

City of Eastpointe, Michigan

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

City of Eastpointe, Michigan

Contents

| | |
|---|-------|
| Report Letter | 1-2 |
| Management's Discussion and Analysis | 3-8 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 9 |
| Statement of Activities | 10-11 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 12 |
| Reconciliation of Fund Balances to the Statement of Net Assets | 13 |
| Statement of Revenue, Expenditures, and Changes in Fund Balances | 14 |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 15 |
| Proprietary Fund - Enterprise Fund: | |
| Statement of Net Assets | 16 |
| Statement of Revenue, Expenses, and Changes in Net Assets | 17 |
| Statement of Cash Flows | 18 |
| Fiduciary Funds: | |
| Statement of Net Assets | 19 |
| Statement of Changes in Net Assets - Pension and Other Employee Benefit Trust Funds | 20 |
| Component Units: | |
| Statement of Net Assets (Deficit) | 21 |
| Statement of Activities | 22-23 |
| Notes to Financial Statements | 24-51 |
| Required Supplemental Information | 52 |
| Budgetary Comparison Schedule: | |
| General Fund | 53 |
| Major Special Revenue Funds | 54-56 |
| Retirement System Schedule of Funding Progress | 57 |
| Retirement System Schedule of Employer Contributions | 58 |

City of Eastpointe, Michigan

Contents (Continued)

Required Supplemental Information (Continued)

Retiree Healthcare System Schedule of Funding Progress 59

Note to Required Supplemental Information 60

Other Supplemental Information 61

Nonmajor Governmental Funds:

Combining Balance Sheet 62-64

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances 65-67

Fiduciary Funds:

Combining Statement of Net Assets 68-69

Combining Statement of Changes in Net Assets - Pension and Other Employee Benefit Trust Funds 70

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Eastpointe, Michigan as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Eastpointe, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eastpointe, Michigan as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eastpointe, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

As described in Note 11, the City has implemented a new financial standard, as required by the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of June 30, 2009.

Plante & Moran, PLLC

December 1, 2009

City of Eastpointe, Michigan

Management's Discussion and Analysis

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

Financial Highlights

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

- The City continues to evaluate programs, staffing levels, and capital spending to maintain tight controls over all expenditures. Such proactive measures in the area of expenditure control resulted in an increase in General Fund fund balance of \$1,434,679, compared to the anticipated and budgeted loss of \$46,499.
- On November 8, 2005, Eastpointe voters passed a public safety millage of seven mills for five years to maintain public safety services provided by the police and fire departments of the City. In addition to the revenue generated from the millage, the General Fund continues to provide more than 50 percent of the total funding necessary to meet the financial requirements of maintaining these public safety services.
- With the expiration of the Fire-ALS millage in 2007, the anticipated decline in property tax revenue, retiree healthcare obligations, and the economic impact on state-shared revenue, the City has designated \$8,800,000 for subsequent years' expenditures (see Note I) to offset the increased burden faced by the City in future years. This designation mitigates the increase in undesignated fund balance at year end.
- Total net assets related to the City's governmental activities increased by approximately \$1.3 million. The unrestricted portion of net assets increased by approximately \$565,000 (see table of net assets on the following page).

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 of Eastpointe as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

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

City of Eastpointe, Michigan

Management's Discussion and Analysis (Continued)

The notes to the financial statements are found on pages 24-51. These notes are an integral part of the financial statements and should be read in conjunction with the remainder of the financial statements. It may be useful to read the notes prior to any detailed review of the various statements throughout the report.

The City of Eastpointe as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in thousands of dollars):

| | Governmental Activities | | Business-type Activities | | Total | |
|------------------------------|-------------------------|------------------|--------------------------|------------------|------------------|------------------|
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Assets | | | | | | |
| Current assets | \$ 23,327 | \$ 22,582 | \$ 12,063 | \$ 10,230 | \$ 35,390 | \$ 32,812 |
| Noncurrent assets | 24,154 | 23,269 | 33,087 | 31,141 | 57,241 | 54,410 |
| Total assets | 47,481 | 45,851 | 45,150 | 41,371 | 92,631 | 87,222 |
| Liabilities | | | | | | |
| Current liabilities | 1,593 | 2,155 | 1,602 | 898 | 3,195 | 3,053 |
| Long-term liabilities | 7,743 | 6,896 | 11,233 | 10,388 | 18,976 | 17,284 |
| Total liabilities | 9,336 | 9,051 | 12,835 | 11,286 | 22,171 | 20,337 |
| Net Assets | | | | | | |
| Invested in capital assets - | | | | | | |
| Net of related debt | 19,373 | 18,331 | 17,459 | 16,512 | 36,832 | 34,843 |
| Restricted | 9,365 | 9,627 | - | - | 9,365 | 9,627 |
| Unrestricted | 9,407 | 8,842 | 14,856 | 13,573 | 24,263 | 22,415 |
| Total net assets | <u>\$ 38,145</u> | <u>\$ 36,800</u> | <u>\$ 32,315</u> | <u>\$ 30,085</u> | <u>\$ 70,460</u> | <u>\$ 66,885</u> |

The City of Eastpointe's combined net assets increased approximately 5.3 percent from a year ago, from approximately \$66.9 million in 2008 to \$70.0 million in 2009. A review of the governmental activities, separate from the business-type activities, shows an increase of approximately \$1.3 million in net assets, or 3.7 percent during fiscal year 2009. This is largely due to the additional public safety millage, approved by the City's residents to help fund public safety services provided by the police and fire departments of the City. The funds generated by the millage have relieved the General Fund of less than 50 percent of the full burden of funding for public safety services, which has allowed the City to invest in much needed improvements and repairs to various City facilities and equipment. The business-type activities experienced a \$2.2 million increase in net assets, or 7.4 percent. The increase in net assets reflects the City's ongoing improvement program to the water and sewer system infrastructure.

City of Eastpointe, Michigan

Management's Discussion and Analysis (Continued)

Unrestricted net assets, the portion of net assets that can be used to finance day-to-day operations, increased by approximately \$0.6 million for the governmental activities. This represents an increase of approximately 6.4 percent. The current level of unrestricted net assets for our governmental activities stands at \$9.4 million, or about 32.5 percent of expenses.

