

**CITY OF INKSTER, MICHIGAN**

**FINANCIAL REPORT**

**YEAR ENDED JUNE 30, 2012**

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## **INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and 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 aggregate remaining fund information of the City of Inkster, Michigan as of and for the year ended June 30, 2012, 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, 2012 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.

As more fully discussed in the management's discussion and analysis and Note 2 of the financial statements, the City has a decrease of approximately \$550,000 in the General fund. The General Fund is in a \$3.5 million deficit position as of June 30, 2012. The City has filed a deficit elimination plan and is currently under a consent agreement with the State. Additionally, the Water and Sewer Fund has an unrestricted net deficit of \$1.5 million at June 30, 2012. A deficit elimination plan has also been filed with the State for the Water and Sewer Fund.

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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules, and pension system schedules as identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America. However, we do not express an opinion or provide any assurance on the information 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.*

November 18, 2012

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, 2012. We encourage readers to consider the information presented here in conjunction with the financial statements that follow this section.

### **FINANCIAL HIGHLIGHTS**

- In an effort to reduce expenses, the City eliminated many positions that in most cases resulted in layoffs. This occurred throughout the organization and impacted police, public works and general administration.
- The General Fund – fund balance is a negative 22% of revenues and has a year- end deficit of \$3,518,514.
- The General Fund revenues and expenditures came in under budget.

### **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.

### 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"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
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

### 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 and sewer system.

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 and Library 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 nine 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 six 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.



**Governmental Funds** (Continued) – The City of Inkster adopts an annual appropriated budget for its general fund, as well as the major and local streets funds. 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 and 17 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 and information technology activities. The proprietary fund financial statements can be found on pages 19-21 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 22-23 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 26-47 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 49-54 of this report.

The combining statements referred to earlier in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information on pensions. Combining and individual fund statements and schedules can be found on pages 56-59 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 are \$24.3 million, which is a decrease of \$1.7 million from the prior year. The largest portion, \$39.2 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 from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

# City of Inkster, Michigan

## Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2012

### REQUIRED SUPPLEMENTAL INFORMATION (CONTINUED)

#### Government-Wide Financial Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
Current and Other Assets	\$ 4.2	\$ 5.3	\$ 11.6	\$ 5.8	\$ 15.8	\$ 11.1
Capital Assets	21.3	21.7	50.2	46.3	71.5	68.0
<b>Total Assets</b>	<b>\$ 25.5</b>	<b>\$ 27.0</b>	<b>\$ 61.8</b>	<b>\$ 52.1</b>	<b>\$ 87.3</b>	<b>\$ 79.1</b>
Current Liabilities	8.2	7.3	12.5	9.1	20.7	16.4
Long-term Liabilities Outstanding	18.6	17.2	23.7	19.6	42.3	36.8
<b>Total Liabilities</b>	<b>26.8</b>	<b>24.5</b>	<b>36.2</b>	<b>28.7</b>	<b>63.0</b>	<b>53.2</b>
Net Assets:						
Invested in Capital Assets, Net of Related Debt	14.3	12.5	24.9	25.2	39.2	37.7
Restricted	2.7	1.9	2.2	1.5	4.9	3.4
Unrestricted (deficit)	(18.3)	(11.9)	(1.5)	(3.3)	(19.8)	(15.2)
<b>Total Net Assets</b>	<b>\$ (1.3)</b>	<b>\$ 2.5</b>	<b>\$ 25.6</b>	<b>\$ 23.4</b>	<b>\$ 24.3</b>	<b>\$ 25.9</b>

The remaining portion of the City of Inkster's total net assets represents resources of which \$4.9 million are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of (\$19.8) million 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 as well as our citizens and creditors.

Total net assets are divided into governmental and business-type activities. Governmental total net assets decreased by \$3.8 million with a decrease of \$1.5 million in assets from prior year.

Business-type activities total net assets increased by \$2.2 million with an increase to capital assets of \$3.9 million partially offset by an increase in long term debt of \$4.1 million. The increase in capital assets went mostly to make major improvements to the water and sewer system.

Changes in Net Assets (Table 3) provide some insight into current year activities as compared to those of the prior year. Total revenues were down from last year with a \$0.9 million decrease in the governmental activities revenues and a \$5.8 million increase in Business-type activities. Total expenses decreased by \$1.1 million, with a \$2.0 million decrease in governmental activities and a \$0.9 million increase in Business-type activities.

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

	Governmental Activities		Business-type Activities		Total Primary Government	
	2012	2011	2012	2011	2012	2011
<b>Revenues</b>						
<b>Program Revenues</b>						
Charges for services	\$ 5.5	\$ 5.0	\$ 10.8	\$ 6.5	\$ 16.3	\$ 11.5
Operating grants	2.3	5.4	-	-	2.3	5.4
<b>General Revenues</b>						
Property taxes	9.2	6.7	2.7	1.2	11.9	7.9
State shared revenues	3.3	3.7	-	-	3.3	3.7
Other	-	0.4	-	-	-	0.4
<b>Total Revenues</b>	<u>20.3</u>	<u>21.2</u>	<u>13.5</u>	<u>7.7</u>	<u>33.8</u>	<u>28.9</u>
<b>Expenses</b>						
General government	9.1	5.6	-	-	9.1	5.6
Public safety	9.4	11.4	-	-	9.4	11.4
Public works	0.9	5.9	-	-	0.9	5.9
Parks and Recreation	1.0	1.3	-	-	1.0	1.3
Interest on long term debt	2.0	0.2	-	-	2.0	0.2
Water & Sewer	-	-	11.4	10.5	11.4	10.5
<b>Total Expenses</b>	<u>22.4</u>	<u>24.4</u>	<u>11.4</u>	<u>10.5</u>	<u>33.8</u>	<u>34.9</u>
<b>Changes in Net Assets</b>	<u>(2.1)</u>	<u>(3.2)</u>	<u>2.1</u>	<u>(2.8)</u>	<u>-</u>	<u>(6.0)</u>
Net Assets - Beginning	2.5	5.7	23.5	26.3	26.0	32.0
Prior Period Adjustment	<u>(1.7)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1.7)</u>	<u>-</u>
<b>Net Assets - End</b>	<u>\$ (1.3)</u>	<u>\$ 2.5</u>	<u>\$ 25.6</u>	<u>\$ 23.5</u>	<u>\$ 24.3</u>	<u>\$ 26.0</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.

### ANALYSIS OF FUND FINANCIAL STATEMENTS (Continued)

**Governmental Funds** (Continued) – As of the end of the 2012 fiscal year, the City of Inkster's governmental funds reported combined fund balances of (\$1.3 million) a decrease of \$0.2 from the prior year. Decreases in property taxes and increases in expenditures account for the decrease in fund balance.

The general fund is the chief operating fund of the City of Inkster. The \$3.5 million fund deficit in the general fund is a decrease of \$0.6 million from the prior year.

The remaining governmental funds have a fund balance of \$2.3 million. 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 three proprietary funds; the Water and Sewer Fund, an enterprise fund, the Garage Fund and Information Technology Fund which are internal service funds.

Total net assets in the Water and Sewer Fund are \$25.6 million, an increase of \$2.1 million from the previous year attributable to decreased expenses. The unrestricted portion of net assets is negative \$1.5 million, an increase of \$1.8 million from the previous year.

### BUDGETARY HIGHLIGHTS

**Original to Amended** – The general fund amended revenue budget (Table 4) of \$20.8 million was \$2.5 million more than the original budget. The variation was due to anticipating the emergency loan proceeds later received. The amended budget expenditures were \$4.1 million more than the original budget due to amendments made for legal settlements and Prudential pension expenditures.

# City of Inkster, Michigan

## Management's Discussion and Analysis (MD&A) (Continued) Year Ended June 30, 2012

### BUDGETARY HIGHLIGHTS (CONTINUED)

#### Original to Amended (Continued)

	(in Millions)				
	FY10 Actual (Audited)	FY11 Actual (Audited)	FY12 Original Budget	FY12 Amended Budget	FY12 Actual (Audited)
<b>Revenues</b>					
Property taxes	\$ 8.1	\$ 6.7	\$ 8.3	\$ 6.6	\$ 6.0
Licenses and permits	0.3	0.3	0.4	0.3	0.3
Federal & State-shared revenue and grants	5.4	4.7	3.4	4.2	3.7
Emergency Loan Proceeds	-	-	-	3.0	3.0
Charges for services	2.2	0.6	0.8	0.6	0.6
Interest	0.1	-	-	-	-
Administrative charges and other revenue	3.0	4.2	5.4	6.1	5.3
<b>Total Revenues</b>	<u>\$ 19.1</u>	<u>\$ 16.5</u>	<u>\$ 18.3</u>	<u>\$ 20.8</u>	<u>\$ 18.9</u>
<b>Expenditures and Transfers</b>					
General government	\$ 3.7	\$ 5.4	\$ 4.7	\$ 9.8	\$ 9.0
Public safety	7.9	10.9	9.9	8.9	8.4
Highways, streets, and public works	2.8	3.2	2.7	2.6	1.5
Community and Economic Development	0.3	0.7	0.3	0.3	-
Nondepartmental	2.6	-	-	-	-
Debt Service	-	-	-	0.1	0.1
Operating transfers (out)	0.5	0.5	0.4	0.3	0.4
<b>Total Expenditures and Transfers</b>	<u>\$ 17.8</u>	<u>\$ 20.7</u>	<u>\$ 18.0</u>	<u>\$ 22.0</u>	<u>\$ 19.4</u>

**Amended to Actual** –General fund actual revenues were \$1.9 million below the amended budget with grant and other revenue falling below budget by \$1.2 million. Property tax revenues were \$0.6 million unfavorable due to large County Chargebacks on delinquent taxes. General fund expenditures were \$0.7 million below the final amended budget primarily due rubbish expenditures being moved out of the general fund and into a separate fund.

