

City of Hamtramck, Michigan

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

City of Hamtramck, Michigan

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INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and City Council
City of Hamtramck, Michigan

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

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 the 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 Hamtramck, Michigan, as of June 30, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

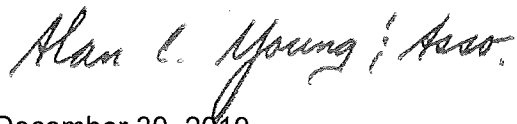
In accordance with *Government Auditing Standards*, we will be issuing our report on our consideration of the City of Hamtramck, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other 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 and general fund budgetary comparison information as listed 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

Auditor's Report
City of Hamtramck, Michigan

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, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information 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 of Hamtramck, Michigan's financial statements as a whole. The combining nonmajor fund financial statements, and fiduciary fund financial statement are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor fund financial statements and fiduciary fund financial statement 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.



December 30, 2010

(Except for Note 15 and the Budgetary Comparison Schedule on page 50 as to which the date is January 24, 2011)

City of Hamtramck, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Hamtramck, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the City's financial statements.

Overview of the Financial Statements

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

Government-wide Statements

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

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

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

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

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

Fund Financial Statements

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

The City has three kinds of funds:

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

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2010:

- Total fiscal year 2009-2010 General Fund revenue was approximately \$3.53 million less than fiscal year 2008-2009 revenue. The decrease was primarily due to the City of Detroit refusing to make the payments budgeted under the inter-local agreement. There was a \$3.1 million discrepancy between the budgeted amount and amount received. Also, the income tax collections for the fiscal year ended June 30, 2010 decreased by approximately \$130,000.
- State-shared revenue, our second largest revenue source, has been on a downward slope since 2004. State-shared revenue is down by approximately \$930,000 since 2004. The City reacted by limiting discretionary spending amounts where possible and delaying the filling of open personnel positions. State-shared revenue accounts for approximately 21.2 percent of the City's total General Fund revenue.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

- Property taxes (which include PILOTS and GM CIPP agreement revenue) are the City's single largest source of revenue, accounting for approximately 50 percent of the General Fund's revenue. The City's taxable value for 2010 was \$246,162,995, which represents a decrease of approximately 4.8 percent from 2009.

Using this Annual Report

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

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

The City as a Whole

The following table shows, in a condensed format, the net assets as of June 30, 2010 and 2009 (in thousands of dollars):

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Assets						
Current assets	\$ 11,553	\$ 14,003	\$ 3,227	\$ 2,740	\$ 14,780	\$ 16,743
Noncurrent assets	8,077	8,204	3,049	3,224	11,126	11,428
Total assets	19,630	22,207	6,276	5,964	25,906	28,171
Liabilities						
Current liabilities	3,154	4,148	490	1,338	3,644	5,486
Long-term liabilities	5,082	5,029	80	47	5,162	5,076
Total liabilities	8,236	9,177	570	1,385	8,806	10,562
Net Assets						
Invested in capital assets -						
Net of related debt	7,032	6,784	3,049	3,225	10,081	10,009
Restricted	3,710	3,656	-	-	3,710	3,656
Unrestricted	652	2,590	2,657	1,354	3,309	3,944
Total net assets	<u>\$ 11,394</u>	<u>\$ 13,030</u>	<u>\$ 5,706</u>	<u>\$ 4,579</u>	<u>\$ 17,100</u>	<u>\$ 17,609</u>

The City has combined net assets of approximately \$17.1 million at June 30, 2010. Governmental activities represent \$11.4 million of the total, which is approximately 67 percent of the total net assets. Business-type activities comprise approximately \$5.7 million of total net assets.

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

The following table shows the changes in the net assets for the years ended June 30, 2010 and 2009 (in thousands of dollars):

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Revenue						
Program revenue:						
Charges for services	\$ 2,505	\$ 2,144	\$ 5,488	\$ 4,733	\$ 7,993	\$ 6,877
Operating grants and contributions	2,499	3,213	-	-	2,499	3,213
General revenue:						
Property taxes	7,891	7,852	-	-	7,891	7,852
Income taxes	1,974	2,103	-	-	1,974	2,103
State-shared revenue	3,258	3,693	-	-	3,258	3,693
Unrestricted investment earnings	65	141	-	1	65	142
Franchise fees	82	75	-	-	82	75
Total revenue	18,274	19,221	5,488	4,734	23,762	23,955
Program Expenses						
General government	3,629	3,924	-	-	3,629	3,924
Public safety	12,387	12,217	-	-	12,387	12,217
Public works	2,853	4,271	-	-	2,853	4,271
Community and economic development	353	426	-	-	353	426
Recreation and culture	537	471	-	-	537	471
Interest on long-term debt	152	176	-	-	152	176
Water and sewer	-	-	4,361	4,405	4,361	4,405
Total program expenses	19,911	21,485	4,361	4,405	24,272	25,890
Change in Net Assets	\$ (1,637)	\$ (2,264)	\$ 1,127	\$ 329	\$ (510)	\$ (1,935)

Total net assets decreased approximately \$510,000. However, when looking at the activities separately, you can see that business-type net assets increased by approximately \$1.1 million while governmental activities decreased \$1.6 million.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenue totaled approximately \$18.3 million, with the largest revenue provided by property taxes, which represents 43 percent of the total. From fiscal year 2009 to fiscal year 2010, property tax revenue increased by 1 percent. Public safety is the most significant expenditure program, making up approximately 65 percent of governmental activities. Public safety activities include not only police and fire services, but code enforcement as well. While public safety activities bring in revenue from charges from services and various grants, the function relied on general revenue of the City to support the majority of its operations.

Business-type Activities

The City's business-type activities consist solely of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. In the current year, business-type activities experienced net income from operations. The Water and Sewer Fund had operating income of approximately \$1.1 million in 2010 as compared to operating income of \$335,000 in 2009. At the end of fiscal year 2009, City Council, by ordinance, increased the water and sewer usage rates as follows: residential water usage was increased by 2.2 percent and residential sewer rate by 14.2 percent. These measures are helping to build fund balance reserve to finance future capital projects. Water and Sewer Fund revenue consists primarily of fees paid by customers based on usage. These user fees account for approximately 95 percent of all business-type revenue.

Business-type activities expenditures totaled approximately \$4.4 million for fiscal year 2009-2010. The cost paid to the City of Detroit to purchase water and sewer treatment was approximately \$3.1 million.

The City's Funds

Our analysis of the City's major funds begins on page 13, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City's major funds for 2010 include the General Fund, the Budget Stabilization Fund (a Special Revenue Fund), the Drug Law Enforcement Fund (a Special Revenue Fund), and the Water and Sewer Fund (a proprietary fund).

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$10.7 million in 2010, compared to \$10.4 million in 2009, and represents approximately 62 percent of the total General Fund expenditures.