The following table shows the changes of the net assets during the current year (in thousands):

| | Governmental | | | | | |
|---------------------------------------|-----------------|-----------------|--------------------------|-----------------|-----------------|-----------------|
| | Activities | | Business-type Activities | | Total | |
| | 2009 | 2008 | 2009 | 2008 | 2009 | 2008 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | \$ 4,191 | \$ 4,442 | \$ 9,832 | \$ 9,186 | \$ 14,023 | \$ 13,628 |
| Operating grants and contributions | 2,208 | 2,088 | - | - | 2,208 | 2,088 |
| Capital grants and contributions | 184 | 496 | 65 | 692 | 249 | 1,188 |
| General revenue: | | | | | | |
| Property taxes | 19,388 | 19,275 | - | - | 19,388 | 19,275 |
| State-shared revenue | 3,595 | 3,730 | - | - | 3,595 | 3,730 |
| Interest | 560 | 1,308 | 168 | 238 | 728 | 1,546 |
| Gain (loss) on sale of capital assets | (55) | (64) | - | 2 | (55) | (62) |
| Cable fees and other | 378 | 364 | 5 | 5 | 383 | 369 |
| Transfers and other revenue | (172) | (595) | 172 | 595 | - | - |
| Total revenue | 30,277 | 31,044 | 10,242 | 10,718 | 40,519 | 41,762 |
| Program Expenses | | | | | | |
| General government | 7,920 | 6,847 | - | - | 7,920 | 6,847 |
| Public safety | 13,859 | 13,266 | - | - | 13,859 | 13,266 |
| Public works | 5,110 | 3,749 | - | - | 5,110 | 3,749 |
| Recreation and culture | 1,852 | 2,841 | - | - | 1,852 | 2,841 |
| Interest on long-term debt | 190 | 280 | - | - | 190 | 280 |
| Water and sewer | - | - | 8,013 | 7,745 | 8,013 | 7,745 |
| Total program expenses | 28,931 | 26,983 | 8,013 | 7,745 | 36,944 | 34,728 |
| Change in Net Assets | \$ 1,346 | \$ 4,061 | \$ 2,229 | \$ 2,973 | \$ 3,575 | \$ 7,034 |

Governmental Activities

For the year ended June 30, 2009, the City's total governmental revenues were approximately \$30.3 million, despite decreases in charges for services, state-shared revenue, and interest. These decreases were offset only partially by increases in operating grants and other revenue, resulting in an overall decrease in revenue from the prior year of \$767,000.

Governmental activity expenditures of approximately \$28.9 million were recorded for the year. Program expenditures reflect a \$1.9 million increase over the previous year mostly due to increased drain maintenance, street/sidewalk repairs and maintenance, pension costs, and retiree healthcare costs. Decreases to other program expenses, such as recreation and culture, are a result of less capital outlay expenditures in the current year. The City will continue to closely monitor spending while considering the needs of the community.

City of Eastpointe, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City of Eastpointe's business-type activity consists of the Water and Sewer Fund. The City provides to residents water purchased from the City of Detroit Water System. The City provides sewage treatment through the Southeast Macomb Sanitary District.

The City of Eastpointe's Funds

Our analysis of the City of Eastpointe's major funds begins on pages 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City of Eastpointe as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as the State of Michigan Act 51 major and local road revenue sharing and voted special property tax millages. The City of Eastpointe's major funds for 2009 include the General Fund, the Public Safety Fund, the Major Streets Fund, and the Local Streets Funds.

The General Fund accounts for most of the City's governmental services. The most significant is general operating, which incurred expenditures of approximately \$3.0 million in 2009. Police and fire services are supported by General Fund contributions and a special public safety millage, all of which are recorded in the Public Safety Fund. The Public Safety Fund recorded the receipt of approximately \$5.5 million from the public safety millage and a transfer of approximately \$6.2 million from the General Fund. The amount transferred from the General Fund is determined based on estimated costs to maintain police and fire services, as well as specific capital outlay approved by the City Council. The Major Streets Fund and Local Streets Fund are supported by state-shared gas and weight taxes. State funding of approximately \$1.4 million and \$494,000 was reported in 2009 for the Major Streets Fund and Local Streets Fund, respectively.

General Fund Budgetary Highlights

Over the course of the year, the City Council and City administration monitor and amend the budget to take into account unanticipated events during the year. The most significant changes to the budget include a decrease to state sources for approximately \$166,000, an increase to charges for service for approximately \$143,000, and an increase to interest income for approximately \$170,000. All other changes to the original budget were minimal. At year end, actual General Fund revenues came in \$252,050 lower than the amended budget primarily as a result of less than anticipated charges for service. Actual General Fund expenditures came in \$256,830 below budget. Expenditures were under budget primarily due to savings from personnel vacancies through attrition and overall tighter controls on spending. City administration amended the budget as major expenditures occurred with a comprehensive review and amendment prepared at mid-year, and again at year end, to reflect changes to anticipated revenues, debt obligations, and capital improvements. In addition, departments continued to assess every purchase and exercise cost savings measure which provided a positive result on the General Fund's fund balance at year end with an increase from \$10,146,583 a year ago to \$11,581,262 at June 30, 2009.

City of Eastpointe, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

At the end of 2009, the City of Eastpointe had \$52.1 million invested in a wide range of capital assets, including land, buildings, police and fire equipment, computer equipment, and water and sewer lines. The largest asset is infrastructure, which consists of roads within the major and local street system, sidewalks, and water and sewer lines. The value of infrastructure assets, net of depreciation contained in this report, is \$39.3 million for fiscal year 2009.

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

Economic Factors and Next Year's Budgets and Rates

The City of Eastpointe's budget for next year maintains the general operating millage at the same rate as the current year. However, a decrease in the City's taxable value, of approximately \$47.4 million, will produce a decrease in tax collections for City operations. Because of the impact of Proposal A, the City continues to monitor its budget very closely. The state-wide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value by less than inflation, the mathematical result is that the total taxable value for the City will grow by less than inflation, before considering new property additions.

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

Due to the compounding effect of Proposal A, the Tax Reform Act, and reduced state revenue-sharing payments, the City asked and received voter approval of a public safety millage for a period of five years beginning with the 2006 fiscal year. The approximate \$5 million generated from the millage has allowed for the continuance of a fully staffed public safety department and related equipment purchases. Some of the financial burden placed on the General Fund for these necessary services was alleviated through the revenue generated by the millage. In next year's budget, the City will continue building maintenance and improvement plans, equipment replacement purchases, and again make the actuarial required contribution to the employees' retirement system.

City of Eastpointe, Michigan

Management's Discussion and Analysis (Continued)

Despite the improved financial condition of the City, the City will continue to operate efficiently and evaluate the impact of the changing economy on the next fiscal year. Recent negotiations with various unions and employee groups resulted in containment of current and future costs through changes to healthcare benefits for current employees. The City's pension system is 81 percent funded with required actuarial determined contributions made by the City on an annual basis. A fluctuating and weakened financial market, resulting in declining investment returns, will challenge the system's ability to help offset future required contributions through investment returns.