### 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 2012, the City (excluding component units) had \$71.5 million (net of depreciation) invested in capital assets an increase from the prior year of \$3.5 million. Over \$5.0 million was spent on the Combined Sewer Overflow (CSO) project and the Water Meter Lease Replacement 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, 2012 was \$34.8 million with \$4.1 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, 2012

#### **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

**Economic Factors** – The City of Inkster, as has the rest of the nation, felt the effect of the recession and significant reduction in property values. This reduction in values continues to have a significant negative effect on property tax revenues. 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. 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. The City's unemployment rate is above both the national and state average. The most recent 2010 census indicated the City lost approximately 16% or 4,746 residents bringing the population down to 25,369.

**Budget** – The FY 2013 budget projects declining state shared revenues and property tax revenue. As noted earlier, the City has a significant negative General Fund – fund balance. As a result, the City is currently under a Consent Agreement whereby an approved Deficit Elimination Plan is in effect and is being executed. The nature of the Plan calls for a significant reduction in the work force with the elimination of more than 1/3<sup>rd</sup> of the work force. This workforce reduction has already occurred.

#### **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) June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
<b>Assets:</b>				
Cash and Investments (Note 3)	\$ 2,023,669	\$ 1,698,738	\$ 3,722,407	\$ 6,994,247
Receivables - Net:				
Customers	-	7,506,471	7,506,471	-
Other	647,559	-	647,559	141,664
Due from Other Governmental Units	1,310,299	-	1,310,299	-
Due from Primary Government	-	-	-	691,827
Inventories	86,269	85,711	171,980	-
Deferred Bond Issuance Costs	-	133,582	133,582	364,554
Pension Asset	74,702	-	74,702	-
Internal Balances	77,625	(77,625)	-	-
Restricted Assets (Note 8)	-	2,260,792	2,260,792	-
Capital Assets - Net (Note 5)	21,291,357	50,206,819	71,498,176	4,141,797
<b>Total Assets</b>	<b>25,511,480</b>	<b>61,814,488</b>	<b>87,325,968</b>	<b>12,334,089</b>
<b>Liabilities:</b>				
Accounts Payable	3,268,091	9,272,761	12,540,852	168,416
Accrued and Other Liabilities	1,662,604	368,331	2,030,935	150,804
Due to Component Units	-	691,827	691,827	-
Due to Agency fund	293,471	-	293,471	-
Investment in Joint Venture	3,571	-	3,571	-
Deferred Revenue	-	-	-	-
Debt - Due within One Year (Note 7)	2,315,860	2,134,126	4,449,986	475,000
Estimated Workers' Compensation and Other Claims - Due Within One Year	529,738	-	529,738	-
Accrued Employee Benefits - Due Within One Year	156,177	-	1,569,177	-
Noncurrent Liabilities:				
Estimated Worker's Compensation and Other Claims	2,413,249	-	2,413,249	-
Accrued Employee Benefits	793,901	-	793,901	-
OPEB obligation (Note 13)	7,722,688	541,911	8,264,599	-
Debt - Due in More Than One Year (Note 7)	7,680,858	23,185,531	30,866,389	12,970,000
<b>Total Liabilities</b>	<b>26,840,208</b>	<b>36,194,487</b>	<b>64,447,695</b>	<b>13,764,220</b>
<b>Net Assets (Deficit):</b>				
Investment in Capital Assets - Net of Related Debt	14,294,639	24,887,162	39,181,801	299,632
Restricted:				
Local and Major Streets	2,472,637	-	2,472,637	-
Drug Forfeiture Law Enforcement	45,124	-	45,124	-
Capital Projects	145,854	-	145,854	1,355,772
Grants	180	-	180	-
Restricted Assets	-	2,260,792	2,260,792	-
Unrestricted (Deficit)	(18,287,162)	(1,527,953)	(19,814,935)	(3,085,535)
<b>Total Net Assets (Deficit)</b>	<b>\$ (1,328,728)</b>	<b>\$ 25,620,001</b>	<b>\$ 24,291,453</b>	<b>\$ (1,430,131)</b>

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

# City of Inkster, Michigan

## Statement of Activities Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 9,058,346	\$ 4,890,537	\$ 2,138,232	-
Public Safety	9,426,497	366,591	129,533	-
Public Works	911,313	193,037	31,635	-
Recreation and Culture	978,669	83,383	-	-
Interest on Long-Term Debt	2,054,338	-	-	-
<b>Total Government Activities</b>	<u>22,429,163</u>	<u>5,533,548</u>	<u>2,299,400</u>	<u>-</u>
Business - Type Activities - Water and Sewer	<u>11,392,415</u>	<u>10,774,282</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 33,821,578</u>	<u>\$ 16,307,830</u>	<u>\$ 2,299,400</u>	<u>\$ -</u>
Component Units:				
Beech Daly Tax Increment Finance Authority	882,342	-	-	-
Brownfield Authority	208,025	-	-	-
Downtown Development Authority	102,424	-	-	-
Library	240,919	4,925	-	-
<b>Total Component Units</b>	<u>\$ 1,433,710</u>	<u>\$ 4,925</u>	<u>\$ -</u>	<u>\$ -</u>

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



Statement of Activities (Continued)  
Year Ended June 30, 2012

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	\$ (2,029,577)	\$ -	\$ (2,029,577)	\$ -
Public Safety	(8,930,373)	-	(8,930,373)	-
Public Works	(686,641)	-	(686,641)	-
Recreation and Culture	(895,286)	-	(895,286)	-
Interest on Long-Term Debt	(2,054,338)	-	(2,054,338)	-
<b>Total Government Activities</b>	<b>(\$14,596,215)</b>	<b>-</b>	<b>(14,596,215)</b>	<b>-</b>
Business - Type Activities - Water and Sewer	-	(618,133)	(618,133)	-
<b>Total Primary Government</b>	<b>(\$14,596,215)</b>	<b>\$ (618,133)</b>	<b>\$ (15,214,348)</b>	<b>\$ -</b>
Component Units:				
Beech Daly Tax Increment Finance Authority	-	-	-	(882,342)
Brownfield Authority	-	-	-	(208,025)
Downtown Development Authority	-	-	-	(102,424)
Library	-	-	-	(235,994)
<b>Total Component Units</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,428,785)</b>
General Revenues:				
Property Taxes	\$ 9,236,902	\$ 2,763,161	\$ 12,000,063	\$ 1,730,139
State-Shared Revenues	3,300,134	-	3,300,134	-
Unrestricted Investment Earnings	1,373	10,955	12,328	16,624
Franchise Fees	-	-	-	-
Miscellaneous	-	-	-	366,006
<b>Total General Revenues</b>	<b>12,538,409</b>	<b>2,774,116</b>	<b>15,312,525</b>	<b>2,112,769</b>
Transfers	-	-	-	99,427
<b>Change in Net Assets</b>	<b>(2,057,806)</b>	<b>2,155,983</b>	<b>98,177</b>	<b>783,411</b>
<b>Net Assets (Deficit) - July 1, 2011</b>	<b>2,490,862</b>	<b>23,464,018</b>	<b>25,954,880</b>	<b>(2,208,585)</b>
<b>Prior Period Adjustment (Note 15)</b>	<b>(1,761,784)</b>	<b>-</b>	<b>(1,761,784)</b>	<b>(4,957)</b>
Adjusted Net Assets/(Deficit)- July 1, 2011	729,078	23,464,018	24,193,096	(2,213,542)
<b>Net Assets (Deficit) - June 30, 2012</b>	<b>\$ (1,328,728)</b>	<b>\$ 25,620,001</b>	<b>\$ 24,291,273</b>	<b>\$ (1,430,131)</b>

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

# City of Inkster, Michigan

## Governmental Funds Balance Sheet June 30, 2012

	Major Funds			Non-Major Governmental Funds	Total Governmental Funds
	General Fund	Major Streets Fund	Local Streets Fund		
<b>Assets</b>					
Cash And Investments	\$ 876,156	\$ 380,169	\$ 561,898	\$ 205,446	\$ 2,023,669
Receivables - Net:					
Other	629,730	-	-	17,829	647,559
Due From Other Funds	334,035	991,271	325,473	54,843	1,705,622
Due From Other Governments	1,054,189	162,912	71,454	21,744	1,310,299
Inventory	86,269	-	-	-	86,269
<b>Total Assets</b>	<b>\$ 2,980,379</b>	<b>\$ 1,534,352</b>	<b>\$ 958,825</b>	<b>\$ 299,862</b>	<b>\$ 5,773,418</b>
<b>Liabilities And Fund Balances</b>					
<b>Liabilities</b>					
Accounts Payable	\$ 3,051,812	\$ 12,967	\$ 3,917	\$ 109,883	\$ 3,178,579
Accrued And Other Liabilities	1,653,301	1,946	1,710	5,647	1,662,604
Due To Other Funds	1,587,433	-	-	334,035	1,921,468
Deferred Revenue	206,347	-	-	55,782	262,129
<b>Total Liabilities</b>	<b>6,498,893</b>	<b>14,913</b>	<b>5,627</b>	<b>505,347</b>	<b>7,024,780</b>
<b>Fund Balances (Deficit)</b>					
Nonspendable - Inventory	86,269	-	-	-	86,269
Restricted					
Streets and Higways	-	1,519,439	953,198	-	2,472,637
Drug Law Enforcement	-	-	-	45,124	45,124
Grants	-	-	-	180	180
Capital Project	-	-	-	145,854	145,854
Unassigned	(3,604,783)	-	-	(396,643)	(4,001,426)
<b>Total Fund Balances (Deficit)</b>	<b>(3,518,514)</b>	<b>1,519,439</b>	<b>953,198</b>	<b>(205,485)</b>	<b>(1,251,362)</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ 2,980,379</b>	<b>\$ 1,534,352</b>	<b>\$ 958,825</b>	<b>\$ 299,862</b>	<b>\$ 5,773,418</b>