City of Hamtramck, Michigan

Management's Discussion and Analysis (Continued)

The General Fund also contributed approximately \$2.75 million toward health care for active employees and retirees. Health care represents approximately 16 percent of the General Fund expenditures. Another significant expense of the General Fund is contributions toward employee pensions. Total pension expense was approximately \$2.96 million, a decrease of approximately \$170,000, or 5 percent, from the prior year. The decrease was due to the reallocation of MERS funds initiated by the City in the middle of the fiscal year. This reallocation decreased the City's contribution to the pre-1990 retirees and by approximately \$75,000 per month from January 1, 2010.

Capital Assets and Debt Administration

The City's investment in capital assets continued to be conservative in response to the reduction in revenue and increased expenditures, making purchases only when necessary. The City did not issue any new debt in the current year.

Economic Factors and Next Year's Budgets and Rates

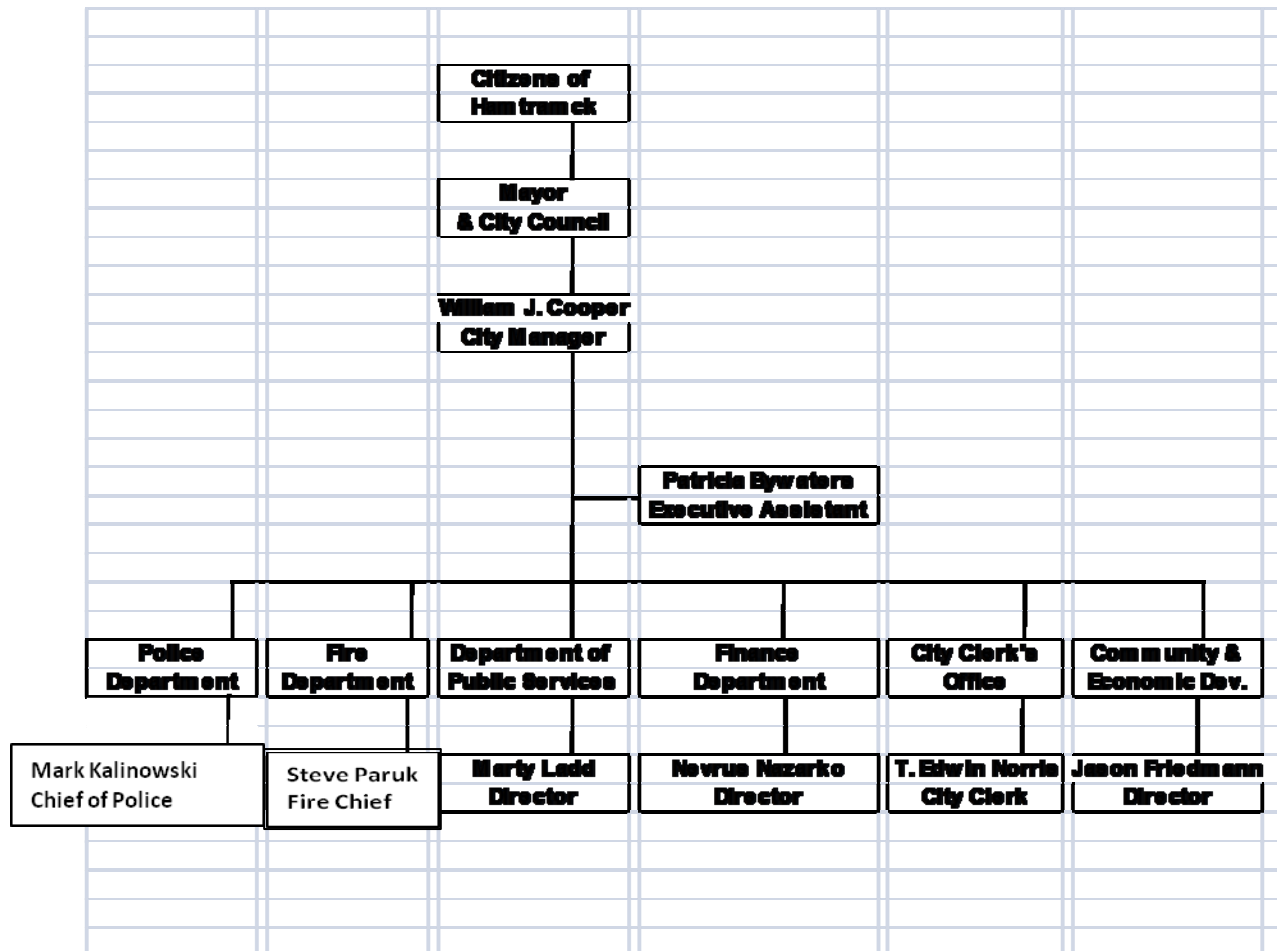
The future remains extremely challenging for the City of Hamtramck, Michigan. The General Fund experienced a deficit of \$1.19 million for the year ended June 30, 2010 and an accumulated fund balance of \$1.06 million, which is down from the previous year balance of \$2.25 million. The City's budget for next year anticipates a decrease in revenue coupled with cost cutting, which will be needed to maintain a positive fund balance in the General Fund. Looking ahead, the increased cost of health insurance will add to the budget woes caused by the decrease in revenue sources mentioned above. Furthermore, our overall pension funding decreased to 62.5 percent in 2010, down 2.5 percent from the previous year. The decrease was due primarily from the downturn in the market as well as other factors such as increased compensation for our public safety sector, etc.

The City, in the current year, is recognizing the cost of retiree health care and other non-pension postretirement benefits over the working life of the employee, rather than at the time the healthcare premiums are paid. A new Governmental Accounting Standards Board requirement (GASB Statement No. 45) required the City to calculate and report an actuarial determined annual liability for providing postretirement benefits other than pension in the future. A strategy will need to be developed to recognize and fund the financial burden of commitments made to current and future retirees. The net other postemployment benefit obligation for the City is \$453,041. Total unfunded actuarial accrued liability is approximately \$30.7 million.

Contacting the City's Management

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

City of Hamtramck Organization Chart



City of Hamtramck, Michigan

Statement of Net Assets June 30, 2010

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,388,751	\$ 234,970	\$ 5,623,721	\$ 316,398
Receivables - Net (Note 4)	1,044,720	3,145,727	4,190,447	4,917
Internal balances	153,729	(153,729)	-	-
Due from component units (Note 6)	145,000	-	145,000	-
Due from other governmental units (Note 4)	4,717,402	-	4,717,402	-
Prepaid costs and other assets	102,750	-	102,750	-
Nondepreciable capital assets - Net (Note 5)	808,656	96,790	905,446	-
Depreciable capital assets - Net (Note 5)	7,268,497	2,952,402	10,220,899	-
Total assets	19,629,505	6,276,160	25,905,665	321,315
Liabilities				
Accounts payable	498,939	480,379	979,318	1,710
Accrued and other liabilities	757,701	9,689	767,390	48,807
Due to primary government	-	-	-	145,000
Due to other governmental units	-	-	-	77,990
Deferred revenue (Note 4)	251,252	-	251,252	-
Noncurrent liabilities:				
Debt obligations due within one year (Note 7)	1,646,115	-	1,646,115	-
Debt obligations due in more than one year (Note 7)	5,081,849	79,812	5,161,661	2,216
Total liabilities	8,235,856	569,880	8,805,736	275,723
Net Assets				
Invested in capital assets - Net of related debt	7,032,153	3,049,192	10,081,345	-
Restricted:				
Streets and highways	1,547,729	-	1,547,729	-
Drug law enforcement	1,238,098	-	1,238,098	-
Grants	2,397	-	2,397	-
Library	507,400	-	507,400	-
911 emergency	806	-	806	-
Property revitalization	413,253	-	413,253	-
Unrestricted	651,813	2,657,088	3,308,901	45,592
Total net assets	\$ 11,393,649	\$ 5,706,280	\$ 17,099,929	\$ 45,592