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

Contacting the City of Eastpointe's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City of Eastpointe's finances and to show the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the administration offices at the City of Eastpointe, 23200 Gratiot Avenue, Eastpointe, MI 48021.

City of Eastpointe, Michigan

Statement of Net Assets June 30, 2009

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|----------------------|--------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents (Note 3) | \$ 18,073,359 | \$ 5,156,681 | \$ 23,230,040 | \$ 574,415 |
| Investments (Note 3) | 2,623,177 | 837,655 | 3,460,832 | - |
| Receivables: | | | | |
| Taxes | 86,793 | - | 86,793 | - |
| Special assessments | 45,198 | - | 45,198 | - |
| Accounts - Net of allowance for doubtful accounts of \$116,672 | 577,851 | 6,068,821 | 6,646,672 | - |
| Due from other governmental units | 1,822,222 | - | 1,822,222 | - |
| Prepaid costs and other assets | 98,750 | - | 98,750 | 16,242 |
| Restricted assets (Note 5) | 561,651 | - | 561,651 | - |
| Investments in joint ventures (Note 13): | | | | |
| Southeast Macomb Sanitary District | - | 4,412,281 | 4,412,281 | - |
| South Macomb Disposal Authority | 168,444 | - | 168,444 | - |
| Capital assets (Note 4): | | | | |
| Nondepreciable | 1,880,599 | - | 1,880,599 | - |
| Depreciable | 21,543,283 | 28,674,745 | 50,218,028 | - |
| Total assets | 47,481,327 | 45,150,183 | 92,631,510 | 590,657 |
| Liabilities | | | | |
| Accounts payable | 1,132,996 | 1,479,175 | 2,612,171 | 12,012 |
| Accrued and other liabilities | 459,964 | 122,858 | 582,822 | 4,465 |
| Noncurrent liabilities (Note 7): | | | | |
| Due within one year | 156,523 | 494,848 | 651,371 | 85,000 |
| Due in more than one year | 6,836,359 | 10,738,644 | 17,575,003 | 90,000 |
| Other postemployment benefit liability (Note 11) | 749,846 | - | 749,846 | - |
| Total liabilities | 9,335,688 | 12,835,525 | 22,171,213 | 191,477 |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 19,373,285 | 17,458,936 | 36,832,221 | - |
| Restricted: | | | | |
| Public safety | 2,170,064 | - | 2,170,064 | - |
| Library | 39,192 | - | 39,192 | - |
| Sanitation | 1,168,066 | - | 1,168,066 | - |
| Construction projects | 511,988 | - | 511,988 | - |
| Lake St. Clair clean water initiative | 166,843 | - | 166,843 | - |
| Streets and highways | 4,699,705 | - | 4,699,705 | - |
| Debt service | 608,997 | - | 608,997 | - |
| Unrestricted | 9,407,499 | 14,855,722 | 24,263,221 | 399,180 |
| Total net assets | <u>\$ 38,145,639</u> | <u>\$ 32,314,658</u> | <u>\$ 70,460,297</u> | <u>\$ 399,180</u> |

City of Eastpointe, Michigan

| | Program Revenues | | | |
|--|----------------------|----------------------|------------------------------------|-------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | |
| Functions/Programs | | | | |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 7,919,751 | \$ 2,420,012 | \$ 142,410 | \$ - |
| Public safety | 13,859,118 | 1,124,884 | 175,891 | - |
| Public works | 5,110,159 | - | 1,878,649 | 183,824 |
| Recreation and culture | 1,851,497 | 646,594 | 10,559 | - |
| Interest on long-term debt | 190,161 | - | - | - |
| Total governmental activities | 28,930,686 | 4,191,490 | 2,207,509 | 183,824 |
| Business-type activities - Water and sewer | 8,013,438 | 9,832,216 | - | 64,926 |
| Total primary government | <u>\$ 36,944,124</u> | <u>\$ 14,023,706</u> | <u>\$ 2,207,509</u> | <u>\$ 248,750</u> |
| Component units: | | | | |
| Downtown Development Authority | \$ 161,193 | \$ - | \$ 100 | \$ - |
| Economic Development Corporation | 58,003 | - | 103,646 | - |
| Total component units | <u>\$ 219,196</u> | <u>\$ -</u> | <u>\$ 103,746</u> | <u>\$ -</u> |
| General revenues: | | | | |
| Property taxes | | | | |
| State-shared revenues | | | | |
| Interest | | | | |
| Loss on sale of capital assets | | | | |
| Cable fees and other | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning of year | | | | |
| Net Assets - End of year | | | | |

Statement of Activities
Year Ended June 30, 2009

| Net (Expense) Revenue and Changes in Net Assets | | | |
|---|-----------------------------|----------------------|--------------------|
| Primary Government | | | |
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (5,357,329) | \$ - | \$ (5,357,329) | \$ - |
| (12,558,343) | - | (12,558,343) | - |
| (3,047,686) | - | (3,047,686) | - |
| (1,194,344) | - | (1,194,344) | - |
| (190,161) | - | (190,161) | - |
| (22,347,863) | - | (22,347,863) | - |
| - | 1,883,704 | 1,883,704 | - |
| (22,347,863) | 1,883,704 | (20,464,159) | - |
| - | - | - | (161,093) |
| - | - | - | 45,643 |
| - | - | - | (115,450) |
| 19,387,776 | - | 19,387,776 | 282,006 |
| 3,595,015 | - | 3,595,015 | - |
| 559,928 | 168,619 | 728,547 | 17,347 |
| (54,629) | - | (54,629) | - |
| 377,884 | 4,818 | 382,702 | - |
| (172,172) | 172,172 | - | - |
| 23,693,802 | 345,609 | 24,039,411 | 299,353 |
| 1,345,939 | 2,229,313 | 3,575,252 | 183,903 |
| 36,799,700 | 30,085,345 | 66,885,045 | 215,277 |
| \$ 38,145,639 | \$ 32,314,658 | \$ 70,460,297 | \$ 399,180 |