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

# City of Inkster, Michigan

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## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets Year Ended June 30, 2012

<b>Fund Balance (Deficit) - Total Governmental Funds</b>	\$ (1,251,362)
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.	20,907,026
Deferred Revenue due to not meeting availability criteria reported only in funds.	262,129
General Employee pension plan asset not reported in the funds	74,702
Other Post-Employment benefit obligation not reported in the funds	(7,722,688)
Investment in Joint Venture not reported in the funds.	(3,571)
Long-Term Liabilities are not due and payable in the current period and are not reported in the funds.	(13,769,072)
Internal Service Funds are included as part of governmental activities.	<u>174,108</u>
<b>Net Assets of Governmental Activities</b>	<u>\$ (1,328,728)</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, 2012

	Major Funds		Non-Major Governmental Funds	Total Governmental Funds	
	Major Streets Fund	Local Streets Fund			
Revenue	General Fund				
Property Taxes	\$ 6,005,848	\$ -	\$ 1,630,764	\$ 1,600,290	\$ 9,236,902
Licenses and Permits	270,820	-	-	-	270,820
Federal Sources	408,643	-	-	444,848	853,491
State Revenues and Grants	3,300,134	1,007,508	439,192	31,635	4,778,469
Charges for Services	563,612	-	-	-	563,612
Interest	1,373	-	-	-	1,373
Administrative Charges and Other Revenue	5,309,541	-	-	244,508	5,554,049
<b>Total Revenue</b>	<b>15,859,971</b>	<b>1,007,508</b>	<b>2,069,956</b>	<b>2,321,281</b>	<b>21,258,716</b>
<b>Expenditures</b>					
Current:					
General Government	9,037,585	-	-	-	9,037,585
Public Safety	8,451,461	-	-	112,919	8,564,380
Public Works	-	-	-	1,381,240	1,381,240
Highways, Streets, and Public Works	1,504,455	392,890	234,237	-	2,131,582
Community and Economic Development	15,231	-	-	323,822	339,053
Recreation and Culture	-	-	-	847,447	847,447
Debt Service	22,763	210,599	1,820,976	-	2,054,338
<b>Total Expenditures</b>	<b>19,031,495</b>	<b>603,489</b>	<b>2,055,213</b>	<b>2,665,428</b>	<b>24,355,625</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>(3,171,524)</b>	<b>404,019</b>	<b>14,743</b>	<b>(344,147)</b>	<b>(3,096,909)</b>
<b>Other Financing Sources/(Expenses)</b>					
Operating Transfers In	-	157,758	339,909	125,743	623,410
Operating Transfers Out	(382,928)	(339,909)	-	-	(722,837)
Proceeds From Emergency Loan (Note 14)	3,000,000	-	-	-	3,000,000
<b>Total Other Financing Sources</b>	<b>2,617,072</b>	<b>(182,151)</b>	<b>339,909</b>	<b>125,743</b>	<b>2,900,573</b>
<b>Net Change in Fund Balances</b>	<b>(554,452)</b>	<b>221,868</b>	<b>354,652</b>	<b>(218,404)</b>	<b>(196,336)</b>
<b>Fund Balances (Deficit) - July 1, 2011</b>	<b>(2,964,062)</b>	<b>1,297,571</b>	<b>598,546</b>	<b>12,919</b>	<b>(1,055,026)</b>
<b>Fund Balances (Deficit) - June 30, 2012</b>	<b>\$ (3,518,514)</b>	<b>\$ 1,519,439</b>	<b>\$ 953,198</b>	<b>\$ (205,485)</b>	<b>\$ (1,251,362)</b>

*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, 2012

<b>Net Change In Fund Balances - Total Governmental Funds</b>	<b>\$ (196,336)</b>
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	277,700
Capital Outlay Finance From MDOT Grant	745,354
Depreciation Expenses	(1,352,630)
Repayment of Bond Principal Is An Expenditure In The Governmental Funds, But Not In The Statement of Activities (Where It Reduces Long-Term Debt)	1,930,000
Repayment of Capital Leases is an Expenditure in the Government Funds, but not in the Statement of Activities (Where It Reduces Long-Term Debt)	275,326
Emergency Loan Proceed Is Revenue In The Governmental Funds, But Not In The Statement of Activities	(3,000,000)
Decrease In Estimated Long-Term General Liability Claims	300,798
Decrease In Long-Term Accrued Employee Sick And Vacation Pay	549,092
Increase in other Post-Employment benefit obligation	(1,423,314)
Reduction in Garage Fund	(80,714)
Internal Service Funds Are Also Included As Governmental Activities	4,453
Decrease in Joint Venture Investment	(2,324)
Decrease in Deferred Revenue	(85,211)
<b>Change In Net Assets (Deficit) Of Governmental Activities</b>	<b><u>\$ (2,057,806)</u></b>

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

# City of Inkster, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise - Water and Sewer Fund	Internal Service Funds	
		Garage Fund	Information Technology Fund
<b>Assets</b>			
Current Assets:			
Cash and Cash Equivalent	\$ 1,698,738	\$ -	\$ -
Receivables	8,506,471	-	-
Allowance for Uncollectable Accounts	(1,000,000)	-	-
Due from Other Funds	302,691	-	-
Inventories	85,711	-	-
Deferred Bond Issuance Costs	133,582	-	-
<b>Total Current Assets</b>	<b>9,727,193</b>	<b>-</b>	<b>-</b>
Non-Current Assets:			
Restricted Assets	2,260,792	-	-
Capital Assets	50,206,819	-	384,331
<b>Total Non-Current Assets</b>	<b>52,467,611</b>	<b>-</b>	<b>384,331</b>
<b>Total Assets</b>	<b>62,194,804</b>	<b>-</b>	<b>384,331</b>
<b>Liabilities</b>			
Current Liabilities:			
Accounts Payable	9,272,761	-	89,512
Accrued and Other Liabilities	368,331	-	-
Due to other funds	1,072,143	-	-
Current Portion of Long-Term Debt	2,134,126	-	38,670
<b>Total Current Liabilities</b>	<b>12,847,361</b>	<b>-</b>	<b>128,182</b>
Non-Current Liabilities - Long-Term Debt - Net of Current Portion	23,185,531	-	82,041
Non-Current Liabilities - OPEB Obligation	541,911	-	-
<b>Total Liabilities</b>	<b>36,574,803</b>	<b>-</b>	<b>210,223</b>
<b>Net Assets</b>			
Restricted - Assets on Deposit Wayne County	2,260,792	-	-
Investment in Capital Assets - Net of Related Debt	24,887,162	-	263,620
Unrestricted	(1,527,953)	-	(89,512)
<b>Total Net Assets</b>	<b>\$ 25,620,001</b>	<b>\$ -</b>	<b>\$ 174,108</b>
	-	-	-

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, 2012

	Internal Service Funds		
	Enterprise - Water and Sewer Fund	Garage Fund	Information Technology Fund
<b>Operating Revenue</b>			
Water and Sewer User Charges	\$ 9,841,977	\$ -	\$ -
Other Charges for Services	932,305	-	247,839
<b>Total Operating Revenue</b>	10,774,282	-	247,839
<b>Operating Expenses</b>			
Cost of Water	1,953,511	-	-
Cost of Sewage Disposal	3,207,870	-	-
Wages and Fringes	1,045,109	-	7,220
Operating Supplies	156,719	-	7,907
Contractual Services	976,983	-	48,772
Repairs and Maintenance	602,478	-	-
Insurance, Claims, and Other	792,177	-	77,291
Bad Debt Expense	1,000,000	-	-
Depreciation	870,459	-	90,213
<b>Total Operating Expenses</b>	10,605,306	-	231,403
<b>Operating Income (Loss)</b>	168,976	-	16,436
<b>Non-Operating Revenue (Expense)</b>			
Investment Income	10,955	-	-
Interest Expense	(787,109)	-	(11,983)
Property Taxes	2,763,161	-	-
Capital Contribution	-	(994,567)	-
<b>Total Non-Operating Revenue (Expense)</b>	1,987,007	(994,567)	(11,983)
<b>Change in Net Assets</b>	2,155,983	(994,567)	4,453
<b>Net Assets - July 1, 2011</b>	23,464,018	994,567	169,655
<b>Net Assets - June 30, 2012</b>	<u>\$ 25,620,001</u>	<u>\$ -</u>	<u>\$ 174,108</u>

