315</u>	<u>\$ 7,257,500</u>	<u>\$ 3,347,781</u>	<u>\$ 10,605,281</u>

Defeased Debt – In prior years, the City defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts 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, \$5,635,000 of bonds outstanding are considered defeased.

In prior years, the TIFA defeased certain bonds by placing the proceeds of 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, \$1,000,000 of bonds outstanding are considered defeased.

8) RESTRICTED ASSETS

Business – Type Activities – Restricted assets at June 30, 2010 consist of assets held at Wayne County restricted for the following purposes:

City's portion of Rouge River National Wet Weather Demonstration Basin construction	\$ 1,006,166
City' portion of North Huron Valley/Rouge Valley sewer System Combined Sewer Overflow Basin: Equipment replacement	<u>543,423</u>
Total Restricted Assets	<u><u>\$ 1,549,589</u></u>

The above assets result from the issuance of debt; therefore, net assets have been restricted. Net assets of \$118,118 have been restricted, however, pursuant to an Environmental Protection Agency (EPA) requirement for certain required construction not related to the matters listed above. No specific assets have been restricted to this EPA- mandated reserve.

9) RISK MANAGEMENT

The City is exposed to various risks of loss related to property loss, torts, errors and omission, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for all claims except workers' compensation. In addition, the City retains risk for general liability claims, as a result of significant deductible levels. 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 is uninsured for workers' compensation claims outside of certain limits. The City has purchased insurance for specific occurrences in excess of \$300,000 and occurring within the insurance policy periods.

City of Inkster, Michigan

Notes to Financial Statement (Continued)
Year Ended June 30, 2010

9) **RISK MANAGEMENT (Continued)**

The City estimates the liability for workers' compensation claims and general liability deductibles that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the years ended June 30 are as follows:

	2010	2009
Estimated Liability - Beginning of Year	\$ 1,615,142	\$ 1,851,734
Estimated claims incurred, including changes in estimates - Net	2,131,621	64,730
Claim Payments	(405,000)	(301,322)
Estimated Liability - End of Year	\$ 3,341,763	\$ 1,615,142

10) **CONTINGENCIES**

Litigation - The City is a defendant in several lawsuits and asserted claims. While an estimate of the liability, net of available insurance coverage, related to these matters has been recorded, management and legal counsel believe the City's ultimate exposure with respect to these actions is not currently determinable. Hence, it is reasonably possible that the ultimate costs, if any, related to the resolution of these matters could differ materially from the amounts provided.

Cost Settlements – The City receives grants from the State of Michigan and various federal agencies to fund specific projects. Final determination of grant amounts is subject to audit by the responsible agencies. The City does not believe that disallowed costs will exceed amounts provided for disallowances by an amount material to the financial statements.

11) **JOINT VENTURES**

The City is a member of the Nankin Transit Commission, which provides transportation services to residents of Garden City, Westland, Canton, Wayne, and Inkster. The participating communities provide annual funding for its operations. During the current year, the City contributed approximately \$34,000 for its operations. The City has no material equity interest in the Nankin Transit Commission at June 30, 2010. The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. Complete financial statements for the Nankin Transit Commission can be obtained from the administrative offices at 37137 Marquette, Westland, Michigan 48185.

11) **JOINT VENTURES (Continued)**

The City is also a member of the Central Wayne County Sanitation Authority (the "Authority"). The City appoints one member to the joint venture's governing board, which approves the annual budget. The debt of the joint venture is being financed by operations and member millage. The City has recorded an investment related to its share of the net asset position of the Authority at \$54,054 in the government-wide statement of net assets.

The Authority has disposed of part of its assets and paid \$101,617 to the city as its share of the proceeds in July 2010.

Complete financial statements for the Authority can be obtained from the administrative offices at 3759 Commerce Court, Wayne, Michigan 48184.

12) **DEFINED BENEFIT PENSION PLAN**

Plan Descriptions - The City contributes to the Police and Fire Retirement System and to the General Employee Retirement System, which are administrators of single-employer public employees' retirement systems that generally cover all full-time police and fire employees and general employees of the City, respectively. The systems provide retirement, disability, and death benefits to plan members and their beneficiaries.

Police and Fire Retirement System

At July 1, 2009, the date of the most recent actuarial valuation, membership consisted of 57 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 78 current active employees. The plan does not issue a separate financial report.