City of Eastpointe, Michigan

Governmental Funds Balance Sheet June 30, 2009

| | Major Special Revenue Funds | | | | Other Nonmajor | Total Governmental Funds |
|--|-----------------------------|---------------------|---------------------|---------------------|-----------------------|-----------------------------|
| | General Fund | Public Safety | Major Streets | Local Streets | Governmental Funds | |
| Assets | | | | | | |
| Cash and cash equivalents (Note 3) | \$ 9,028,189 | \$ 835,569 | \$ 2,786,616 | \$ 1,504,319 | \$ 3,918,668 | \$ 18,073,361 |
| Investments (Note 3) | 1,350,723 | 125,041 | 377,770 | 198,386 | 571,258 | 2,623,178 |
| Receivables: | | | | | | |
| Taxes | 86,793 | - | - | - | - | 86,793 |
| Special assessments | - | - | - | - | 45,198 | 45,198 |
| Accounts - Net of allowance for doubtful accounts of \$14,411 | 372,920 | 88,996 | - | - | 115,935 | 577,851 |
| Prepaid expenses | 3,841 | - | - | - | - | 3,841 |
| Due from other governmental units | 1,492,625 | - | 207,863 | 79,774 | 41,960 | 1,822,222 |
| Restricted assets (Note 5) | - | - | - | - | 561,651 | 561,651 |
| Total assets | \$ 12,335,091 | \$ 1,049,606 | \$ 3,372,249 | \$ 1,782,479 | \$ 5,254,670 | \$ 23,794,095 |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 147,462 | \$ 44,326 | \$ 263,443 | \$ 184,540 | \$ 493,225 | \$ 1,132,996 |
| Accrued and other liabilities | 213,426 | 174,188 | 3,829 | 3,211 | 18,592 | 413,246 |
| Deferred revenue (Note 8) | 392,941 | 56,763 | - | - | 152,452 | 602,156 |
| Total liabilities | 753,829 | 275,277 | 267,272 | 187,751 | 664,269 | 2,148,398 |
| Fund Balances | | | | | | |
| Reserved for: | | | | | | |
| Prepaid expenses | 3,841 | - | - | - | - | 3,841 |
| Personal property taxes | 18,456 | - | - | - | - | 18,456 |
| Lake St. Clair clean water initiative | - | - | - | - | 166,843 | 166,843 |
| Construction projects | - | - | - | - | 394,808 | 394,808 |
| Unreserved: | | | | | | |
| Designated for subsequent years' expenditures (Note 1) | 8,800,000 | - | - | - | - | 8,800,000 |
| Designated for compensated absences (Note 1) | 212,761 | 702,465 | - | - | - | 915,226 |
| Undesignated | 2,546,204 | - | - | - | - | 2,546,204 |
| Unreserved, reported in: | | | | | | |
| Special Revenue Funds | - | 71,864 | 3,104,977 | 1,594,728 | 2,481,161 | 7,252,730 |
| Debt Service Funds - Designated for debt service | - | - | - | - | 608,997 | 608,997 |
| Capital Projects Funds - Designated for capital improvements | - | - | - | - | 938,592 | 938,592 |
| Total fund balances | 11,581,262 | 774,329 | 3,104,977 | 1,594,728 | 4,590,401 | 21,645,697 |
| Total liabilities and fund balances | \$ 12,335,091 | \$ 1,049,606 | \$ 3,372,249 | \$ 1,782,479 | \$ 5,254,670 | \$ 23,794,095 |

City of Eastpointe, Michigan

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets June 30, 2009

| | |
|---|-----------------------------|
| Total Fund Balances for Governmental Funds | \$ 21,645,697 |
| 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 | 23,423,882 |
| Certain receivables are expected to be collected over several years in the Fire/ALS Fund and are not available to pay for current year expenditures | 114,439 |
| Special assessment and personal property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures | 487,717 |
| Long-term bonds payable are not due and payable in the current period and are not reported in the funds | (4,445,405) |
| Investment in joint venture is not included as an asset in the governmental funds | 168,444 |
| Long-term portion of compensated absences is not due and payable in the current period and is not reported in the funds | (915,226) |
| Accrued interest payable is not reported in the funds | (46,721) |
| Long-term portion of uninsured losses is not reported in the funds | (131,796) |
| Debt issuance costs are an expenditure in the governmental funds and are capitalized and amortized over the life of the related debt in the governmental activities | 94,909 |
| Other postemployment benefit obligation in governmental activities is not reported in the funds | (749,846) |
| Net pension obligation in governmental activities is not reported in the funds | <u>(1,500,455)</u> |
| Net Assets of Governmental Activities | <u>\$ 38,145,639</u> |

City of Eastpointe, Michigan

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

| | Major Special Revenue Funds | | | | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------------|-------------------|---------------------|---------------------|---|--------------------------------|
| | General Fund | Public Safety | Major Streets | Local Streets | | |
| Revenue | | | | | | |
| Property taxes | \$ 9,976,254 | \$ 5,450,449 | \$ - | \$ - | \$ 3,961,073 | \$ 19,387,776 |
| Special assessments | - | - | - | - | 135,445 | 135,445 |
| Licenses and permits | 712,571 | - | - | - | - | 712,571 |
| Intergovernmental: | | | | | | |
| Federal sources | - | 164,763 | - | - | - | 164,763 |
| State sources | 3,615,542 | 11,128 | 1,384,650 | 493,999 | 10,304 | 5,515,623 |
| Charges for services | 579,725 | - | - | - | 497,804 | 1,077,529 |
| Rental income | 180,190 | - | - | - | 232,076 | 412,266 |
| Fines and forfeits | 1,879,454 | - | - | - | 324,905 | 2,204,359 |
| Interest income | 243,504 | 49,165 | 75,498 | 40,464 | 150,280 | 558,911 |
| Other | 170,103 | 94,811 | - | - | 3,227 | 268,141 |
| Total revenue | 17,357,343 | 5,770,316 | 1,460,148 | 534,463 | 5,315,114 | 30,437,384 |
| Expenditures | | | | | | |
| Current: | | | | | | |
| General government | 6,369,919 | - | - | - | - | 6,369,919 |
| Public safety | 533,792 | 11,572,611 | - | - | 770,101 | 12,876,504 |
| Public works | 427,598 | - | 1,426,010 | 1,017,823 | 2,658,241 | 5,529,672 |
| Recreation and culture | 1,675,810 | - | - | - | 766,891 | 2,442,701 |
| Capital outlay | - | - | - | - | 2,482,426 | 2,482,426 |
| Debt service: | | | | | | |
| Principal | - | - | - | - | 90,000 | 90,000 |
| Interest | - | - | - | - | 191,250 | 191,250 |
| Total expenditures | 9,007,119 | 11,572,611 | 1,426,010 | 1,017,823 | 6,958,909 | 29,982,472 |
| Excess of Revenue Over (Under) | | | | | | |
| Expenditures | 8,350,224 | (5,802,295) | 34,138 | (483,360) | (1,643,795) | 454,912 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | 282,700 | 6,186,424 | 262,217 | 469,769 | 1,519,206 | 8,720,316 |
| Transfers out | (7,198,245) | (370,459) | (306,642) | (10,200) | (960,530) | (8,846,076) |
| Total other financing sources (uses) | (6,915,545) | 5,815,965 | (44,425) | 459,569 | 558,676 | (125,760) |
| Net Change in Fund Balances | 1,434,679 | 13,670 | (10,287) | (23,791) | (1,085,119) | 329,152 |
| Fund Balances - Beginning of year | 10,146,583 | 760,659 | 3,115,264 | 1,618,519 | 5,675,520 | 21,316,545 |
| Fund Balances - End of year | \$ 11,581,262 | \$ 774,329 | \$ 3,104,977 | \$ 1,594,728 | \$ 4,590,401 | \$ 21,645,697 |