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

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Fund			Internal Service Funds		
	Water and Sewer Fund	Garage Fund	Information Technology Fund			
<b>Cash Flows from Operating Activities</b>						
Receipts from Customers	\$ 8,269,753	\$ -	\$ 247,839			
Payments to Suppliers	(5,139,044)	-	(184,599)			
Payments to Employees	(962,100)	-	(7,220)			
Internal Activity - Payments from (to) Other Funds	(1,881,614)	-	-			
<b>Net Cash Provided by Operating Activities</b>	286,995	-	56,020			
<b>Cash Flows from Capital and Related Financing Activities</b>						
Proceeds from Property Tax Levy Restricted for Debt Service	2,763,161	-	-			
Purchase of Capital Assets	(4,742,608)	-	-			
Principal and Interest Paid on Capital Debt	(3,332,109)	-	(56,020)			
New Bond Issue/Capital Leases	6,712,344	-	-			
<b>Net Cash Provided by (Used in) Capital and Related Financing Activities</b>	1,400,788	-	(56,020)			
<b>Cash Flows from Investing Activities</b> - Interest on Investments	10,955	-	-			
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	1,698,738	-	-			
<b>Cash and Cash Equivalents</b> - July 1, 2011	-	-	-			
<b>Cash and Cash Equivalents</b> - June 30, 2012	<u>\$ 1,698,738</u>	<u>\$ -</u>	<u>\$ -</u>			
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>						
Operating Income (Loss)	\$ 168,976	\$ -	\$ 16,436			
Adjustments to Reconcile Operating Income (Loss) to Net Cash from Operating Activities:						
Cash from Operating Activities:						
Depreciation and Amortization	870,459	-	90,213			
Changes in Assets and Liabilities:						
Receivables	(2,504,529)	-	-			
Inventories	25,270	-	-			
Deferred Bond Issuance Costs	72,000	-	-			
Accounts Payable and Accrued Liabilities	3,755,589	-	(50,629)			
OPEB Obligation	79,922	-	-			
Restricted Assets	(714,466)	-	-			
Due from (to) Other Governmental Units	415,388	-	-			
Due from (to) Other Funds	(1,881,614)	-	-			
<b>Net Cash Provided by Operating Activities</b>	<u>\$ 286,995</u>	<u>\$ -</u>	<u>\$ 56,020</u>			

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



# City of Inkster, Michigan

## Fiduciary Funds Statement of Net Assets June 30, 2012

	<b>Pension and Other Employee Benefit Trust Funds</b>	<b>Agency Fund - Escrow Fund</b>	<b>Agency Fund - Tax Collection Fund</b>
<b>Assets</b>			
Cash and Cash Equivalent	\$ -	\$ -	
Investments:			
Corporate Bonds	9,893,048	-	-
U.S. Government Securities	2,719,646	-	-
Common and Preferred Stock	11,521,329	-	-
Pension Guarantee Contract Pooled Fund	10,115,167	-	-
Bank Investment Pools	964,794	122,163	19,106
Receivables - Accrued Interest and Other	87,650	-	-
Due from Other Funds	-	293,471	-
	<u>\$ 35,301,634</u>	<u>\$ 415,634</u>	<u>\$ 19,106</u>
<b>Total Assets</b>			
<b>Liabilities</b>			
Bonds and Deposits	\$ -	\$ 415,634	\$ -
Due to Broker Account	40,881	-	18,628
Undistributed Receipts	-	-	478
	<u>\$ 40,881</u>	<u>\$ 415,634</u>	<u>\$ 19,106</u>
<b>Total Liabilities</b>			
<b>Net Assets - Held in Trust for Employee Pension Benefits</b>	<u>\$ 35,260,753</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 30, 2012

	<b>Pension and Other Employee Benefit Trust Funds</b>
<b>Additions</b>	
Investment Income:	
Interest and Dividends	\$ 1,338,209
Net Increase (decrease) in Fair Value of Investments	(392,070)
<b>Net Investment Income</b>	946,139
Contributions:	
Employer	767,648
Employee	391,596
<b>Total Contributions</b>	1,159,244
<b>Total Additions</b>	2,105,383
<b>Deductions</b>	
Benefit Payments	3,613,972
Refunds of Contributions	(108,061)
Administrative Expenses	320,524
<b>Total Deductions</b>	3,826,435
<b>Net Increase (Decrease)</b>	(1,721,052)
<b>Net Assets - Held in Trust for Pension and Other Employee Benefits</b>	
<b>July 1, 2011</b>	36,981,805
<b>June 30, 2012</b>	\$ 35,260,753

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

# City of Inkster, Michigan

## Component Units Statement of Net Assets (Deficit) June 30, 2012

	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Library	Total
<b>Assets</b>					
Cash and Investments	\$ 6,076,536	\$ -	\$ 19,472	\$ 898,239	\$ 6,994,247
Accounts Receivable	141,664	-	-	-	141,664
Due from Other Funds	691,827	-	-	-	691,827
Bond Issuance Costs	364,554	-	-	-	364,554
Total Current Assets	7,274,581	-	19,472	898,239	8,192,292
Non-Current Assets:					
Capital Assets-Net	3,692,165	-	449,632	-	4,141,797
Total Non-Current Assets	3,692,165	-	449,632	-	4,141,797
<b>Total Assets</b>	10,966,746	-	469,104	898,239	12,334,089
<b>Liabilities</b>					
Accounts payable	167,769	-	-	647	168,416
Other Liabilities	108,205	40,015	-	2,584	150,804
Debt - Due within one year	340,000	110,000	25,000	-	475,000
Liabilities to be paid from restricted assets:					
Long-term debt	8,995,000	3,850,000	125,000	-	12,970,000
<b>Total Liabilities</b>	9,610,974	4,000,015	150,000	3,231	13,764,220
<b>Net Assets (Deficit)</b>					
Investment in Capital Assets - Net of Related Debt	-	-	299,632	-	299,632
Restricted for Capital Project	1,355,772	-	-	-	1,355,772
Unrestricted (Deficit)	-	(4,000,015)	19,472	895,008	(3,085,535)
<b>Total Net Assets (Deficit)</b>	<b>\$ 1,355,772</b>	<b>\$ (4,000,015)</b>	<b>\$ 319,104</b>	<b>\$ 895,008</b>	<b>\$ (1,430,131)</b>

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

# City of Inkster, Michigan

## Component Units Statement of Activities Year Ended June 30, 2012

	Expenses	Program Revenues			Net (Expenses) Revenue and Changes In Net Assets				
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Beech Daly Tax Increment Finance Authority	Brownfield Redevelopment Authority	Downtown Development Authority	Library	Total
Beech Daly Tax Increment Finance Authority	\$ 882,342	\$ -	\$ -	\$ -	\$ (882,342)	\$ -	\$ -	\$ -	\$ (882,342)
Brownfield Tax Increment Finance Authority	208,025	-	-	-	-	(208,025)	-	-	\$ (208,025)
Downtown Development Authority	102,424	-	-	-	-	-	(102,424)	-	\$ (102,424)
Library	240,919	4,925	-	-	-	-	-	(235,994)	\$ (235,994)
<b>Total Governmental Activities</b>	<b>\$ 1,433,710</b>	<b>\$ 4,925</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (882,342)</b>	<b>\$ (208,025)</b>	<b>\$ (102,424)</b>	<b>\$ (235,994)</b>	<b>\$ (1,428,785)</b>
Property Taxes					\$ 966,915	\$ 82,714	\$ 48,993	\$ 631,517	\$ 1,730,139
Federal Sources					255,263	-	-	9,813	265,076
Other Revenue					20,830	-	925	79,175	100,930
Interest					16,621	-	-	3	16,624
<b>Total General Revenues</b>					<b>1,259,629</b>	<b>82,714</b>	<b>49,918</b>	<b>720,508</b>	<b>2,112,769</b>
Operating Transfers in/(out)					(157,758)	257,185	-	-	99,427
Change in Net Assets (Deficit)					219,529	131,874	(52,506)	484,514	783,411
<b>Net Assets (Deficit) - July 1, 2011</b>					<b>1,136,243</b>	<b>(4,131,889)</b>	<b>371,610</b>	<b>410,494</b>	<b>(2,213,542)</b>
<b>Net Assets (Deficit) - June 30, 2012</b>					<b>\$ 1,355,772</b>	<b>\$ (4,000,015)</b>	<b>\$ 319,104</b>	<b>\$ 895,008</b>	<b>\$ (1,430,131)</b>

*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.
- d. The Library Fund was established during the previous fiscal year. On November 2, 2010 the special library millage was passed which established the Library as a City Library under Public Act 164 of 1877 section 10a. The City Council appointed a Library board November 2010. A new six member board was elected by the citizens of Inkster during the November 2011 election.

**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 Fund is the Information Technology Fund which is used to account for computer support and other technology services. The Garage Fund which was used to account for city's vehicles and machinery was closed during the year and its operations transferred to the General Fund.
- 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 2011 tax is levied and collectible on July 1 and December 1, 2011, and is recognized as revenue in



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

**Property Tax Revenue (Continued)**

the year ended June 30, 2012 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the City totaled \$339,709,204 (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 11.128 mills for debt service. This resulted in approximately \$5.8 million for operations, approximately \$878,000 for rubbish collection services, and approximately \$4.1 million for debt service. These amounts are recognized in the General Fund, Enterprise Fund, Local Streets and Garbage and Rubbish Collection (Special Revenue) Fund financial statements as tax revenue. The Parks and Recreations fund had a tax millage of 1.9814 mills resulting in tax revenue of approximately \$667,000. The Library fund had a tax millage of 2.000 mills resulting in tax revenue of approximately \$672,000.