City of Hamtramck, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 3,628,716	\$ 514,134	\$ 209,662	\$ -
Public safety	12,386,974	1,907,353	688,875	-
Public works	2,852,703	3,485	1,123,856	-
Community and economic development	352,551	-	442,697	-
Recreation and culture	536,975	79,944	33,480	-
Interest on long-term debt	152,201	-	-	-
Total governmental activities	19,910,120	2,504,916	2,498,570	-
Business-type activities - Water and sewer	4,361,153	5,488,325	-	-
Total primary government	<u>\$ 24,271,273</u>	<u>\$ 7,993,241</u>	<u>\$ 2,498,570</u>	<u>\$ -</u>
Component units:				
Downtown Development Authority	\$ 111,347	\$ -	\$ -	\$ 6,100
31st District Court	3,628	5,887	-	-
Total component units	<u>\$ 114,975</u>	<u>\$ 5,887</u>	<u>\$ -</u>	<u>\$ 6,100</u>
General revenue:				
Property taxes				
Income taxes				
State-shared revenue				
Unrestricted investment earnings				
Franchise fees				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (2,904,920)	\$ -	\$ (2,904,920)	\$ -
(9,790,746)	-	(9,790,746)	-
(1,725,362)	-	(1,725,362)	-
90,146	-	90,146	-
(423,551)	-	(423,551)	-
(152,201)	-	(152,201)	-
(14,906,634)	-	(14,906,634)	-
-	1,127,172	1,127,172	-
(14,906,634)	1,127,172	(13,779,462)	-
-	-	-	(105,247)
-	-	-	2,259
-	-	-	(102,988)
7,890,877	-	7,890,877	110,974
1,973,835	-	1,973,835	-
3,257,952	-	3,257,952	-
65,244	300	65,544	291
82,022	-	82,022	-
13,269,930	300	13,270,230	111,265
(1,636,704)	1,127,472	(509,232)	8,277
13,030,353	4,578,808	17,609,161	37,315
\$ 11,393,649	\$ 5,706,280	\$ 17,099,929	\$ 45,592

City of Hamtramck, Michigan

Governmental Funds Balance Sheet June 30, 2010

	Major Special Revenue Fund				Total Governmental Funds
	General Fund	Drug Law Enforcement Fund	Budget Stabilization Fund	Nonmajor Governmental Funds	
Assets					
Cash and investments	\$ (34,915)	\$ 1,271,988	\$ 1,905,000	\$ 2,246,678	\$ 5,388,751
Receivables - Net (Note 4):					
Taxes	896,305	-	-	46,012	942,317
Other	66,686	-	-	35,717	102,403
Due from other funds (Note 6)	227,109	-	95,000	302,926	625,035
Due from component units (Note 6)	136,619	-	-	8,381	145,000
Due from other governmental units (Note 4)	4,320,966	-	-	396,436	4,717,402
Prepaid costs and other assets	102,750	-	-	-	102,750
Total assets	\$ 5,715,520	\$ 1,271,988	\$ 2,000,000	\$ 3,036,150	\$ 12,023,658
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 283,246	\$ 26,549	\$ -	\$ 189,144	\$ 498,939
Accrued and other liabilities	705,426	7,341	-	13,863	726,630
Due to other funds (Note 6)	397,926	-	-	73,380	471,306
Deferred revenue (Note 4)	3,266,686	-	-	251,252	3,517,938
Total liabilities	4,653,284	33,890	-	527,639	5,214,813
Fund Balances					
Reserved for prepaid costs and other assets	102,750	-	-	-	102,750
Unreserved, reported in:					
General Fund	959,486	-	-	-	959,486
Special Revenue Funds	-	1,238,098	2,000,000	2,508,511	5,746,609
Total fund balances	1,062,236	1,238,098	2,000,000	2,508,511	6,808,845
Total liabilities and fund balances	\$ 5,715,520	\$ 1,271,988	\$ 2,000,000	\$ 3,036,150	
Amounts reported for governmental activities in the statement of net assets are different because:					
Capital assets used in governmental activities are not financial resources and are not reported in the funds					8,077,153
Other receivables are expected to be collected over several years and are not available to pay for current year expenditures - Net of allowances					3,266,686
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:					
Compensated absences					(2,179,322)
Other postemployment benefit obligation is not reported in the governmental funds					(433,747)
Long-term debt and accrued interest					(4,145,966)
Net assets of governmental activities					\$ 11,393,649

City of Hamtramck, Michigan

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

	General Fund	Major Special Revenue Fund		Nonmajor Governmental Funds	Total Governmental Funds
		Drug Law Enforcement Fund	Budget Stabilization Fund		
Revenue					
Property taxes	\$ 7,952,219	\$ -	\$ -	\$ 431,581	\$ 8,383,800
Income taxes	1,973,835	-	-	-	1,973,835
Licenses and permits	393,106	-	-	-	393,106
Federal sources	-	135,280	-	629,923	765,203
State sources	3,380,745	214,106	-	1,160,273	4,755,124
Charges for services	250,477	-	-	953	251,430
Parking meters and permits	102,853	-	-	-	102,853
Fines and forfeitures	1,374,802	-	-	77,859	1,452,661
Interest	33,473	16,517	-	15,254	65,244
Other	488,677	-	-	106,477	595,154
Total revenue	15,950,187	365,903	-	2,422,320	18,738,410
Expenditures					
General government	3,392,875	-	-	-	3,392,875
Public safety	10,657,333	522,049	-	458,844	11,638,226
Public works	1,920,760	-	-	809,129	2,729,889
Code enforcement	403,988	-	-	-	403,988
Recreation and culture	-	-	-	521,701	521,701
Community and economic development	153,615	-	-	185,344	338,959
Debt service	612,536	-	-	255,608	868,144
Total expenditures	17,141,107	522,049	-	2,230,626	19,893,782
Excess of Revenue (Under) Over Expenditures	(1,190,920)	(156,146)	-	191,694	(1,155,372)
Other Financing Sources (Uses)					
Transfers in (Note 6)	-	-	-	200,000	200,000
Transfers out (Note 6)	-	-	-	(200,000)	(200,000)
Total other financing sources (uses)	-	-	-	-	-
Net Change in Fund Balances	(1,190,920)	(156,146)	-	191,694	(1,155,372)
Fund Balances - Beginning of year	2,253,156	1,394,244	2,000,000	2,316,817	7,964,217
Fund Balances - End of year	\$ 1,062,236	\$ 1,238,098	\$ 2,000,000	\$ 2,508,511	\$ 6,808,845