City of Eastpointe, Michigan

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

| | |
|--|----------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 329,152 |
| 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 | 4,117,168 |
| Depreciation is recorded as an expense in the statement of activities but not in the governmental funds | (2,055,992) |
| Special assessment and personal property tax revenues are recorded in the statement of activities when the assessment is made; they are not reported in the funds until collected or collectible within 60 days of year end | (83,911) |
| Revenue is reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB No. 33) | (27,207) |
| Change in other postemployment benefit obligation is recorded when incurred in the statement of activities | (749,846) |
| Repayment of bond principal are expenditures in the governmental funds, but not in the statement of activities (where it reduces long-term debt) | 91,523 |
| Change in investment in joint venture is not recorded in the governmental funds | (21,763) |
| Interest expense is reported in the statement of activities when a liability is incurred; it is reported in the governmental funds only when payment is due | 1,089 |
| Changes in accumulated employee sick and vacation pay, as well as estimated general liability and workers' compensation claims, are recorded when earned in the statement of activities | (34,318) |
| Change in net pension obligation is recorded when incurred in the statement of activities | (153,759) |
| Debt issuance costs are an expenditure in the governmental funds and are capitalized and amortized over the life of the related debt in the governmental activities | (4,082) |
| In the statement of activities, only the gain/loss on the sale of an asset is reported, whereas in the governmental funds, the proceeds from the sale are reported. Therefore, the change in net assets differs from the change in fund balance by the proceeds from the assets sold | (62,115) |
| Change in Net Assets of Governmental Activities | <u>\$ 1,345,939</u> |

City of Eastpointe, Michigan

Proprietary Fund - Enterprise Fund Statement of Net Assets June 30, 2009

| | Water and Sewer Fund |
|---|-----------------------------|
| Assets | |
| Current assets: | |
| Cash and cash equivalents (Note 3) | \$ 5,156,681 |
| Investments (Note 3) | 837,655 |
| Customer receivables - Net of allowance for doubtful accounts of \$102,261 | <u>6,068,821</u> |
| Total current assets | 12,063,157 |
| Noncurrent assets: | |
| Investment in Southeast Macomb Sanitary District (Note 13) | 4,412,281 |
| Capital assets - Net (Note 4) | <u>28,674,745</u> |
| Total noncurrent assets | <u>33,087,026</u> |
| Total assets | 45,150,183 |
| Liabilities | |
| Current liabilities: | |
| Accounts payable | 1,479,175 |
| Accrued and other liabilities | 122,858 |
| Current portion of long-term debt (Note 7) | <u>494,848</u> |
| Total current liabilities | 2,096,881 |
| Noncurrent liabilities: | |
| Provision for compensated absences (Note 7) | 17,683 |
| Long-term debt - Net of current portion (Note 7) | <u>10,720,961</u> |
| Total noncurrent liabilities | <u>10,738,644</u> |
| Total liabilities | <u>12,835,525</u> |
| Net Assets | |
| Invested in capital assets - Net of related debt | 17,458,936 |
| Unrestricted | <u>14,855,722</u> |
| Total net assets | <u><u>\$ 32,314,658</u></u> |

City of Eastpointe, Michigan

Proprietary Fund - Enterprise Fund Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2009

| | Water and Sewer Fund |
|--|-----------------------------|
| Operating Revenue | |
| Water sales | \$ 2,354,530 |
| Sewage disposal | 5,005,111 |
| Penalties | 353,082 |
| Charges for services | <u>2,119,493</u> |
| Total operating revenue | 9,832,216 |
| Operating Expenses | |
| Water purchases | 974,299 |
| Sewage treatment | 3,502,474 |
| Maintenance and operation | 412,380 |
| General and administration | 1,574,538 |
| Depreciation | <u>949,270</u> |
| Total operating expenses | <u>7,412,961</u> |
| Operating Income | 2,419,255 |
| Nonoperating Revenue (Expense) | |
| Interest income | 168,619 |
| Interest expense | (600,477) |
| Gain on sale of scrap metal | <u>4,818</u> |
| Total nonoperating expense | <u>(427,040)</u> |
| Income - Before contributions and transfers | 1,992,215 |
| Capital Contributed from Other Governmental Funds | 46,412 |
| State Grants | 64,926 |
| Transfers from Other Funds | 823,604 |
| Transfers to Other Funds | <u>(697,844)</u> |
| Change in Net Assets | 2,229,313 |
| Net Assets - Beginning of year | <u>30,085,345</u> |
| Net Assets - End of year | <u><u>\$ 32,314,658</u></u> |

City of Eastpointe, Michigan

Proprietary Fund - Enterprise Fund Statement of Cash Flows Year Ended June 30, 2009

| | Water and Sewer Fund |
|--|----------------------------|
| Cash Flows from Operating Activities | |
| Receipts from customers | \$ 9,726,041 |
| Payments to suppliers | (5,347,062) |
| Payments to employees | (408,749) |
| Other payments | (157,360) |
| | <u>3,812,870</u> |
| Net cash provided by operating activities | 3,812,870 |
| Cash Flows from Noncapital Financing Activities | |
| Net transfers in | 125,760 |
| Scrap metal sales | 4,818 |
| | <u>130,578</u> |
| Net cash provided by noncapital financing activities | 130,578 |
| Cash Flows from Capital and Related Financing Activities | |
| State grants | 64,926 |
| Principal and interest paid on long-term debt | (1,146,318) |
| Proceeds from issuance of debt | 1,387,469 |
| Purchase of capital assets | (2,691,004) |
| | <u>(2,384,927)</u> |
| Net cash used in capital and related financing activities | (2,384,927) |
| Cash Flows from Investing Activities | |
| Interest received on investments | 168,619 |
| Purchase of investments | (1,228,500) |
| Proceeds from sales and maturities of investment securities | 1,008,573 |
| | <u>(51,308)</u> |
| Net cash used in investing activities | (51,308) |
| Net Increase in Cash and Cash Equivalents | 1,507,213 |
| Cash and Cash Equivalents - Beginning of year | <u>3,649,468</u> |
| Cash and Cash Equivalents - End of year | <u><u>\$ 5,156,681</u></u> |
| Reconciliation of Operating Income to Net Cash from Operating Activities | |
| Operating income | \$ 2,419,255 |
| Adjustments to reconcile operating income to net cash from operating activities: | |
| Depreciation | 949,270 |
| Changes in assets and liabilities: | |
| Receivables | (118,298) |
| Due from other governmental units | 12,123 |
| Investment in joint venture | (157,360) |
| Accounts payable | 734,615 |
| Accrued and other liabilities | (26,735) |
| | <u>3,812,870</u> |
| Net cash provided by operating activities | <u><u>\$ 3,812,870</u></u> |
| Significant Noncash Investing and Financing Transactions - Contribution of capital assets from other governmental funds | <u><u>\$ 46,412</u></u> |