**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. Unspent proceeds of the meter purchase installment loan are also 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 yo 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, 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.

**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.

**Long-term Obligations** – In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are 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.

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

**Fund Equity** – In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable** - Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted** - Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed** - Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned** - Intent to spend resources on specific purposes expressed by the City Council or finance director, who is authorized by resolution approved by the governing body to make assignments
- **Unassigned** - Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

**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, 2011	\$ (611,419)
Current year building permit revenue	243,812
Related expenses:	<u>(209,368)</u>
Cumulative shortfall at June 30, 2012	<u><u>\$ (576,975)</u></u>

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

**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.

**Fund Deficit** – The Brownfield Redevelopment Authority reported a negative balance of unrestricted net assets at June 30, 2012. See Note 5 for further discussion of the Brownfield Carver Homes Project.

The General Fund has a fund deficit of \$3,518,514 at June 30, 2012. The City has made significant layoffs and is reviewing its contracts and general operations to see where possible reductions can be made. Additionally, the City received a \$3,000,000 emergency loan from the State.

On March 1, 2012, the City entered into a consent agreement with the financial review team appointed by the Governor. The consent agreement contains numerous fiscal, budgetary and compliance requirements with which the City must comply. The consent agreement will remain in place until:

- a) No funds maintained by the City are in a deficit condition;
- b) The City has eliminated any structural imbalance of recurring operating expenditures in excess of recurring operating expenditures; and
- c) The State Treasurer certifies to the Governor that no condition exists within the City that would initiate a preliminary financial review or implicate the need for a deficit elimination plan.

The Grants Fund (Nonmajor Special Revenue Fund) has a fund deficit of \$31,719 at June 30, 2012. This is due to a timing difference creating deferred revenue of \$54,733.

The Parks and Recreation Fund has a fund deficit of \$61,047 at June 30, 2012 and the Garbage and Rubbish Collection Fund has a fund deficit of \$303,877 at June 30, 2012. The Garbage and Rubbish Collection Fund has filed a deficit elimination plan with the State of Michigan.

**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.

**3) DEPOSITS AND INVESTMENTS (Continued)**

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 \$6,266,058 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.

**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	\$2,719,646	6.67 years
Treasury Notes and Bonds	2,417,486	6.87 years
Corporate Bonds	7,862,569	3.64 years

3) **DEPOSITS AND INVESTMENTS (Continued)**

**Credit Risk**

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Investment Pools (Pension)	\$10,249,194	None	N/A
Corporate Bonds	404,413	AAA	S&P
	1,927,457	AA	S&P
	3,123,022	A	S&P
	4,366,330	BBB	S&P
	133,711	BB	S&P
	325,122	None	N/A
U.S. Agencies not explicitly guaranteed by the U.S. Government	2,112,256	AA	S&P
	391,725	A	S&P
	215,665	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 \$834,867 at June 30, 2012. The portion of these balances covered by federal depository insurance is not known since the accounts are shared with the City.

4) **DEFERRED REVENUE**

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

	<b><u>Unavailable</u></b>
Grants received prior to meeting all eligibility requirements	<u>\$ 262,129</u>

5) CAPITAL ASSETS

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

<u>Governmental Activities:</u>	<u>Balance</u> <u>June 30 2011</u>	<u>Additions</u> <u>2011-12</u>	<u>Disposals</u> <u>2011-12</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:				
Land	\$ 307,195		\$ -	\$ 307,195
Construction in progress	-	514,254	-	514,254
				-
Capital assets being depreciated:				
Land improvements	588,289	-	-	588,289
Roads and sidewalks	24,201,449	503,573	-	24,705,022
Buildings and improvements	7,429,053	-	-	7,429,053
Vehicles	6,639,654	-	-	6,639,654
Furniture and equipment	5,382,471	5,227	-	5,387,698
<b>Subtotal</b>	<b>44,240,916</b>	<b>508,800</b>	<b>-</b>	<b>44,749,716</b>
Accumulated depreciation:				
Land improvements	119,324	19,665	-	138,989
Roads and sidewalk	7,492,301	814,448	-	8,306,749
Buildings and improvements	5,824,975	108,890	-	5,933,865
Vehicles	5,171,607	283,987	-	5,455,594
Furniture and equipment	4,223,794	220,817	-	4,444,611
<b>Subtotal</b>	<b>22,832,001</b>	<b>1,447,807</b>	<b>-</b>	<b>24,279,808</b>
<b>Net capital assets being depreciated</b>	<b>21,408,915</b>	<b>(939,007)</b>	<b>-</b>	<b>20,469,908</b>
<b>Net capital assets</b>	<b>\$ 21,716,110</b>	<b>\$ (424,753)</b>	<b>\$ -</b>	<b>\$ 21,291,357</b>

  

<u>Business-Type Activities:</u>	<u>Balance</u> <u>July 1, 2011</u>	<u>Additions</u> <u>2011-12</u>	<u>Deletions</u> <u>2011-12</u>	<u>Adjustments</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets not being depreciated:					
Land	\$ 2,745	\$ -	\$ -	\$ -	\$ 2,745
Construction in Progress-Meters	-	1,673,665	-	-	1,673,665
Construction in progress	13,650,240	2,972,784	-	900,947	17,523,971
<b>Subtotal</b>	<b>13,652,985</b>	<b>4,646,449</b>	<b>-</b>	<b>900,947</b>	<b>19,200,381</b>
Capital assets being depreciated:					
Water and sewer dist. system	45,885,159	54,097	-	(900,947)	45,038,309
Buildings and building improvements	66,444	-	-	-	66,444
Office furnishings	4,348	-	-	-	4,348
Other tools and equipment	22,676	42,062	-	-	64,738
<b>Subtotal</b>	<b>45,978,627</b>	<b>96,159</b>	<b>-</b>	<b>(900,947)</b>	<b>45,173,839</b>
Accumulated depreciation:					
Water and sewer dist. system	13,203,474	866,253	-	-	14,069,727
Buildings and building improvements	66,444	-	-	-	66,444
Office furnishings	4,348	-	-	-	4,348
Other tools and equipment	22,676	4,206	-	-	26,882
<b>Subtotal</b>	<b>13,296,942</b>	<b>870,459</b>	<b>-</b>	<b>-</b>	<b>14,167,401</b>
<b>Net capital assets being depreciated</b>	<b>32,681,685</b>	<b>(774,300)</b>	<b>-</b>	<b>-</b>	<b>31,006,438</b>
<b>Net capital assets</b>	<b>\$ 46,334,670</b>	<b>\$ 3,872,149</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,206,819</b>

**5) CAPITAL ASSETS (Continued)**

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

**Governmental Activities**

General government	\$ 46,260
Public safety	168,626
Public works	1,145,489
Culture and recreation	87,431
Total governmental activities	<u>\$ 1,447,806</u>

**Business-type activities - Water and sewer**

\$ 870,459

<b>Component Unit Activities:</b>	<b>Balance July 1, 2011</b>	<b>Additions 2011-12</b>	<b>Deletions 2011-12</b>	<b>Balance June 30, 2012</b>
Capital assets not being depreciated:				
Land	\$ 277,068	\$ -	\$ -	\$ 277,068
Construction in Progress	-	361,355	-	361,355
<b>Subtotal</b>	<u>277,068</u>	<u>361,355</u>	<u>-</u>	<u>638,423</u>
Capital assets being depreciated:				
Land Improvements	203,015	-	-	203,015
Buildings	2,025,340	-	-	2,025,340
Infrastructure	3,130,000	-	-	3,130,000
Office Equipment and Furniture	173,763	-	-	173,763
<b>Subtotal</b>	<u>5,532,118</u>	<u>-</u>	<u>-</u>	<u>5,532,118</u>
Accumulated depreciation:				
Land Improvements	20,302	10,151	-	30,453
Buildings	345,981	67,511	-	413,492
Infrastructure	1,349,666	154,167	-	1,503,833
Office Equipment and Furniture	75,174	5,792	-	80,966
<b>Subtotal</b>	<u>1,791,123</u>	<u>237,621</u>	<u>-</u>	<u>2,028,744</u>
<b>Net capital assets being depreciated</b>	<u>3,740,995</u>	<u>(237,621)</u>	<u>-</u>	<u>3,503,374</u>
<b>Net capital assets</b>	<u>\$ 4,018,063</u>	<u>\$ 123,734</u>	<u>\$ -</u>	<u>\$ 4,141,797</u>

**Construction Commitments** –The City of Inkster, Michigan, in conjunction with the City of Inkster Brownfield Redevelopment Authority, 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 was to 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.