City of Hamtramck, Michigan

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

Net Change in Fund Balances - Total Governmental Funds \$ (1,155,372)

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	368,035
Depreciation expense is not reported in the governmental funds	(454,312)
Loss on sale of assets is not report in the governmental funds	(40,623)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds (GASB No. 33)	(596,875)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	710,400
Compensated absences are included as a liability in governmental activities	(431,428)
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(131,869)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	89,797
Accrued interest is not reported in the funds	<u>5,543</u>

Change in Net Assets of Governmental Activities **\$ (1,636,704)**

City of Hamtramck, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

	Enterprise - Water and Sewer Fund
Assets	
Current assets:	
Cash and investments	\$ 234,970
Receivables:	
Taxes	857,824
Customer	<u>2,287,903</u>
Total current assets	3,380,697
Noncurrent assets - Capital assets (Note 5)	<u>3,049,192</u>
Total assets	6,429,889
Liabilities	
Current liabilities:	
Accounts payable	480,379
Due to other funds	153,729
Accrued and other liabilities	<u>9,689</u>
Total current liabilities	643,797
Noncurrent liabilities:	
Compensated absences (Note 7)	62,734
Other postemployment benefit obligation (Note 7)	<u>17,078</u>
Total noncurrent liabilities	<u>79,812</u>
Total liabilities	<u>723,609</u>
Net Assets	
Investment in capital assets - Net of related debt	3,049,192
Unrestricted	<u>2,657,088</u>
Total net assets	<u>\$ 5,706,280</u>

City of Hamtramck, Michigan

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

	Enterprise - Water and Sewer Fund
Operating Revenue	
Charges for services	\$ 5,208,792
Interest and penalty charges	<u>279,533</u>
Total operating revenue	5,488,325
Operating Expenses	
Cost of water	491,338
Cost of sewage disposal	2,611,269
Operation and maintenance	1,003,208
Billing and administrative costs	79,912
Depreciation	<u>175,426</u>
Total operating expenses	<u>4,361,153</u>
Operating Income	1,127,172
Nonoperating Revenue - Interest income	<u>300</u>
Change in Net Assets	1,127,472
Net Assets - Beginning of year	<u>4,578,808</u>
Net Assets - End of year	<u><u>\$ 5,706,280</u></u>

City of Hamtramck, Michigan

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

	Enterprise - Water and Sewer Fund
Cash Flows from Operating Activities	
Receipts from customers	\$ 4,889,158
Payments to suppliers	(4,433,496)
Payments to employees	<u>(311,425)</u>
Net cash provided by operating activities	144,237
Cash Flows from Noncapital Financing Activities - Change in interfund payables	(102,675)
Cash Flows from Investing Activities - Interest received on investments	<u>300</u>
Net Increase in Cash and Cash Equivalents	41,862
Cash and Cash Equivalents - Beginning of year	<u>193,108</u>
Cash and Cash Equivalents - End of year	<u><u>\$ 234,970</u></u>
Reconciliation of Operating Income to Net Cash from Operating Activities	
Operating income	\$ 1,127,172
Adjustments to reconcile operating income to net cash from operating activities:	
Depreciation and amortization	175,426
Changes in assets and liabilities:	
Receivables	(599,258)
Prepaid expenses and other assets	45
Accounts payable	(591,548)
Accrued and other liabilities	<u>32,400</u>
Net cash provided by operating activities	<u><u>\$ 144,237</u></u>

City of Hamtramck, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2010

	Private Purpose		Agency Funds		Total Fiduciary Funds
	Trust				
	Development	Tax	General	Highland	
	Agreement	Collection		Park Tax	
	Escrow			Collection	
Assets - Cash and cash equivalents	\$ 1,987,777	\$ 145,819	\$ 149,227	\$ 80,416	\$ 2,363,239
Liabilities					
Accounts payable	76,492	-	-	-	76,492
Other accrued liabilities	-	-	149,227	-	149,227
Due to other governmental units	-	145,819	-	80,416	226,235
Total liabilities	<u>76,492</u>	<u>145,819</u>	<u>149,227</u>	<u>80,416</u>	<u>451,954</u>
Net Assets - Reserved for development agreement escrow	<u>\$ 1,911,285</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,911,285</u>

City of Hamtramck, Michigan

Fiduciary Funds Statement of Revenue, Expenses, and Changes in Net Assets June 30, 2010

	Private Purpose Trust Development Agreement Escrow Fund
Revenue	
Property taxes	\$ 309,059
Income taxes	19,161
Interest	27,932
Other revenue	36,058
Total revenue	392,210
Expenses - Community and economic development	846,953
Net Change in Net Assets	(454,743)
Net Assets - Beginning of year	2,366,028
Net Assets - End of year	<u><u>\$ 1,911,285</u></u>

City of Hamtramck, Michigan

Component Units Combining Statement of Net Assets June 30, 2010

	Downtown Development Authority	31st District Court	Total
Assets			
Cash and investments	\$ 39,829	\$ 276,569	\$ 316,398
Taxes receivable	4,917	-	4,917
Total assets	44,746	276,569	321,315
Liabilities			
Accounts payable	1,710	-	1,710
Accrued and other liabilities	4,053	44,754	48,807
Due to primary government	-	145,000	145,000
Due to other governmental units	-	77,990	77,990
Other postemployment benefit obligation	2,216	-	2,216
Total liabilities	7,979	267,744	275,723
Net Assets - Unrestricted	\$ 36,767	\$ 8,825	\$ 45,592

City of Hamtramck, Michigan

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

	Program Revenue			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Capital Grants and Contributions	Downtown	31st	Total
				Development Authority	District Court	
Downtown Development Authority - Community and economic development	\$ 111,347	\$ -	\$ 6,100	\$ (105,247)	\$ -	\$ (105,247)
31st District Court	<u>3,628</u>	<u>5,887</u>	<u>-</u>	<u>-</u>	<u>2,259</u>	<u>2,259</u>
Total component units	<u>\$ 114,975</u>	<u>\$ 5,887</u>	<u>\$ 6,100</u>	(105,247)	2,259	(102,988)
General revenue:						
Interest				291	-	291
Property taxes				<u>110,974</u>	<u>-</u>	<u>110,974</u>
Change in Net Assets				6,018	2,259	8,277
Net Assets - Beginning of year				<u>30,749</u>	<u>6,566</u>	<u>37,315</u>
Net Assets - End of year				<u>\$ 36,767</u>	<u>\$ 8,825</u>	<u>\$ 45,592</u>

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

Discretely Presented Component Units

The Downtown Development Authority (DDA) was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The DDA’s governing body, which consists of 10 individuals, is appointed by the mayor, subject to approval of the City Council. In addition, the DDA’s budget is subject to approval by the City Council. The DDA does not issue a separate financial report. The DDA’s administrative offices are located at 3401 Evaline, Hamtramck, Michigan 48212.