Contributions- Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note I for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees of 6.53 percent of wages for police officers and 6.00 percent of wages for firefighters. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

12) DEFINED BENEFIT PENSION PLAN (Continued)

Annual Pension Cost – For the year ended June 30, 2010, the City’s annual pension cost of \$361,307 for the plan was equal to the City’s required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at July 1, 2009 using the individual entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return, (b) projected salary increases of 4 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 based on a five-year smoothed market. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 10 years.

The three-year trend information for the plan is as follows:

	Fiscal Year Ended June 30		
	2010	2009	2008
Police and Fire Retirement System			
Annual pension cost (APC)	\$ 361,307	\$ 330,376	\$ 320,265
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

General Employee’s Retirement System

At July 1, 2008, the date of the most recent actuarial valuation, membership consisted of 51 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 54 current active employees. The plan does not issue a separate financial report

Contributions – Plan members’ contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City’s competitive bargaining units and requires a contribution from the employees of 5 percent of wages except for members of the dispatchers union for whom the amount is 3 percent of wages. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

12) **DEFINED BENEFIT PENSION PLAN (Continued)**

Annual Pension Cost – For the year ended June 30, 2010, the City’s actuarially determined contribution for the plan was \$345,988. The City actually contributed and expensed \$380,659 for its current year contribution. The difference between the required and actual contribution has been used to offset the liability in the government-wide statement of net assets. The annual required contribution was determined as part of an actuarial valuation at July 1, 2008 using the aggregate actuarial cost method. Signification actuarial assumptions used include (a) a 7.0 percent investment rate of return, (b) projected salary increases of 4 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 3 percent. The actuarial value of assets was based on stated contract value for funds invested in the general accounts of an insurance company and market value for funds invested in insurance company separate accounts.

The three-year trend information for the plan is as follows:

	Fiscal Year Ended June 30		
	2010	2009	2008
General Employees' Retirement System:			
Annual pension cost (APC)	\$ 345,988	\$ 345,988	\$ 329,381
Percentage of APC contributed	100%	93%	98%
Net pension obligation	\$ -	\$ 25,790	\$ 22,804

13) **POST-EMPLOYMENT BENEFITS**

Plan Description – The City provides healthcare benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, the plan has 234 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements. The plan does not issue a separate stand-alone financial statement. Administrative costs are to be paid by the employer.

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

Funding Progress – For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

City of Inkster, Michigan

Notes to Financial Statement (Continued) Year Ended June 30, 2010

13) POST-EMPLOYMENT BENEFITS – (Continued)

The valuation's computed contribution and actual funding are summarized as follows

Annual Required Contribution (recommended)	\$ 2,984,311
Amounts Contributed - Payments on current premiums	<u>(547,634)</u>
Increase in Net OPEB Obligation	2,436,677
OPEB Obligation - Beginning of Year	<u>2,228,737</u>
OPEB Obligation - End of Year	<u>\$ 4,665,414</u>

The annual OPEB cost, the percentage contributed to the plan, and the net OPEB obligation are as follows:

	<u>Fiscal Year Ended June 30</u>	
	<u>2010</u>	<u>2009</u>
Annual OPEB Costs	\$ 2,984,311	\$ 2,730,046
Percentage Contributed	18.4%	18.4%
Net OPEB Obligation	\$ 4,665,414	\$ 2,238,737

The plan has received an actuarial valuation, summarized as follows:

Valuation as of July 1,	<u>2010</u>	<u>2009</u>
Actuarial Value of Assets	\$ -	\$ -
Actuarial Accrued Liability (AAL)	29,503,126	27,821,484
Unfunded AAL (UAAL)	29,503,126	27,821,484
Funded Ratio	0.0%	0.0%

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

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

13) **POST-EMPLOYMENT BENEFITS – (Continued)**

In the July 1, 2009 actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 8 years. The actuarial value of assets was determined using the reported market value of assets. The UAAL is be amortized as a level dollar amount. The amortization period as of July 1, 2009 is 30 years.