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



**5) CAPITAL ASSETS (Continued)**

From the proceeds the City was to 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 was sold for the entire project and the developer was reimbursed for infrastructure costs in Phase 1A, the developer was to 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 Brownfield debt issue was to 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. Additionally, the developer has gone out of business and is unable to satisfy their guarantee on 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>
General	Parks and Recreation	\$ 28,914
General	Misc. Grants	1,244
Major Streets	General	991,271
Local Streets	Water & Sewer	325,473
TIFA(Component Unit)	Water & Sewer	691,827
Drug Law Enforcement	Water & Sewer	54,843
Water & Sewer	General	302,691
Agency	General	293,471
General	Garbage and Rubbish Collection	303,877
		<u>\$ 2,993,611</u>

**TRANSFERS**

<u>From</u>	<u>To</u>	<u>Amount</u>
General	Parks & Recreation	\$ 125,743
General	Brownfield (Component Unit)	257,185
Major Streets	Local Streets	339,909
TIFA(Component Unit)	Major Streets	157,758
		<u>\$ 880,595</u>

### 7) LONG-TERM DEBT

The following is a summary of the primary government debt of the City outstanding as of June 30, 2011:

	Interest Rate Ranges	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
<b>Governmental Activities</b>						
Emergency Loan-\$3,000,000	0.10%	-	3,000,000	-	3,000,000	-
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%	\$ 760,000	\$ -	\$ (180,000)	\$ 580,000	\$ 185,000
General Obligation, Unlimited Tax 2003 Series						
Local road bonds						
Amount of Issues - \$5,000,000	2.5% -					
Maturing through 3/2013	3.625%	1,125,000	-	(550,000)	575,000	575,000
2003 Capital improvement Bonds						
Amount of Issues - \$2,000,000	2.5% -					
Maturing through 11/2013	5.125%	685,000	-	(215,000)	470,000	230,000
Unlimited Tax General Obligation						
Local street bonds, series 2006						
Amount of issue - \$5,000,000	4.0% -					
Maturing through 3/1/2016	4.250%	2,685,000	-	(500,000)	2,185,000	515,000
Local Road Bonds, Series 2007 B						
Amount of issue- \$5,000,000						
Maturing through 3/1/2017	4.110%	3,170,000	-	(485,000)	2,685,000	500,000
<b>Total Bond Obligations</b>		<b>8,425,000</b>	<b>3,000,000</b>	<b>(1,930,000)</b>	<b>9,495,000</b>	<b>2,005,000</b>
<b>Other long-term obligations</b>						
2 Ford F-250 Pick Ups						
Amount of Issue-\$ 44416						
Maturing through 10/2011	5.60%	9,353	-	(9,353)	-	-
2008 Sterling Vector						
Amount of Issue- \$340,037						
Maturing through 10/2012	4.50%	138,806	-	(67,876)	70,930	70,930
2009 GMC Plow						
Amount of Issue- \$ 109,405						
Maturing through 12/2012	4.50%	44,660	-	(21,839)	22,821	22,821
4 Ford Fusions						
Amount of Issue-\$86,585						
Maturing through 10/2013	5.15%	51,864	-	(16,427)	35,437	17,273
9 Chevy Impalas / 2 Tahoes						
Amount of issue-\$542,167						
Maturing through 8/2012	6.70%	120,814	-	(58,393)	62,421	62,421
Caterpilta Backhoe / Loader						
Amount of Issue - \$86,991						
Maturing through 12/2013	5.15%	52,107	-	(16,427)	35,680	17,273
2010 Dodge Charger Hemi						
Amount of Issue - \$22,044						
Maturing through 12/2011	4.80%	7,343	-	(7,343)	-	-
Chevy 2009 C-4500						
Amount of Issue - \$160,545						
Maturing through 12/2015	5.50%	114,348	-	(20,488)	93,860	21,615
4 Dodge Charger - Police Cars						
Amount of Issue - \$111,113						
Maturing through 8/2012	4.70%	72,362	-	(35,350)	37,012	37,011
4 Dodge Charger - Police Cars						
Amount of Issue - \$65,536						
Maturing through 10/2012	4.65%	44,676	-	(21,830)	22,846	22,846
AT&T Equipment - 001						
Amount of Issue - \$59,123						
Maturing through 11/2012	6.59%	18,665	-	(12,994)	5,671	5,671
AT&T Equipment - 002						
Amount of Issue - \$169,013						
Maturing through 9/2015	6.12%	146,084	-	(31,044)	115,040	32,999
<b>Total Other Long-Term Obligations</b>		<b>821,082</b>	<b>-</b>	<b>(319,364)</b>	<b>501,718</b>	<b>310,860</b>
<b>Total Governmental Activities</b>		<b>\$9,246,082</b>	<b>\$3,000,000</b>	<b>\$ (2,249,364)</b>	<b>\$9,996,718</b>	<b>\$2,315,860</b>

7) LONG-TERM DEBT (Continued)

	Interest Rate Ranges	Balance July 1, 2011	Additions	Reductions	Adjustments	Balance June 30, 2012	Due Within One Year
<b>Business-Type Activities</b>							
Water Meter Installment Purchase	3.00%	-	2,613,068	-	-	2,613,068	169,126
Amount of Issue - \$2,613,068							
Wayne County Contracts (for construction of system improvements):							
Wayne County Sewage Disposal System, 1999 CSO Basin Series B Refunding Bonds	3.75% - 4.80%	1,295,000	-	(235,000)	-	1,060,000	245,000
Amount of Issue - \$2,730,000							
Maturing through 11/2015							
Wayne County Sewage Disposal System, 1999 CSO Basin Series C Refunding Bonds	3.75% - 4.80%	2,915,000	-	(530,000)	-	2,385,000	555,000
Amount of Issue - \$6,390,000							
Maturing through 11/2015							
1994 State Revolving Fund Loan **							
Amount of Issue - \$2,590,000							
Maturing through 4/2016	2.00%	885,000	-	(280,000)	-	605,000	150,000
CSO Bonds							
Amount of Issue - \$3,200,000	4.0%- 5.25%	2,715,000	-	(135,000)	-	2,580,000	140,000
Maturing through 2026							
2008 SRF Bonds							
Amount of Issue - \$ 21,160,000							
Maturing through 10/2030	2.50%	12,836,674	4,071,605	(825,000)	(510,000)	15,573,279	845,000
2010 SRF Bonds (Est. Clean Water Bond)							
Amount of Issue - \$765,000							
Maturing through 4/2030	2.50%	505,639	27,671	(30,000)	-	503,310	30,000
<b>Total Business-Type Activities</b>		<b>\$ 21,152,313</b>	<b>\$ 6,712,344</b>	<b>\$ (2,035,000)</b>	<b>\$ (510,000)</b>	<b>\$ 25,319,657</b>	<b>\$ 2,134,126</b>

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

	Interest Rate Ranges	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
<b>Component Units</b>						
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%	\$ 930,000	\$ -	\$ (110,000)	\$ 820,000	\$ 110,000
Beech Daly Tax Increment Finance Authority - City Facilities Project						
Series 2006						
Amount of Issue - \$1,300,000	4.6% - 5.0%	1,080,000	-	(55,000)	1,025,000	55,000
Maturing through 11/1/2025						
Brownfield Redevelopment Authority-Tax Incremental Bonds-Series 2006						
Amount of Issue - \$ 4,155,000	6.2%- 6.125%	4,050,000	-	(90,000)	3,960,000	110,000
Maturing through 11/2025						
Downtown Development Authority Promissary Note						
Amount of Issue - \$225,000						
Maturing through 11/2018	0.000%	175,000	-	(25,000)	150,000	25,000
Tax Increment Finance Authority - Justice Center						
Amount of Issue - \$7,660,000	4.000% 8.125%	7,660,000	-	(170,000)	7,490,000	175,000
Maturing through 5/2035						
<b>Total Component Units</b>		<b>\$ 13,895,000</b>	<b>\$ -</b>	<b>\$ (450,000)</b>	<b>\$ 13,445,000</b>	<b>\$ 475,000</b>

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

7) **LONG-TERM DEBT (Continued)**

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 the Act 175 Motor Vehicle Highway bonds (with an outstanding balance of \$580,000 at June 30, 2012) will ultimately be provided by the Tax Increment Finance Authority (TIFA), a component unit

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
2013	2,315,860	256,778	2,572,638	2,134,126	633,936	2,768,063	475,000	848,348	1,323,348
2014	1,579,453	183,484	1,762,937	2,375,902	557,162	2,933,064	490,000	827,439	1,317,439
2015	1,351,342	124,338	1,475,680	2,466,357	474,616	2,940,973	510,000	804,480	1,314,480
2016	1,170,063	74,185	1,244,248	2,547,127	388,269	2,935,397	535,000	779,731	1,314,731
2017	580,000	26,780	606,780	1,513,224	321,735	1,834,959	560,000	751,814	1,311,814
2018-2022	300,000	15,000	315,000	7,161,332	970,372	8,131,704	3,095,000	3,263,498	6,358,498
2023-2027	1,500,000	10,500	1,510,500	6,763,310	140,999	6,904,309	3,690,000	2,191,724	5,881,724
2028-2032	1,200,000	3,000	1,203,000	358,279	-	358,279	2,385,000	1,206,788	3,591,788
2033-2035	-	-	-	-	-	-	1,705,000	261,246	1,966,246
	<b>9,996,718</b>	<b>694,066</b>	<b>10,690,784</b>	<b>25,319,657</b>	<b>3,487,089</b>	<b>28,806,746</b>	<b>13,445,000</b>	<b>10,935,067</b>	<b>24,380,067</b>

**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, 2012, \$4,175,000 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, 2012, \$1,000,000 of bonds outstanding are considered defeased.