City of Eastpointe, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2009

| | Pension and Other Employee Benefit Trust Funds | <u>Agency Funds</u> |
|--|---|-------------------------|
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ 2,332,466 | \$ 47,656 |
| Investments (Note 3): | | |
| Corporate bonds and notes | 2,098,377 | - |
| U.S. government obligations | 265,753 | - |
| U.S. government agency bonds/notes | 1,018,837 | - |
| Common and preferred stock | 23,054,171 | - |
| Mutual funds | 10,631,400 | - |
| Other receivables | <u>1,341</u> | <u>-</u> |
| Total assets | 39,402,345 | <u><u>\$ 47,656</u></u> |
| Liabilities | | |
| Accounts payable | 47,904 | \$ - |
| Accrued and other liabilities | - | 39,590 |
| Due to other governmental units | <u>-</u> | <u>8,066</u> |
| Total liabilities | <u>47,904</u> | <u><u>\$ 47,656</u></u> |
| Net Assets - Held in trust for pension and other employee benefits | <u><u>\$ 39,354,441</u></u> | |

City of Eastpointe, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2009

Additions

| | |
|---|------------------|
| Investment income (loss): | |
| Interest and dividends | \$ 1,341,173 |
| Net adjustment to fair value of investments | (9,273,661) |
| Less investment expenses | <u>(253,767)</u> |
| Net investment loss | (8,186,255) |
| Employer contributions | <u>4,263,850</u> |
| Total additions - Net | (3,922,405) |

Deductions

| | |
|---------------------------|------------------|
| Benefit payments | 4,334,566 |
| Health insurance premiums | 2,027,885 |
| Administrative expenses | <u>8,102</u> |
| Total deductions | <u>6,370,553</u> |

Change in Net Assets (10,292,958)

Net Assets - Beginning of year 49,647,399

Net Assets - End of year \$ 39,354,441

City of Eastpointe, Michigan

Component Units Statement of Net Assets (Deficit) Year Ended June 30, 2009

| | Downtown Development Authority | Economic Development Corporation | Total |
|--|--------------------------------------|--|--------------------------|
| Assets | | | |
| Cash and cash equivalents (Note 3) | \$ 153,940 | \$ 420,475 | \$ 574,415 |
| Prepaid costs and other assets | <u>16,242</u> | <u>-</u> | <u>16,242</u> |
| Total assets | 170,182 | 420,475 | 590,657 |
| Liabilities | | | |
| Accounts payable | 11,887 | 125 | 12,012 |
| Accrued liabilities | 3,282 | 1,183 | 4,465 |
| Noncurrent liabilities (Note 7): | | | |
| Due within one year | 85,000 | - | 85,000 |
| Due in more than one year | <u>90,000</u> | <u>-</u> | <u>90,000</u> |
| Total liabilities | <u>190,169</u> | <u>1,308</u> | <u>191,477</u> |
| Net Assets (Deficit) - Unrestricted | <u>\$ (19,987)</u> | <u>\$ 419,167</u> | <u>\$ 399,180</u> |

City of Eastpointe, Michigan

| | | <u>Program Revenues</u> | |
|--|--------------------------|---------------------------------|--|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants/ Contributions</u> |
| Downtown Development Authority - Community enrichment/development and interest on long-term debt | \$ 161,193 | \$ - | \$ 100 |
| Economic Development Corporation - Public works | <u>58,003</u> | <u>-</u> | <u>103,646</u> |
| Total governmental activities | <u>\$ 219,196</u> | <u>\$ -</u> | <u>\$ 103,746</u> |

General revenues:

Property taxes

Interest and other investment earnings

Total general revenues

Change in Net Assets

Net Assets (Deficit) - Beginning of year

Net Assets (Deficit) - End of year

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

| Net (Expense) Revenue and Changes in Net Assets | | |
|---|--|--------------------------|
| Downtown Development Authority | Economic Development Corporation | Total |
| \$ (161,093) | \$ - | \$ (161,093) |
| <u>-</u> | <u>45,643</u> | <u>45,643</u> |
| (161,093) | 45,643 | (115,450) |
| 282,006 | - | 282,006 |
| <u>7,548</u> | <u>9,799</u> | <u>17,347</u> |
| <u>289,554</u> | <u>9,799</u> | <u>299,353</u> |
| 128,461 | 55,442 | 183,903 |
| <u>(148,448)</u> | <u>363,725</u> | <u>215,277</u> |
| <u><u>\$ (19,987)</u></u> | <u><u>\$ 419,167</u></u> | <u><u>\$ 399,180</u></u> |

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. The discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City.

Blended Component Units

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

Note I - Summary of Significant Accounting Policies (Continued)

Discretely Presented Component Units

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

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

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

Government-wide and Fund Financial Statements

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

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

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

The City reports the following major Enterprise Fund:

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

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

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

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

Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period, generally collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental revenue, special assessments, licenses, charges for services, and interest. All other revenue items are considered to be available only when cash is received by the City. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due. When an expense has been incurred for purposes for which both restricted and unrestricted net assets are available, it is the City's policy to first apply restricted resources.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The 2008 taxable valuation of the City totaled \$786 million (a portion of which is abated and a portion of which is captured by the DDA), on which taxes levied consisted of 12.1754 mills for operating purposes, 1.8489 mills for refuse collection, .8865 mills for library services, 6.9181 mills for public safety, and 2.2925 mills for debt service. This resulted in approximately \$9.5 million for operating, \$1.4 million for refuse collection, \$692,000 for library services, \$5.4 million for public safety, and \$1.8 million for debt service. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as tax revenue.

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

Cash and Investments - Cash and cash equivalents include cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income from the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Projects Funds is generally allocated to each fund using a weighted average.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." There were no balances outstanding between funds, or the governmental and business-type activities at June 30, 2009.

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

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

Restricted Assets - The City has amounts on deposit with the Macomb County Drain Commission for use in the Lake St. Clair Water Initiative that have been classified as restricted assets.