REQUIRED SUPPLEMENTAL INFORMATION

City of Inkster, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property Taxes	\$ 8,066,848	\$ 8,149,513	\$ 7,790,208	\$ (359,305)
Licenses and Permits	384,120	416,620	312,076	(104,544)
State-Shared Revenues and Grants	5,729,640	5,344,491	4,209,017	(1,135,474)
Charges for Services	617,490	858,590	1,088,269	229,679
Interest	180,000	180,000	1,178	(178,822)
Administrative Charges and Other Revenue	3,904,730	4,438,330	4,264,379	(173,951)
Total Revenue	18,882,828	19,387,544	17,665,127	(1,722,417)
Expenditures				
General Government	4,302,452	4,472,222	4,208,956	263,266
Public Safety	10,564,573	11,168,996	10,021,511	1,147,485
Highways, Streets, and Public Works	2,987,933	3,079,187	3,004,226	74,961
Cultural and Recreation	671,543	733,825	553,000	180,825
Total Expenditures	18,526,501	19,454,230	17,787,693	1,666,537
Excess of Revenue Over (Under) Expenditures	356,327	(66,686)	(122,566)	(55,880)
Other Financing Sources (Uses)				
Other Financing Sources				
Operating Transfer (Out)	(454,521)	(604,521)	(604,521)	-
Total Other Financing Sources (Uses)	(454,521)	(604,521)	(604,521)	-
Net Change in Fund Balance	(98,194)	(671,207)	(727,087)	<u>\$ (55,880)</u>
Fund Balances - July 1, 2009	2,718,755	2,718,755	2,718,755	
Fund Balances - June 30, 2010	<u>\$ 2,620,561</u>	<u>\$ 2,047,548</u>	<u>\$ 1,991,668</u>	

City of Inkster, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-Shared Revenues and Grants	\$ 1,335,000	\$ 1,335,000	\$ 1,058,484	\$ (276,516)
Interest	30,000	30,000	2,889	(27,111)
Total Revenue	1,365,000	1,365,000	1,061,373	(303,627)
Expenditures				
Highways, Streets, and Public Works	1,244,074	1,604,324	973,265	631,059
Debt Service	804,764	804,764	205,019	599,745
Total Expenditures	2,048,838	2,409,088	1,178,284	1,230,804
Excess of Revenue Over (Under) Expenditures	(683,838)	(1,044,088)	(116,911)	<u>\$ 927,177</u>
Other Financing Sources (Uses)				
Operating Transfer -In	191,870	191,870	153,764	
Net Change in Fund Balance	(491,968)	(852,218)	36,853	
Fund Balances - July 1, 2009	1,584,750	1,584,750	1,584,750	
Fund Balances - June 30, 2010	<u>\$ 1,092,782</u>	<u>\$ 732,532</u>	<u>\$ 1,621,603</u>	

City of Inkster, Michigan

Required Supplemental Information Budgetary Comparison Schedule Local Streets Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property Taxes	\$ 1,862,827	\$ 1,862,827	\$ 1,740,986	\$ (121,841)
State-shared Revenues and Grants	475,000	475,000	449,352	(25,648)
Interest	30,000	30,000	389	(29,611)
Administrative Charges and Other Revenues	-	-	1,714	1,714
Total Revenue	<u>2,367,827</u>	<u>2,367,827</u>	<u>2,192,441</u>	<u>(175,386)</u>
Expenditures				
Highways, Streets, and Public Works	938,419	940,418	984,593	(44,175)
Debt Service	2,644,314	2,644,314	1,845,464	798,850
Total Expenditures	<u>3,582,733</u>	<u>3,584,732</u>	<u>2,830,057</u>	<u>754,675</u>
Excess of Revenue Over (Under) Expenditures	(1,214,906)	(1,216,905)	(637,616)	<u>\$ 579,289</u>
Fund Balances - July 1, 2009	<u>1,618,682</u>	<u>1,618,682</u>	<u>1,618,682</u>	
Fund Balances - June 30, 2010	<u>\$ 403,776</u>	<u>\$ 401,777</u>	<u>\$ 981,066</u>	