**8) RESTRICTED ASSETS**

**Business – Type Activities** – Restricted assets at June 30, 2012 consist of assets held at Wayne County restricted for the following purposes:

City's portion of Rouge River National Wet Weather Demonstration Basin construction	\$ 751,495
City' portion of North Huron Valley/Rouge Valley sewer System Combined Sewer Overflow Basin:	
Equipment replacement	569,894
Meter Equipment Lease-Unspent Balance	939,403
<b>Total restricted assets</b>	<u><u>\$ 2,260,792</u></u>

**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.

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:

	<u>2012</u>	<u>2011</u>
Estimated Liability - Beginning of Year	\$ 3,243,785	\$ 3,341,763
Estimated claims incurred, including changes in estimates - Net	2,889,775	254,053
Claim Payments	<u>(3,190,573)</u>	<u>(352,031)</u>
Estimated Liability - End of Year	<u><u>\$ 2,942,987</u></u>	<u><u>\$ 3,243,785</u></u>

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, 2012. 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.

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 (\$3,571) in the government-wide statement of net assets.

The city contributed approximately \$319,000 for sanitation costs passed through the Authority.

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.

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

**Police and Fire Retirement System**

At July 1, 2010, 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 81 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.

**Annual Pension Cost –** For the year ended June 30, 2012, the City's annual pension cost was \$683,626. The annual required contribution was determined as part of an actuarial valuation at June 30, 2010 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:

	<b>Fiscal Year Ended June 30</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
Police and Fire Retirement System			
Annual pension cost (APC)	\$ 683,626	\$ 345,961	\$ 361,307
Percentage of APC contributed	58%	100%	100%
Net pension obligation	\$ (290,402)	\$ -	\$ -

**General Employee's Retirement System**

At July 1, 2010, the date of the most recent actuarial valuation, membership consisted of 48 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 59 current active employees. The plan does not issue a separate financial report

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

**General Employee’s Retirement System (Continued)**

**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.

**Annual Pension Cost** – For the year ended June 30, 2012, the City’s actuarially determined contribution for the plan was \$395,056. The City actually contributed and expensed \$374,424 for its current year contribution. The annual required contribution was determined as part of an actuarial valuation at July 1, 2010 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 2 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 2 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 City’s General Employee’s Retirement System is administered and assets are maintained by Prudential Retirement. The account held with Prudential must be, at a minimum, maintained at the dollar level indicated by the pre-funding contribution formula. Typically, the actuarially determined contribution rate is enough to cover this pre-funding minimum.

In July of 2011, an early retirement incentive program was offered. Many employees took the early out, creating a bulge between the number of retirees requiring funding and the number of active employees. This triggered a liability, as of June 30, 2012, of \$1,564,408 in the General Fund and \$134,743 in the Water and Sewer Fund. During fiscal year 2012, the City and Prudential reached an agreement in which the entire liability was expensed in fiscal year ending June 30, 2012 and will be paid off in quarterly payments of \$120,000.

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

	<b>Fiscal Year Ended June 30</b>		
	<b>2012</b>	<b>2011</b>	<b>2010</b>
General Employees' Retirement System:			
Annual pension cost (APC)	\$ 395,056	\$ 395,056	\$ 345,988
Percentage of APC contributed	95%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -



**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, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of July 1, 2011. 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.

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

Annual Required Contribution	\$ 2,191,025
Interest on Net OPEB Obligation (NOO) to end of year	287,358
NOO amortization adjustment to the ARC	<u>(409,975)</u>
Annual OPEB cost	2,068,408
Amounts Contributed - Payments on current premiums	<u>(565,172)</u>
Increase in Net OPEB Obligation	1,503,236
OPEB Obligation - Beginning of Year	<u>6,761,363</u>
OPEB Obligation - End of Year	<u><u>\$ 8,264,599</u></u>

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

	<b>Fiscal Year Ended June 30</b>	
	<u>2012</u>	<u>2011</u>
Annual OPEB Costs	\$ 2,068,408	\$ 3,113,115
Percentage Contributed	25.0%	32.0%
Net OPEB Obligation	\$ 8,264,599	\$ 6,761,363

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

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

Valuation as of July 1,	<b>2012</b>	<b>2011</b>
Acturial Value of Assets	\$ -	\$ -
Acturial Accrued Liability (AAL)	28,168,220	31,461,943
Unfunded AAL (UAAL)	28,168,220	31,461,943
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.

In the June 30, 2012 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.25 percent investment rate of return (net of administrative expenses), and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 7 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, 2010 is 30 years.

**14) EMERGENCY LOAN**

In March 2012 the City borrowed \$3,000,000 under the Emergency Municipal Loan Act. The loan carries interest at a rate of 0.1% through June, 2013 with the rate from July 1, 2013 onward to be determined by the State Treasurer. The principal will be repaid in ten annual installments of \$300,000 from 2022 to 2031.

**15) PRIOR PERIOD ADJUSTMENT**

The June 30, 2011 net assets of the City in the government-wide statements of \$2,490,862 incorrectly excluded amounts payable to the City's Agency Fund. This amount of \$1,761,784 should have been reflected as a liability in the statement of net assets and accordingly should have reduced ending net assets. Additionally, the city's capital project justice center building fund was shown as part of the TIFA in the 2011 audit. For 2012, this is shown as a Capital Projects Fund of the City with the June 30, 2011 net assets of \$4,957 being restated accordingly.

**REQUIRED SUPPLEMENTAL INFORMATION**

# City of Inkster, Michigan

## Required Supplemental Information Budgetary Comparison Schedule General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property Taxes	\$ 8,273,297	\$ 6,578,700	\$ 6,005,848	\$ (572,852)
Licenses and Permits	372,175	304,475	270,820	(33,655)
Federal Grants	979,761	849,047	408,643	(440,404)
State-Shared Revenues and Grants	2,466,316	3,412,400	3,300,134	(112,266)
Emergency Loan Proceeds	-	3,000,000	3,000,000	-
Charges for Services	783,775	596,625	563,612	(33,013)
Interest	2,000	2,000	1,373	(627)
Administrative Charges and Other Revenue	5,400,735	6,126,290	5,309,541	(816,749)
Total Revenue	18,278,059	20,869,537	18,859,971	(2,009,566)
<b>Expenditures</b>				
Current:				
General Government	4,728,409	9,853,867	9,037,585	816,282
Public Safety	9,946,652	8,936,642	8,451,461	485,181
Highways, Streets, and Public Works	2,684,144	2,641,106	1,504,455	1,136,651
Community and Economic Development	341,800	296,800	15,231	281,569
Debt Service	-	75,000	22,763	52,237
Total Expenditures	17,701,005	21,803,415	19,031,495	2,771,920
<b>Excess of Revenue Over (Under) Expenditures</b>	577,054	(933,878)	(171,524)	762,354
<b>Other Financing Sources (Uses)</b>				
Operating Transfer In	-	-	-	-
Operating Transfer Out	(398,622)	(272,000)	(382,928)	(110,928)
Total Other Financing Sources (Uses)	(398,622)	(272,000)	(382,928)	(110,928)
<b>Net Change in Fund Balance</b>	178,432	(1,205,878)	(554,452)	651,426
<b>Fund Balances - July 1, 2011</b>	(2,964,062)	(2,964,062)	(2,964,062)	-
<b>Fund Balances - June 30, 2012</b>	<u>\$ (2,785,630)</u>	<u>\$(4,169,940)</u>	<u>\$ (3,518,514)</u>	<u>\$ 651,426</u>

# City of Inkster, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Streets Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-Shared Revenues and Grants	\$ 972,500	\$ 972,500	\$ 1,007,508	\$ 35,008
Interest	1,000	1,000	-	(1,000)
Total Revenue	973,500	973,500	1,007,508	34,008
<b>Expenditures</b>				
Highways, Streets, and Public Works	589,273	589,273	392,890	196,383
Debt Service	210,619	210,619	210,599	20
Total Expenditures	799,892	799,892	603,489	196,403
<b>Excess of Revenue Over (Under) Expenditures</b>	173,608	173,608	404,019	230,411
<b>Other Financing Sources (Uses)</b>				
Operating Transfer In	-	-	157,758	157,758
Operating Transfer Out	(173,608)	(173,608)	(339,909)	(166,301)
Total Other Financing Sources (Uses)	(173,608)	(173,608)	(182,151)	(8,543)
<b>Net Change in Fund Balance</b>	-	-	221,868	221,868
<b>Fund Balances - July 1, 2011</b>	1,297,571	1,297,571	1,297,571	-
<b>Fund Balances - June 30, 2012</b>	\$ 1,297,571	\$ 1,297,571	\$ 1,519,439	\$ 221,868

# City of Inkster, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Local Streets Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property Taxes	\$ 1,819,827	\$ 1,819,827	\$ 1,630,764	\$ (189,063)
State-shared Revenues and Grants	398,400	398,400	439,192	40,792
Interest	400	400	-	(400)
Total Revenue	2,218,227	2,218,227	2,069,956	(148,271)
<b>Expenditures</b>				
Highways, Streets, and Public Works	572,408	572,408	234,237	338,171
Debt Service	1,819,827	1,819,827	1,820,976	(1,149)
Total Expenditures	2,392,235	2,392,235	2,055,213	337,022
<b>Excess of Revenue Over (Under) Expenditures</b>	(174,008)	(174,008)	14,743	188,751
<b>Other Financing Sources (Uses)</b>				
Operating Transfer In	173,608	173,608	339,909	166,301
Operating Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	173,608	173,608	339,909	166,301
<b>Net Change in Fund Balance</b>	(400)	(400)	354,652	353,852
<b>Fund Balances - July 1, 2011</b>	598,546	598,546	598,546	-
<b>Fund Balances - June 30, 2012</b>	<u>\$ 598,146</u>	<u>\$ 598,146</u>	<u>\$ 953,198</u>	<u>\$ 355,052</u>

# City of Inkster, Michigan

## Required Supplemental Information Pension System Schedules of Funding Progress Year Ended June 30, 2012

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Over/ (Under)-Funded AAL (OAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	OAAL as a Percentage of Covered Payroll
<b><u>General Employees' Retirement System</u></b>						
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	-	68.0	2,016,001	0.0
7/1/09*						
7/1/10	12,112,000	14,071,000	(1,959,000)	86.1	2,208,782	88.0
7/1/11*						
<b><u>Police and Fire Retirement System</u></b>						
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)
7/1/10	28,714,000	31,363,000	(2,649,000)	91.6	5,250,000	(50.0)

\* A valuation was not done for the years indicated.