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

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or 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 revenue are reported instead as general revenue.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Note I - Summary of Significant Accounting Policies (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, with a “deferred revenue” liability. In 2010, the City’s receipt of its property tax settlement for delinquent taxes from Wayne County, which is normally received within 60 days of year end, was significantly delayed. Due to the unusual circumstances surrounding the delay and the fact that the City normally does receive this within the 60-day time frame, the City did record this as revenue on the modified accrual basis in the current fiscal year.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The City reports the following major governmental funds:

General Fund - The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. General Fund activities are financed by revenue from general property taxes, state-shared revenue, and other sources.

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

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

The City reports the following major proprietary fund:

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

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fiduciary activities:

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

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

Other Policies

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its business-type activities.

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the City's proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) and the cost of infrastructure as operating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Property Taxes

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

The City's 2009 tax is levied and collectible on July 1 and December 1, 2009, and is recognized as revenue in the year ended June 30, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the City totaled \$246.2 million (a portion of which is abated and a portion of which is captured by the TIFA and DDA). Taxes were levied as follows:

Purpose	Date Levied	Millage Rate	Revenue (Net of TIFA/DDA Captures)
General operating	July 1	17.0403	\$ 4,112,921
Rubbish	July 1	2.5558	616,850
Police and fire pension	July 1	0.5000	120,665
Library	July 1	1.8171	447,635
DDA district	December 1	1.8251	31,572

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Roads, sidewalks, and alleys	30 years
Streetlights	20 years
Water and sewer facilities	50 years
Buildings and improvements	15 to 50 years
Vehicles	5 to 20 years
Machinery and equipment	5 to 12 years
Library collection	10 years

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 2 - Stewardship, Compliance, and Accountability

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

Shortfall at June 30, 2009	\$ (1,181,618)
Current year building permit revenue	114,388
Related expenses:	
Direct costs	403,988
Estimated indirect costs	<u>161,595</u>
Current year shortfall	<u>(451,195)</u>
Cumulative shortfall at June 30, 2010	<u><u>\$ (1,632,813)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. A local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The City has designated two banks for the deposit of its funds. The investment policy adopted by the City in accordance with Public Act 196 of 1997 follows the state statutory authority as listed above.

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The GASB has established risk categories for deposits as follows:

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

At year end, the City had \$7,752,037 of bank deposits (checking and savings accounts), of which \$500,000 was FDIC insured (Category 1), \$7,752,037 was collateralized (Category 2), and there were no deposits that were uninsured or uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Investment	Fair Value	Rating	Rating Organization
Allegiant Government Money Market Fund	\$ 421,482	AAAm	Standard and Poor's (S&P)

Component Unit - District Court - The cash of the District Court consists only of bank deposits. The District Court does not have a deposit policy for custodial credit risk. At year end, the District Court had \$280,878 of bank deposits (certificates of deposit, checking, and savings accounts), of which \$250,000 was insured and collateralized.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 4 - Receivables

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

	General Fund	Water and Sewer Fund	Nonmajor and Other Funds	Total	Component Unit
Receivables:					
Taxes	\$ 896,305	\$ 857,824	\$ 46,012	\$ 1,800,141	\$ 4,917
Accounts	-	2,287,903	-	2,287,903	-
Intergovernmental	4,320,966	-	396,436	4,717,402	-
Interest and other	66,686	-	35,717	102,403	-
Net receivables	<u>\$ 5,283,957</u>	<u>\$ 3,145,727</u>	<u>\$ 478,165</u>	<u>\$ 8,907,849</u>	<u>\$ 4,917</u>

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned	Total
CIPP interlocal agreement (Note 12)	\$ 3,200,000	\$ -	\$ 3,200,000
Special assessments	66,686	-	66,686
Unspent grant proceeds	-	251,252	251,252
Total	<u>\$ 3,266,686</u>	<u>\$ 251,252</u>	<u>\$ 3,517,938</u>

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets

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

	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
Governmental Activities				
Capital assets not being depreciated -				
Land	\$ 808,656	\$ -	\$ -	\$ 808,656
Capital assets being depreciated:				
Roads, sidewalks, and alleys	6,239,685	-	-	6,239,685
Street lights	223,248	-	-	223,248
Buildings and improvements	4,346,999	-	-	4,346,999
Vehicles	3,407,285	142,948	(439,000)	3,111,233
Machinery and equipment	201,052	163,793	-	364,845
Library collection	1,092,777	61,294	(15,000)	1,139,071
Subtotal	15,511,046	368,035	(454,000)	15,425,081
Accumulated depreciation:				
Roads, sidewalks, and alleys	3,627,118	102,781	-	3,729,899
Street lights	47,261	11,162	-	58,423
Buildings and improvements	1,040,543	88,635	-	1,129,178
Vehicles	2,354,216	181,073	(398,377)	2,136,912
Machinery and equipment	160,821	32,357	-	193,178
Library collection	885,690	38,304	(15,000)	908,994
Subtotal	8,115,649	454,312	(413,377)	8,156,584
Net capital assets being depreciated	7,395,397	(86,277)	(40,623)	7,268,497
Net capital assets	\$ 8,204,053	\$ (86,277)	\$ (40,623)	\$ 8,077,153

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets (Continued)

	Balance July 1, 2009	Additions	Disposals	Balance June 30, 2010
Business-type Activities				
Capital assets not being depreciated -				
Land	\$ 96,790	\$ -	\$ -	\$ 96,790
Capital assets being depreciated:				
Water and sewer mains	3,771,916	-	-	3,771,916
Machinery and equipment	<u>1,415,290</u>	<u>-</u>	<u>-</u>	<u>1,415,290</u>
Subtotal	5,187,206	-	-	5,187,206
Accumulated depreciation:				
Water and sewer mains	1,235,057	54,693	-	1,289,750
Machinery and equipment	<u>824,321</u>	<u>120,733</u>	<u>-</u>	<u>945,054</u>
Subtotal	<u>2,059,378</u>	<u>175,426</u>	<u>-</u>	<u>2,234,804</u>
Net capital assets being depreciated	<u>3,127,828</u>	<u>(175,426)</u>	<u>-</u>	<u>2,952,402</u>
Net capital assets	<u>\$ 3,224,618</u>	<u>\$ (175,426)</u>	<u>\$ -</u>	<u>\$ 3,049,192</u>

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

Governmental activities:	
General government	\$ 76,677
Public safety	199,307
Public works	119,707
Recreation and culture	<u>58,621</u>
Total governmental activities	<u>\$ 454,312</u>
Business-type activities - Water and sewer	<u>\$ 175,426</u>

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

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 6 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Due to/from Other Funds

Fund Due To	Fund Due From	Amount
Major fund - General Fund	Nonmajor governmental fund	\$ 73,380
Major fund - General Fund	Major proprietary fund - Water and Sewer Fund	153,729
Major fund - Budget Stabilization Fund	General Fund	95,000
Nonmajor governmental fund	General Fund	<u>302,926</u>
	Total primary government	<u>\$ 625,035</u>

Due to/from Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
Major fund - General Fund	3 1st District Court	\$ 136,619
Nonmajor governmental fund	3 1st District Court	<u>8,381</u>
	Total component units	<u>\$ 145,000</u>