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

Long-term Obligations - In the government-wide financial statements and the proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, issuance costs, and the deferred amount on refunding are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount and deferred amount on refunding. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made.

Note I - Summary of Significant Accounting Policies (Continued)

For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. General Fund designations of fund balance at June 30, 2009 consist of the following:

| | General Fund Designated Fund Balance |
|---|--|
| Subsequents Year's Expenditures | |
| Capital improvements | \$ 500,000 |
| State-shared revenue reductions | 500,000 |
| Property assessment reduction | 1,800,000 |
| Retiree healthcare obligations | 2,750,000 |
| ALS/Public safety millage revenue elimination | 3,250,000 |
| Total | <u>\$ 8,800,000</u> |

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

| | |
|--------------------------------------|-------------------|
| Compensated Absences | |
| Compensated absences - General Fund | \$ 212,761 |
| Compensated absences - Public Safety | 702,465 |
| Total | <u>\$ 915,226</u> |

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

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

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

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

The annual budget is prepared by the city manager and adopted by the City Council; subsequent amendments are approved by the City Council. Budgeted amounts of the revenues and expenditures presented for the General and Special Revenue Funds are as amended by the City Council. Budget appropriations lapse at year end; encumbrances are not included as expenditures. The amount of encumbrances outstanding at June 30, 2009 has not been calculated. During the current year, the budget was amended in a legally permissible manner. A comparison of the budget with statements of actual revenues and expenditures, including budget variances, for the General Fund and major Special Revenue Funds is presented in the required supplemental information. A comparison of actual results of operations to the nonmajor Special Revenue Funds' budgets as adopted by the City Council is available at the City offices for inspection. The budget has been prepared in accordance with accounting principles generally accepted in the United States of America.

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

| | | |
|--------------------------------------|---------------|------------------------------|
| Cumulative shortfall - July 1, 2008 | | \$ (3,176,604) |
| Building permit revenue | | 152,863 |
| Related expenditures: | | |
| Direct costs | \$ 533,788 | |
| Estimated indirect costs | <u>80,068</u> | |
| Total construction code expenditures | | <u>613,856</u> |
| Excess of expenditures over revenues | | <u>(460,993)</u> |
| Cumulative shortfall - June 30, 2009 | | <u><u>\$ (3,637,597)</u></u> |

Note 3 - Deposits and Investments

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

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had approximately \$21,891,000 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. The City held deposits in three financial institutions as of June 30, 2009.

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

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

| Investment | Fair Value | Weighted Average Maturity |
|---|--------------|---------------------------------|
| U.S. government agency bonds or notes | \$ 1,583,740 | 1.22 |
| U.S. government obligations | 300,544 | .75 |
| U.S. government agency bonds or notes (pension) | 1,018,837 | 13.97 |
| U.S. government obligations (pension) | 265,754 | 18.58 |
| Corporate bonds (pension) | 2,080,378 | 9.75 |

Credit Risk

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

| Investment | Fair Value | Rating | Rating Organization |
|--|--------------|------------|---------------------|
| Bank investment pools | \$ 2,593,053 | AAA | Standard and Poor's |
| U.S. government agency bonds or notes | 1,583,740 | AAA | Standard and Poor's |
| U.S. government obligations | 300,544 | SPI + - A+ | Standard and Poor's |
| U.S. government agency bonds or notes (pension) | 1,018,837 | AAA | Standard and Poor's |
| U.S. government obligations (pension) | 265,753 | AAA | Standard and Poor's |
| Corporate bonds (pension) | 2,098,378 | AAA - BBB | Standard and Poor's |
| Commercial paper | 1,574,003 | AI - AI + | Standard and Poor's |

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

Concentration of Credit Risk

The City places no limit on the amount that may be invested in any one issuer; however, the City's fiduciary funds subject to Michigan Public Act 485 of 1996 are limited by law in that investments in any one issuer (other than the U.S. government) may not exceed 5 percent of total investments. At June 30, 2009, there were no investments in any one issuer (other than the U.S. government) that exceeded 5 percent of total investments for the fiduciary funds.

Note 4 - Capital Assets

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

| | Balance July 1, 2008 | Additions | Disposals and Adjustments | Transfers | Balance June 30, 2009 |
|---|-------------------------|--------------|------------------------------|-------------|--------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 1,487,688 | \$ 16,346 | \$ - | \$ - | \$ 1,504,034 |
| Infrastructure construction in progress | 3,465,138 | 422,975 | - | (3,511,548) | 376,565 |
| Subtotal | 4,952,826 | 439,321 | - | (3,511,548) | 1,880,599 |
| Capital assets being depreciated: | | | | | |
| Infrastructure: | | | | | |
| Roads | 14,374,051 | 1,158,057 | - | - | 15,532,108 |
| Sidewalks | 6,130,549 | 617,399 | - | - | 6,747,948 |
| Buildings and building improvements | 12,557,937 | 1,594,777 | - | 3,465,136 | 17,617,850 |
| Machinery and equipment | 7,085,163 | 354,026 | 204,725 | - | 7,234,464 |
| Subtotal | 40,147,700 | 3,724,259 | 204,725 | 3,465,136 | 47,132,370 |
| Accumulated depreciation: | | | | | |
| Infrastructure: | | | | | |
| Roads | 7,650,086 | 538,517 | - | - | 8,188,603 |
| Sidewalks | 2,792,506 | 257,094 | - | - | 3,049,600 |
| Buildings and building improvements | 8,738,818 | 625,523 | - | - | 9,364,341 |
| Machinery and equipment | 4,494,295 | 634,858 | 142,610 | - | 4,986,543 |
| Subtotal | 23,675,705 | 2,055,992 | 142,610 | - | 25,589,087 |
| Net capital assets being depreciated | 16,471,995 | 1,668,267 | 62,115 | 3,465,136 | 21,543,283 |
| Net capital assets | \$ 21,424,821 | \$ 2,107,588 | \$ 62,115 | \$ (46,412) | \$ 23,423,882 |