# City of Inkster, Michigan

## Schedule of Employer Contributions Year Ended June 30, 2012

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
2011	7/1/10	395,056	99.5
2012	7/1/10	395,056	

### 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
2010	7/1/08	361,307	100.0
2011	7/1/09	345,961	100.0
2012	7/1/10	683,626	

\* 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, 2010, 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 24 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



**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 function level. Unexpended appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2012 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:

- 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 Local Street Fund expenditures that were in excess of the amounts budgeted as follows:

	<u>Budget</u>	<u>Actual</u>
Debt Service - Local Street	1,819,827	1,820,976

## **OTHER SUPPLEMENTAL INFORMATION**

# City of Inkster, Michigan

## Other Supplemental Information Combining Balance Sheet Non-Major Governmental Funds June 30, 2012

	Non-Major Special Revenue Funds					Non-Major Capital Projects Fund	Total Non-Major Governmental Funds	
	Garbage and Rubbish Collection Fund	CDBG	Drug Law Enforcement	Parks & Recreation	Mis. Grant	Court/Justice Center Building		
<b>Assets</b>								
Cash And Investments	\$ -	\$ 755	\$ 63,804	\$ -	\$ -	\$ 140,887	\$	205,446
Accounts Receivables	-	542	-	-	12,320	4,967	-	17,829
Due from Other Governments	-	-	-	-	21,744	-	-	21,744
Due from Other Funds	-	-	54,843	-	-	-	-	54,843
<b>Total Assets</b>	<b>\$ -</b>	<b>\$ 1,297</b>	<b>\$ 118,647</b>	<b>\$ -</b>	<b>\$ 34,064</b>	<b>\$ 145,854</b>	<b>\$</b>	<b>299,862</b>
<b>Liabilities And Fund Balances</b>								
<b>Liabilities</b>								
Accounts Payable	-	68	73,523	26,486	9,806	-	-	109,883
Accrued and Other Liabilities	-	-	-	5,647	-	-	-	5,647
Due to Other Funds	303,877	-	-	28,914	1,244	-	-	334,035
Deferred Revenue	-	1,049	-	-	54,733	-	-	55,782
<b>Total Liabilities</b>	<b>303,877</b>	<b>1,117</b>	<b>73,523</b>	<b>61,047</b>	<b>65,783</b>	<b>-</b>	<b>-</b>	<b>505,347</b>
<b>Fund Balances - (Deficit)</b>								
Restricted	-	180	45,124	-	-	145,854	-	191,158
Unassigned	(303,877)	-	-	(61,047)	(31,719)	-	-	(396,643)
<b>Total Fund Balances (Deficit)</b>	<b>(303,877)</b>	<b>180</b>	<b>45,124</b>	<b>(61,047)</b>	<b>(31,719)</b>	<b>145,854</b>	<b>-</b>	<b>(205,485)</b>
<b>Total Liabilities And Fund Balances</b>	<b>\$ -</b>	<b>\$ 1,297</b>	<b>\$ 118,647</b>	<b>\$ -</b>	<b>\$ 34,064</b>	<b>\$ 145,854</b>	<b>\$</b>	<b>299,862</b>

Other Supplemental Information  
Combining Statement of Revenue,  
Expenditures and Changes in  
Fund Balances  
Non-Major Governmental Funds  
Year Ended June 30, 2012

	Non-Major Special Revenue Funds					Non-Major Capital Projects Fund	Total Non-Major Governmental Funds
	Garbage and Rubbish Collection Fund	CDBG	Drug Law Enforcement	Parks & Recreation	Mis. Grant	Court/Justice Center Building	
<b>Revenue</b>							
Property Taxes	\$ 1,023,983	\$ -	\$ -	\$ 576,307	\$ -	\$ -	\$ 1,600,290
Federal Grants	-	332,969	111,879	-	-	-	444,848
State Grants	-	-	-	-	31,635	-	31,635
Other	-	-	20,229	83,383	-	140,896	244,508
<b>Total Revenue</b>	<u>1,023,983</u>	<u>332,969</u>	<u>132,108</u>	<u>659,690</u>	<u>31,635</u>	<u>140,896</u>	<u>2,321,281</u>
<b>Expenditures</b>							
Public Safety	-	-	112,919	-	-	-	112,919
Public Works	1,327,860	-	-	-	53,380	-	1,381,240
Community and Economic Development	-	313,848	-	-	9,974	-	323,822
Highways, Streets, and Public Works	-	-	-	-	-	-	-
Recreation and Culture	-	-	-	847,447	-	-	847,447
<b>Total Expenditures</b>	<u>1,327,860</u>	<u>313,848</u>	<u>112,919</u>	<u>847,447</u>	<u>63,354</u>	<u>-</u>	<u>2,665,428</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	<u>(303,877)</u>	<u>19,121</u>	<u>19,189</u>	<u>(187,757)</u>	<u>(31,719)</u>	<u>140,896</u>	<u>(344,147)</u>
<b>Other Financing Sources/Expenses</b>							
Operating Transfers In	-	-	-	125,743	-	-	125,743
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>125,743</u>	<u>-</u>	<u>-</u>	<u>125,743</u>
Net Change in Fund Balance	(303,877)	19,121	19,189	(62,014)	(31,719)	140,896	(218,404)
<b>Fund Balances (Deficit) - July 1, 2011</b>	<u>-</u>	<u>(18,941)</u>	<u>25,935</u>	<u>967</u>	<u>-</u>	<u>4,958</u>	<u>12,919</u>
<b>Fund Balances (Deficit)- June 30, 2012</b>	<u>\$ (303,877)</u>	<u>\$ 180</u>	<u>\$ 45,124</u>	<u>\$ (61,047)</u>	<u>\$ (31,719)</u>	<u>\$ 145,854</u>	<u>(205,485)</u>

# City of Inkster, Michigan

## Other Supplemental Information Combining Statements of Net Assets Fiduciary Funds June 30, 2012

	Pension Trust Funds		
	General Employees' Retirement System	Police and Fire Retirement System	Total
<b>Assets</b>			
Investments:			
Corporate bonds	\$ -	\$ 9,893,048	\$ 9,893,048
U.S. Government Securities	-	2,719,646	2,719,646
Common and Preferred Stock	-	11,521,329	11,521,329
Pension Guarantee Contract Pooled Fund	10,115,167	-	10,115,167
Bank Investment Pools and Pooled Investment Fund	50,985	913,809	964,794
Receivables	34,146	53,504	87,650
<b>Total Assets</b>	<b>\$ 10,200,298</b>	<b>\$ 25,101,336</b>	<b>\$ 35,301,634</b>
<b>Liabilities</b>			
Due to Broker Account	-	40,881	40,881
<b>Total Liabilities</b>	<b>\$ -</b>	<b>\$ 40,881</b>	<b>\$ 40,881</b>
<b>Net Assets - Held in Trust for Employee Pension Benefits</b>	<b>\$ 10,200,298</b>	<b>\$ 25,060,455</b>	<b>\$ 35,260,753</b>

**Other Supplemental Information  
Combining Statements of Changes in  
Net Assets Fiduciary Funds  
Year Ended June 30, 2012**

	<b>General Employees' Retirement System</b>	<b>Police and Fire Retirement System</b>	<b>Total</b>
<b>Additions</b>			
Investment Income:			
Interest and Dividends	\$ 487,609	\$ 850,600	\$ 1,338,209
Net Increase (decrease) in Fair Value of Investments	131,620	(523,690)	(392,070)
<b>Net Investment Income (Loss)</b>	619,229	326,910	946,139
Contributions:			
Employer	374,424	393,224	767,648
Employee	95,634	295,962	391,596
<b>Total Contributions</b>	470,058	689,186	1,159,244
<b>Total Additions</b>	1,089,287	1,016,096	2,105,383
<b>Deductions</b>			
Benefit Payments	864,569	2,749,403	3,613,972
Refunds of Contributions	-	(108,061)	(108,061)
Administrative Expenses	54,039	266,485	320,524
<b>Total Deductions</b>	918,608	2,907,827	3,826,435
<b>Net Increase (Decrease)</b>	170,679	(1,891,731)	(1,721,052)
<b>Net Assets - Held in Trust for Pension Benefits</b>			
Beginning of Year	10,029,619	26,952,186	36,981,805
End of Year	<u>\$ 10,200,298</u>	<u>\$ 25,060,455</u>	<u>\$ 35,260,753</u>