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

Interfund transfers reported in the fund financial statements are comprised of a \$200,000 transfer from the Major Streets Fund to the Local Streets Fund under Michigan Public Act 51 for local streets projects.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities					
<u>General Obligation Bonds</u>					
2004 Series A refunding bonds, issued in the amount of \$2,865,000. Principal payments are due annually on May 1, with interest ranging from 2.75 percent to 3.75 percent, maturing in 2013	\$ 1,420,000	\$ -	\$ (375,000)	\$ 1,045,000	\$ 360,000
2002 Fiscal Stabilization Bonds, issued in the amount of \$2,500,000. Principal payments are due annually on November 1, with interest ranging from 4.30 percent to 5.15 percent, maturing in 2021	1,780,000	-	(110,000)	1,670,000	115,000
Brownfield Cleanup Revolving Loan, issued in the amount of \$326,715. Principal payments are due annually on March 1 beginning in 2006, with 0 percent interest, maturing in 2011	127,515	-	(66,400)	61,115	61,115
Grand Haven/Dyar Section 108 loan, at the authorized amount of \$750,000. Principal payments are due annually on August 1, with interest ranging from 3.8 percent to 5.0 percent, maturing in 2013	418,000	-	(83,000)	335,000	84,000
Joseph Campau Streetscape Project Section 108 loan, at an authorized amount of \$758,000. Principal payments are due annually on August 1, with interest ranging from 3.9 percent to 5.1 percent, maturing in 2014	454,000	-	(76,000)	378,000	76,000
<u>Accumulated Benefits, Insurance, and Other</u>					
Employee compensated absences	1,747,894	1,210,000	(778,572)	2,179,322	950,000
Other postemployment benefit obligation (Note 10)	301,878	131,869	-	433,747	-
Estimated insurance claims:					
Workers' compensation (Note 8)	590,577	75,254	(165,051)	500,780	-
General liability (Note 8)	125,000	307,896	(307,896)	125,000	-
Total governmental activities	<u>\$ 6,964,864</u>	<u>\$ 1,725,019</u>	<u>\$ (1,961,919)</u>	<u>\$ 6,727,964</u>	<u>\$ 1,646,115</u>
Business-type Activities					
Employee compensated absences	\$ 34,883	\$ 27,851	\$ -	\$ 62,734	\$ -
Other postemployment benefit obligation (Note 10)	<u>11,886</u>	<u>5,192</u>	<u>-</u>	<u>17,078</u>	<u>-</u>
Total business-type activities	<u>\$ 46,769</u>	<u>\$ 33,043</u>	<u>\$ -</u>	<u>\$ 79,812</u>	<u>\$ -</u>
Component Unit Activities - Other postemployment benefit obligation (Note 10)					
	\$ 1,542	\$ 674	\$ -	\$ 2,216	\$ -

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Long-term Debt (Continued)

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

	Governmental Activities		
	Principal	Interest	Total
2011	\$ 696,115	\$ 134,169	\$ 830,284
2012	625,000	109,446	734,446
2013	713,000	83,418	796,418
2014	285,000	64,850	349,850
2015	140,000	56,250	196,250
2016-2020	835,000	161,984	996,984
2021-2024	195,000	5,021	200,021
Total	<u>\$ 3,489,115</u>	<u>\$ 615,138</u>	<u>\$ 4,104,253</u>

Note 8 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for fleet, dishonesty, boiler, and medical benefits. The City is partially self-insured for general liability claims and uninsured for workers' compensation claims. Beginning July 1, 2009, the City will be partially insured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

City of Hamtramck, Michigan

Notes to Financial Statements June 30, 2010

Note 8 - Risk Management (Continued)

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

	Workers' Compensation	General Liability
Estimated liability - June 30, 2008	\$ 715,930	\$ 125,000
Estimated claims incurred, including changes in estimates	5,368	285,345
Claim payments	<u>(130,721)</u>	<u>(285,345)</u>
Estimated liability - June 30, 2009	590,577	125,000
Estimated claims incurred, including changes in estimates	75,254	307,896
Claim payments	<u>(165,051)</u>	<u>(307,896)</u>
Estimated liability - June 30, 2010	<u>\$ 500,780</u>	<u>\$ 125,000</u>

Note 9 - Defined Benefit Pension Plan

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

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

Annual Pension Cost - For the year ended June 30, 2010, the City's annual pension cost of \$2,946,379 for the plan was equal to the City's required and actual contribution.

Note 9 - Defined Benefit Pension Plan (Continued)

Three-year trend information is as follows:

	2010	2009	2008
Annual pension costs (APC)	\$ 2,946,379	\$ 3,116,381	\$ 2,990,991
Percentage of APC contributed	100%	100%	100%
Net pension obligation	Unknown	Unknown	Unknown
	Actuarial Valuation as of December 31		
	2009	2008	2007
Actuarial value of assets	\$ 59,040,740	\$ 60,550,323	\$ 61,349,691
Actuarial accrued liability (AAL) (entry age)	94,496,927	92,917,819	89,752,345
Unfunded AAL (UAAL)	35,456,187	32,367,496	28,402,654
Funded ratio	62%	65%	68%
Covered payroll	\$ 7,708,454	\$ 6,903,656	\$ 6,955,451
UAAL as a percentage of covered payroll	460%	469%	408%

Actuarial Methods and Assumptions - In the December 31, 2009 actuarial valuation (the most recent actuarial valuation), the entry age actuarial cost method was used. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4.50 percent per year attributable to inflation, and (c) additional salary increase of 0 percent to 8.4 percent per year attributable to seniority/merit. Both (a) and (b) include an inflation component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a 10-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 27 years.

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

Note 10 - Other Postemployment Benefits

Plan Description - The City provides healthcare and dental insurance benefits to all full-time employees upon retirement, in accordance with labor contracts. Life insurance is provided to employees from AFSCME Local 666 upon retirement. Currently, the plan has 247 members, of which 146 retirees are eligible for dental and health care and 61 retirees are eligible for life insurance.

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

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

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

Annual required contribution (recommended)	\$ 1,941,430
Amounts contributed - Payments of current premiums	<u>(1,803,694)</u>
Increase in net OPEB obligation	137,736
OPEB obligation - Beginning of year	<u>315,305</u>
OPEB obligation - End of year	<u>\$ 453,041</u>

Note 10 - Other Postemployment Benefits (Continued)

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

Annual OPEB costs	\$ 1,941,430
Percentage paid	92.9%
Net OPEB obligation	453,041

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

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

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

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

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

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

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

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

The City is currently in the process of satisfying the judgment. The Development Agreement Escrow Fund was created to accumulate the earmarked revenue. The fund had reserved fund balance of \$1,911,285 at June 30, 2010.

The City completed the infrastructure for the project, including putting in water and sewer lines and construction of streets and sidewalks, during the year ended June 30, 2005. All prior year infrastructure expenditures incurred were paid from Community Development Block Grant revenue, Section 108 loans, Brownfield Economic Initiative program loans and grants, Wayne County Brownfield Redevelopment loans, and contributions from the Major, Local, and Water and Sewer Funds. The City began actual housing construction in spring 2006. Cumulative costs for this project through June 30, 2010 total approximately \$8,698,000. The remaining fund balance will be used for actual housing construction to be completed by fiscal year 2010.