City of Inkster

Required Supplemental Information Pension System Schedules of Funding Progress Year Ended June 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over-Funded AAL (OAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll
<u>General Employees' Retirement System</u>						
7/1/00	\$ 7,393,000	\$ 7,393,000	\$ -	100.0	\$ 1,838,000	0.0
7/1/01*						
7/1/02	7,062,000	7,062,000	-	100.0	1,949,000	0.0
7/1/03*						
7/1/04	7,177,000	7,177,000	-	100.0	1,884,000	0.0
7/1/05*						
7/1/06	7,991,000	7,991,000	-	100.0	2,134,232	0.0
7/1/07*						
7/1/08	8,781,000	8,781,000	-	100.0	2,016,001	0.0
7/1/09*						
<u>Police and Fire Retirement System</u>						
7/1/00	\$ 26,426,000	\$ 22,448,000	\$ 3,978,000	117.7	\$ 3,805,000	104.5
7/1/01	27,862,000	24,224,000	3,638,000	115.0	4,447,000	81.8
7/1/02	28,489,000	24,758,000	3,731,000	115.0	4,235,000	88.1
7/1/03	28,125,000	25,884,000	2,241,000	108.7	3,842,000	58.3
7/1/04	27,624,000	26,981,000	643,000	100.2	4,687,000	13.7
7/1/05	27,465,000	25,168,000	2,297,000	109.1	4,639,000	49.5
7/1/06	27,460,000	26,195,000	1,265,000	104.8	4,539,000	27.8
7/1/07	28,519,000	27,116,000	1,403,000	105.2	4,473,940	31.3
7/1/08	29,483,000	28,282,000	1,201,000	104.2	4,672,419	25.7
7/1/09	28,721,000	29,428,000	(707,000)	97.6	4,736,464	(14.9)

* A valuation was not done for the years indicated.

City of Inkster

Required Supplemental Information Pension System Schedules of Employer Contributions Year Ended June 30, 2010

The schedule of funding progress is as follows:

General Employees' Retirement System

Fiscal Year Ended June 30	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
2001	7/1/00	\$ 201,310	100.0
2002	7/1/00	213,736	100.0
2003	7/1/02	327,206	69.0
2004	7/1/02	320,779	96.0
2005	7/1/04	454,487	87.2
2006	7/1/04	454,487	100.0
2007	7/1/06	329,381	100.0
2008	7/1/06	329,381	98.1
2009	7/1/08	345,988	93.0
2010	7/1/08	345,988	95.9

Police and Fire Retirement System

Fiscal Year Ended June 30	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
2000	7/1/98	\$ 242,903	100.0
2001	7/1/99	290,625	100.0
2002	7/1/00	353,356	100.0
2003	7/1/01	464,781	100.0
2004	7/1/02	451,695	100.0
2005	7/1/03	485,107	100.0
2006	7/1/04	121,130	100.0
2007	7/1/05	185,035	100.0
2008	7/1/06	320,265	100.0
2009	7/1/07	314,347	100.0

* The City's policy is to calculate a percentage of payroll, at which it will make its employer plan contributions such that the resultant contribution amount is within the range of the alternatives presented in the actuarial valuations. The contribution amounts presented represent the actual contributions recorded by the City in the respective fiscal years.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of July 1, 2009, the latest actuarial valuation date, follows:

General Employees' Retirement System

Actuarial Cost Method	Projected Unit Credit
Amortization Method	N/A
Amortization Period (perpetual)	N/A
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return*	7.0%
Projected Salary Increases*	2%
* Includes Inflation at	2%
Cost of Living Adjustments	None

Police and Fire Retirement System

Actuarial Cost Method	Individual entry age
Amortization Method	Level percent of payroll, open
Remaining Amortization Period	10 years open or 25 years closed
Asset Valuation Method	Five-year smoothed market
Actuarial Assumptions:	
Investment Rate of Return**	8.00%
Projected Salary Increases**	7% to 4% age graded
** Includes Inflation at	4%
Cost of Living Adjustments	None

City of Inkster, Michigan

Notes to Required Supplemental Information June 30, 2010

Budgetary Information – The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council. The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the City is the department level. Unexpended 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, the budget was amended in a legally permissible manner.

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, Special Revenue Funds, and Debt Service Fund, with the following exceptions:

- Operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).”
- Financing proceeds related to debt issuance have been included in the “revenue” category rather than as “other financing sources.”

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the City incurred General Fund expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
Highways, Streets and Public Works - Local Streets	\$ 940,418	\$ 984,593

OTHER SUPPLEMENTAL INFORMATION

City of Inkster

Required Supplemental Information Combining Balance Sheet Non-Major Governmental Funds June 30, 2010

	Non-Major Special Revenue Funds			Non-Major Capital Project Fund	Total Non-Major Governmental Funds
	Grants	Drug Law Enforcement	Parks & Recreation	Capital Improvements	
Assets					
Cash And Investments	\$ 31,176	\$ 99,013	\$ 264,013	\$ 56,655	\$ 450,857
Accounts Receivables	-	-	160,806	-	160,806
Due from other funds	-	-	30,000	-	30,000
Total Assets	\$ 31,176	\$ 99,013	\$ 454,819	\$ 56,655	\$ 641,663
Liabilities And Fund Balances					
Liabilities					
Accounts Payable	\$ 680	\$ 7,607	\$ 167,839	\$ -	\$ 176,126
Deferred Revenue	30,793	-	-	-	30,793
Total Liabilities	31,473	7,607	167,839	-	206,919
Fund Balances - Unreserved	(297)	91,406	286,980	56,655	434,744
Total Liabilities And Fund Balances	\$ 31,176	\$ 99,013	\$ 454,819	\$ 56,655	\$ 641,663

City of Inkster

Required Supplemental Information Combining Statement of Revenue, Expenditures and Changes in Fund Balances Non-Major Governmental Funds Year Ended June 30, 2010

	Non-Major Special Revenue Funds			Non-Major Capital Project Fund	Total Non-Major Governmental Funds
	Grants	Drug Law Enforcement	Parks & Recreation	Capital Projects	
Revenue					
Property Taxes	\$ -	\$ -	\$ 672,646	\$ -	\$ 672,646
Federal Grants	294,052	-	-	-	294,052
Interest Income	-	-	119	34	153
Other	28,087	228,654	104,955	-	361,696
Total Revenue	<u>\$ 322,139</u>	<u>\$ 228,654</u>	<u>\$ 777,720</u>	<u>\$ 34</u>	<u>\$ 1,328,547</u>
Expenditures					
Public Safety	\$ -	\$ 138,439	\$ -	\$ -	\$ 138,439
Grant Expenditures	329,161	-	-	-	329,161
Other	-	-	1,353,125	-	1,353,125
Total Expenditures	329,161	138,439	1,353,125	-	1,820,725
Excess of Revenue Over (Under) Expenditures	(7,022)	90,215	(575,405)	34	(492,178)
Operating Transfers In	-	-	604,521	-	604,521
Operating Transfers (Out)	-	-	-	-	-
Fund Balances - July 1, 2009	6,725	1,191	257,864	56,621	322,401
Fund Balances - June 30, 2010	<u>\$ (297)</u>	<u>\$ 91,406</u>	<u>\$ 286,980</u>	<u>\$ 56,655</u>	<u>\$ 434,744</u>

Required Supplemental Information Combining Statements of Net Assets Fiduciary Funds Year Ended June 30, 2010

	Pension Trust Funds		
	General Employees' Retirement System	Police and Fire Retirement System	Total
Assets			
Investments:			
Corporate bonds	\$ -	\$ 7,497,309	\$ 7,497,309
U.S. Government Securities	-	292,462	292,462
U.S. Government Agency Securities	-	4,507,337	4,507,337
Common and Preferred Stock	-	10,687,122	10,687,122
Pension Guarantee Contract Pooled Fund	9,220,219	-	9,220,219
Bank Investment Pools and Pooled Investment Fund	40,015	1,310,919	1,350,934
Receivables	36,213	51,646	87,859
 Net Assets - Held in Trust for Employee Pension Benefits	\$ 9,296,447	\$ 24,346,795	\$ 33,643,242

City of Inkster

Required Supplemental Information Combining Statements of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2010

	General Employees' Retirement System	Police and Fire Retirement System	Total
Additions			
Investment Income:			
Interest and Dividends	\$ 475,012	\$ 795,839	\$ 1,270,851
Net Increase (decrease) in Fair Value of Investments	<u>791,386</u>	<u>1,802,723</u>	<u>2,594,109</u>
Net Investment Income (Loss)	1,266,398	2,598,562	3,864,960
Contributions:			
Employer	380,659	344,361	725,020
Employee	<u>114,786</u>	<u>321,129</u>	<u>435,915</u>
Total Additions	1,761,843	3,264,052	5,025,895
Deductions			
Benefit Payments	579,413	1,977,688	2,557,101
Refunds of Contributions	63,090	(268,493)	(205,403)
Administrative Expenses	<u>48,837</u>	<u>185,184</u>	<u>234,021</u>
Total Deductions	<u>691,340</u>	<u>1,894,379</u>	<u>2,585,719</u>
Net Increase (Decrease)	1,070,503	1,369,672	2,440,175
Net Assets - Held in Trust for Pension Benefits			
Beginning of Year	<u>8,225,944</u>	<u>22,977,123</u>	<u>31,203,067</u>
End of Year	<u>\$ 9,296,447</u>	<u>\$ 24,346,795</u>	<u>\$ 33,643,242</u>