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

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

The CIPP interlocal agreement is an agreement between the City, Wayne County, and the City of Detroit regarding the distribution of property tax and income tax revenue generated from the GM Poletown property. Under the agreement, the City is guaranteed to receive 50 percent of the first \$3.4 million collected and the City of Detroit will receive the other 50 percent. Any amounts collected over \$3.4 million will be distributed to each city based on the allocation of the qualifying project costs. If excess collections are received after project costs are paid, the balance will be distributed one-third to Hamtramck and two-thirds to Detroit.

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

Annually, the City of Hamtramck would provide the City of Detroit auditors detail of property tax and income tax collections on the CIPP properties within the City and the auditors would prepare a final accounting of all activity. The Detroit auditors would provide the City of Detroit a final summary and the City of Detroit would disburse the final amounts due to the City of Hamtramck usually six to nine months after each fiscal year. Based on estimates provided by the City of Detroit in previous years, the City is entitled to receive payments under this agreement through the 2014 fiscal year. As of June 30, 2009, the City of Detroit (through work performed by their auditors) made final settlement on all fiscal years through 2008. During the current year, the City received a partial payment on the outstanding balance of \$2.1 million due from the City of Detroit from the 2009 fiscal year of \$1 million, which is recorded in the General Fund as revenue.

During the current fiscal year, the City was told by the City of Detroit that it will not be receiving the balance due on the CIPP agreement for the 2009 fiscal year and may in fact owe a refund back to the City of Detroit for prior fiscal years. The City of Detroit told the City they had hired an outside accounting firm to review the CIPP project to determine the proper balances due not only to the City but to the State of Michigan as well. The accounting firm's initial findings were shared with the City subsequent to year end and included the following:

- No balances were due to the City of Hamtramck and no future payments will be due.
- The City of Detroit should have stopped making payments to the City of Hamtramck during the 2005/2006 fiscal year.
- The City of Hamtramck owes the City of Detroit refund obligations for overpayments since 2006 of approximately \$7.12 million.

The City strongly disagrees with the findings of the accounting firm hired by the City of Detroit and has filed suit against the City of Detroit. The City of Hamtramck annually settled with the City of Detroit auditors who calculated the amounts ultimately paid to the City. In addition, the City of Detroit auditors provided the City with a schedule showing payments due the City through 2014. The City has the balance due from the 2009 fiscal year of \$1.1 million as well as the estimated balance due for the 2010 fiscal year of \$2.1 million recorded as receivable and deferred revenue in the General Fund at June 30, 2010. No amounts have been recorded for any potential refund.

Note 13 - Environmental Commitment

In a prior year, the City and additional defendants entered into a consent judgment with the State of Michigan and the Michigan Department of Environmental Quality (MDEQ) to clean up a piece of property. The agreement called for the property to be cleaned up and an amount to be placed in a trust for future operating and maintenance costs. The City completed the cleanup during 2003 and placed approximately \$442,000 in a trust for future operating and maintenance costs related to the property. The balance in the trust at June 30, 2010 totaled approximately \$421,000.

Note 14 - Settlement Receivable

During the year ended June 30, 2005, Wayne County unilaterally changed its method for calculating the annual payment in lieu of taxes (PILOT) due to the City. Based on the calculation in the agreement signed many years ago, the City believed the payments for the 2005 and 2006 fiscal years should be approximately \$1,300,000 and \$1,400,000, respectively. Wayne County paid the City only \$500,000 during the year ended June 30, 2005 and made no payments during the year ended June 30, 2006. The City initiated a lawsuit against Wayne County during the 2005 fiscal year that was settled during the 2007 fiscal year. The agreement adjusted the annual payment due to the City each December from Wayne County to \$1,000,000 for the years 2004 through 2008. Beginning in December 2010, the payment will be adjusted annually by CPI to a maximum of \$1,500,000. In April 2007, the County paid the balance due from December 2004 of \$500,000. The remaining balance at June 30, 2008 totaled \$2,000,000 for December 2005 and 2006. A total of \$1,000,000 was paid during the prior fiscal year, with the remaining balance of \$1,000,000 being paid in November 2009. As of June 30, 2010, there is no outstanding balance.

Note 15 - Subsequent Events

Subsequent to year end, the City has had ongoing discussions with the State of Michigan Department of Treasury regarding the possibility of the State granting the City authorization to file for Chapter 9 bankruptcy. To date, the State has not been receptive to this idea and has discussed other alternatives with the City.

Note 16 - Upcoming Accounting Pronouncement

In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement GASB Statement No. 54 beginning with the fiscal year ending June 30, 2011.

Required Supplemental Information

City of Hamtramck, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Property taxes:				
Property taxes	\$ 4,862,449	\$ 4,862,449	\$ 4,873,597	\$ 11,148
GM revenue	4,300,000	4,300,000	1,000,000	(3,300,000)
Payments in lieu of taxes	2,030,000	2,030,000	2,078,622	48,622
Total property taxes	11,192,449	11,192,449	7,952,219	(3,240,230)
Income taxes	2,055,000	2,174,550	1,973,835	(200,715)
Licenses and permits	290,000	290,000	393,106	103,106
State sources	3,953,183	3,953,183	3,380,745	(572,438)
Charges for services	150,000	150,000	250,477	100,477
Parking meters and permits	110,000	110,000	102,853	(7,147)
Fines and forfeitures	850,000	850,000	1,374,802	524,802
Interest	-	-	33,473	33,473
Other	401,500	401,500	620,558	219,058
Total revenue	19,002,132	19,121,682	16,082,068	(3,039,614)
Expenditures				
General government:				
Legislative	68,392	68,392	61,311	7,081
District Court	567,730	567,730	552,148	15,582
City manager's office	210,678	210,678	193,264	17,414
Elections	27,600	38,100	36,470	1,630
Assessor	115,710	115,710	105,963	9,747
Legal	750,000	450,000	311,650	138,350
Clerk	206,598	179,980	154,520	25,460
Controller	278,981	280,056	226,059	53,997
Treasurer	190,016	190,016	176,169	13,847
Income tax	313,463	422,813	384,191	38,622
Personnel	206,019	216,019	214,862	1,157
General administration	2,252,027	1,872,027	1,720,685	151,342
Total general government	5,187,214	4,611,521	4,137,292	474,229
Public safety:				
Police	5,715,866	6,146,866	5,962,708	184,158
Fire	4,575,928	4,806,128	4,506,583	299,545
Auto theft grant	156,633	192,133	188,042	4,091
Total public safety	10,448,427	11,145,127	10,657,333	487,794

(Continued on next page)

City of Hamtramck, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (Continued)				
Public works	\$ 1,955,935	\$ 1,959,031	\$ 1,920,760	\$ 38,271
Code enforcement	445,530	445,530	403,988	41,542
Community and economic development	161,128	161,128	153,615	7,513
Total expenditures	<u>18,198,234</u>	<u>18,322,337</u>	<u>17,272,988</u>	<u>1,049,349</u>
Net Change in Fund Balance	803,898	799,345	(1,190,920)	(1,990,265)
Fund Balance - Beginning of year	<u>2,253,186</u>	<u>2,253,156</u>	<u>2,253,156</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 3,057,084</u>	<u>\$ 3,052,501</u>	<u>\$ 1,062,236</u>	<u>\$ (1,990,265)</u>

City of Hamtramck, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Fund – Drug Law Enforcement Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues				
Federal sources	\$ -	\$ -	\$ 135,280	\$ 135,280
State sources	-	-	214,106	214,106
Interest	-	-	16,517	16,517
Total revenue	-	-	365,903	365,903
Expenditures - Public safety	-	338,000	522,049	(184,049)
Net Change in Fund Balances	-	(338,000)	(156,146)	181,854
Fund Balances - Beginning of year	1,394,244	1,394,244	1,394,244	-
Fund Balances - End of year	<u>\$ 1,394,244</u>	<u>\$ 1,056,244</u>	<u>\$ 1,238,098</u>	<u>\$ 181,854</u>

City of Hamtramck, Michigan

Note to Required Supplemental Information

Note - Budgetary Information

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

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

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

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

During the current year, the budgets were amended in a legally permissible manner. Budget appropriations lapse at year end. Encumbrances are not included as expenditures and the amount of encumbrances outstanding at June 30, 2010 has not been calculated.

City of Hamtramck, Michigan

Note to Required Supplemental Information

Note - Budgetary Information (Continued)

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

	General Fund	
	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 15,950,187	\$ 17,141,107
Reimbursements from other funds	<u>131,881</u>	<u>131,881</u>
Amounts per budgetary comparison schedule	<u>\$ 16,082,068</u>	<u>\$ 17,272,988</u>

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

	General Government Expenditures
Amounts per operating statement	\$ 3,392,875
Reimbursements from other funds	131,881
Debt service	<u>612,536</u>
Amounts per budgetary comparison schedule	<u>\$ 4,137,292</u>

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the City of Hamtramck, Michigan incurred drug law enforcement expenditures that were in excess of the amounts as budgeted by approximately \$184,000 due to expensing narcotic special assignment wages in the drug law enforcement fund rather than the general fund where they were budgeted.

Other Supplemental Information

City of Hamtramck, Michigan

Special Revenue Funds						
	Major Streets	Local Streets	Library	U.S. Justice Department Grants	Community Development Block Grant	911 Emergency
Assets						
Cash and investments	\$ 507,534	\$ 901,544	\$ 305,418	\$ 24,615	\$ -	\$ 80,982
Accounts receivable	-	-	46,012	-	35,700	-
Due from other funds	-	-	178,493	-	-	-
Due from component units	-	-	-	-	-	-
Due from other governmental units	133,974	41,080	-	100,892	111,734	-
Total assets	\$ 641,508	\$ 942,624	\$ 529,923	\$ 125,507	\$ 147,434	\$ 80,982
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 15,969	\$ 20,434	\$ 8,660	\$ 4,856	\$ 58,949	\$ 80,176
Accrued and other liabilities	-	-	13,863	-	-	-
Due to other funds	-	-	-	-	63,184	-
Deferred revenue	-	-	-	221,542	25,301	-
Total liabilities	15,969	20,434	22,523	226,398	147,434	80,176
Fund Balances - Unreserved	625,539	922,190	507,400	(100,891)	-	806
Total liabilities and fund balances	\$ 641,508	\$ 942,624	\$ 529,923	\$ 125,507	\$ 147,434	\$ 80,982

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

Miscellaneous State Grants	Building and Improvement	Property Revitalization	Special Events	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 421,482	\$ 5,103	\$ 2,246,678
-	-	17	-	81,729
-	124,433	-	-	302,926
-	8,381	-	-	8,381
<u>8,756</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>396,436</u>
<u>\$ 8,756</u>	<u>\$ 132,814</u>	<u>\$ 421,499</u>	<u>\$ 5,103</u>	<u>\$ 3,036,150</u>
\$ -	\$ -	\$ -	\$ 100	\$ 189,144
-	-	-	-	13,863
1,950	-	8,246	-	73,380
<u>4,409</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>251,252</u>
6,359	-	8,246	100	527,639
<u>2,397</u>	<u>132,814</u>	<u>413,253</u>	<u>5,003</u>	<u>2,508,511</u>
<u>\$ 8,756</u>	<u>\$ 132,814</u>	<u>\$ 421,499</u>	<u>\$ 5,103</u>	<u>\$ 3,036,150</u>

City of Hamtramck, Michigan

	Special Revenue Funds					
	Major Streets	Local Streets	Library	U.S. Justice Department Grants	Community Development Block Grant	911 Emergency
Revenue						
Property taxes	\$ -	\$ -	\$ 431,581	\$ -	\$ -	\$ -
Federal sources	-	-	-	188,971	440,952	-
State sources	873,042	250,814	6,947	25,123	-	-
Charges for services	-	-	-	-	-	953
Fines and forfeitures	-	-	-	-	-	-
Interest income	5,173	8,952	448	-	-	1,327
Other	-	-	26,533	-	-	-
Total revenue	878,215	259,766	465,509	214,094	440,952	2,280
Expenditures						
Public safety	-	-	-	314,985	-	127,966
Public works	512,090	297,039	-	-	-	-
Code enforcement	-	-	-	-	-	-
Recreation and cultural	-	-	446,759	-	-	-
Community and economic development	-	-	-	-	185,344	-
Debt service	-	-	-	-	255,608	-
Total expenditures	512,090	297,039	446,759	314,985	440,952	127,966
Excess of Revenue Over (Under)						
Expenditures	366,125	(37,273)	18,750	(100,891)	-	(125,686)
Other Financing Sources (Uses)						
Transfers in	-	200,000	-	-	-	-
Transfers out	(200,000)	-	-	-	-	-
Total other financing sources (uses)	(200,000)	200,000	-	-	-	-
Net Change in Fund Balances	166,125	162,727	18,750	(100,891)	-	(125,686)
Fund Balances - Beginning of year	459,414	759,463	488,650	-	-	126,492
Fund Balances - End of year	\$ 625,539	\$ 922,190	\$ 507,400	\$ (100,891)	\$ -	\$ 806

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

Miscellaneous State Grants	Building and Improvement	Property Revitalization	Special Events	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 431,581
-	-	-	-	629,923
4,347	-	-	-	1,160,273
-	-	-	-	953
-	77,859	-	-	77,859
55	80	(781)	-	15,254
-	-	-	79,944	106,477
4,402	77,939	(781)	79,944	2,422,320
15,894	-	-	-	458,845
-	-	-	-	809,129
-	-	-	-	-
-	-	-	74,941	521,700
-	-	-	-	185,344
-	-	-	-	255,608
15,894	-	-	74,941	2,230,626
(11,492)	77,939	(781)	5,003	191,694
-	-	-	-	200,000
-	-	-	-	(200,000)
-	-	-	-	-
(11,492)	77,939	(781)	5,003	191,694
13,889	54,875	414,034	-	2,316,817
\$ 2,397	\$ 132,814	\$ 413,253	\$ 5,003	\$ 2,508,511