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Capital Assets (Continued)

| | Balance July 1, 2008 | Additions | Disposals and Adjustments | Transfers | Balance June 30, 2009 |
|-----------------------------------|-------------------------|---------------------|------------------------------|------------------|--------------------------|
| Business-type activities: | | | | | |
| Capital assets being depreciated: | | | | | |
| Buildings | \$ 315,817 | \$ - | \$ - | \$ - | \$ 315,817 |
| Utility system | 38,754,845 | 2,751,379 | 60,376 | 46,412 | 41,492,260 |
| Machinery and equipment | 1,211,087 | - | - | - | 1,211,087 |
| Subtotal | 40,281,749 | 2,751,379 | 60,376 | 46,412 | 43,019,164 |
| Accumulated depreciation: | | | | | |
| Buildings | 302,935 | 3,013 | - | - | 305,948 |
| Utility system | 12,315,671 | 870,220 | - | - | 13,185,891 |
| Machinery and equipment | 776,543 | 76,037 | - | - | 852,580 |
| Subtotal | 13,395,149 | 949,270 | - | - | 14,344,419 |
| Net capital assets | <u>\$ 26,886,600</u> | <u>\$ 1,802,109</u> | <u>\$ 60,376</u> | <u>\$ 46,412</u> | <u>\$ 28,674,745</u> |

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

Governmental activities:

| | |
|------------------------|----------------|
| General government | \$ 1,171,553 |
| Public safety | 418,640 |
| Public works | 78,261 |
| Recreation and culture | <u>387,538</u> |

Total governmental activities \$ 2,055,992

Business-type activities - Water and sewer \$ 949,270

Note 5 - Restricted Assets

The City's governmental activities have \$166,843 in funds held by the Macomb County Drain Commission on behalf of the City to be used for the Lake St. Clair Clean Water Initiative, including related debt service. In addition, the City's governmental activities have unspent bond proceeds of \$394,808 which are restricted for construction.

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 6 - Interfund Transfers

| Fund Transferred From | Fund Transferred To | Amount |
|-------------------------------|-----------------------------------|---------------------|
| General Fund | Public Safety Fund | \$ 6,186,424 |
| | Nonmajor governmental funds | <u>1,011,821</u> |
| | Total General Fund | 7,198,245 |
| Public Safety Fund | Nonmajor governmental funds | 370,459 |
| Major Streets Fund | General Fund | 15,500 |
| | Local Streets Fund | <u>291,142</u> |
| | Total Major Streets Fund | 306,642 |
| Local Streets Fund | General Fund | 10,200 |
| Nonmajor governmental funds | Water and Sewer Fund | 823,604 |
| | Nonmajor governmental funds | <u>136,926</u> |
| | Total nonmajor governmental funds | <u>960,530</u> |
| Total governmental activities | | 8,846,076 |
| Water and Sewer Fund | General Fund | 257,000 |
| | Major Streets Fund | 262,217 |
| | Local Street Fund | <u>178,627</u> |
| | Total Water and Sewer Fund | <u>697,844</u> |
| Total | | <u>\$ 9,543,920</u> |

The transfer from the General Fund to the Public Safety Fund represents unrestricted resources required for current public safety expenditures. All other transfers provided funding for capital projects, capital acquisitions, and debt service.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Other long-term obligations include compensated absences and certain risk liabilities.

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions and Adjustments | Ending Balance | Due Within One Year |
|--|-------------------------|---------------------------------|-------------------|--------------|-------------------------------|----------------|------------------------|
| Governmental activities: | | | | | | | |
| General obligation bond: | | | | | | | |
| Building Authority General Obligation Bonds | | | | | | | |
| Amount of issue - \$4,500,000 | 4.25% - | \$90,000 - | \$ 4,500,000 | \$ - | \$ (90,000) | \$ 4,410,000 | \$ 115,000 |
| Maturing through 2033 | 4.375% | \$280,000 | | | | | |
| Plus unamortized premium on issuance | | | 36,928 | - | (1,523) | 35,405 | 1,523 |
| Other long-term obligations: | | | | | | | |
| Compensated absences | | | 972,010 | - | (56,784) | 915,226 | 40,000 |
| Net pension obligation | | | 1,346,696 | 153,759 | - | 1,500,455 | - |
| Uninsured losses (Note 9) | | | 40,694 | 91,102 | - | 131,796 | - |
| Total governmental activities | | | 6,896,328 | 244,861 | (148,307) | 6,992,882 | 156,523 |
| Business-type activities - Water and Sewer: | | | | | | | |
| County Drain Contract: | | | | | | | |
| Lake St. Clair Clean Water Initiative | | | | | | | |
| Amount of issue - \$12,144,547 | Various | \$178,790 - | | | | | |
| Maturing through 2030 | Various | \$731,432 | 10,374,181 | - | (545,841) | 9,828,340 | 494,848 |
| County Drain Contract: | | | | | | | |
| 8 1/2 Mile Relief Drain | | | | | | | |
| Amount of issue - \$1,387,469 | 2.50% | \$96,928 - | | | | | |
| Maturing through 2030 | | \$135,825 | - | 1,387,469 | - | 1,387,469 | - |
| Other long-term obligations - Compensated absences | | | 14,052 | 3,631 | - | 17,683 | - |
| Total business-type activities | | | 10,388,233 | 1,391,100 | (545,841) | 11,233,492 | 494,848 |
| Total | | | \$ 17,284,561 | \$ 1,635,961 | \$ (694,148) | \$ 18,226,374 | \$ 651,371 |
| Component unit - 1992 Downtown Development | | | | | | | |
| Authority Bonds: | | | | | | | |
| Amount of issue - \$995,000 | | \$85,000 - | | | | | |
| Maturing through 2011 | 6.00% | \$90,000 | \$ 260,000 | \$ - | \$ (85,000) | \$ 175,000 | \$ 85,000 |

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Long-term Debt (Continued)

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

| Years Ending June 30 | Governmental Activities | | | Business-type Activities | | |
|-------------------------|-------------------------|---------------------|---------------------|--------------------------|---------------------|----------------------|
| | Principal | Interest | Total | Principal | Interest | Total |
| 2010 | \$ 115,000 | \$ 186,894 | \$ 301,894 | \$ 494,847 | \$ 346,389 | \$ 841,236 |
| 2011 | 120,000 | 181,900 | 301,900 | 567,089 | 331,392 | 898,481 |
| 2012 | 120,000 | 176,800 | 296,800 | 579,422 | 315,269 | 894,691 |
| 2013 | 125,000 | 171,594 | 296,594 | 595,823 | 298,705 | 894,528 |
| 2014 | 130,000 | 166,175 | 296,175 | 613,900 | 281,606 | 895,506 |
| 2015-2019 | 735,000 | 741,731 | 1,476,731 | 3,343,326 | 1,130,036 | 4,473,362 |
| 2020-2024 | 900,000 | 568,225 | 1,468,225 | 3,307,012 | 607,732 | 3,914,744 |
| 2025-2029 | 1,105,000 | 355,463 | 1,460,463 | 1,397,570 | 227,626 | 1,625,196 |
| 2030-2033 | <u>1,060,000</u> | <u>94,937</u> | <u>1,154,937</u> | <u>316,820</u> | <u>12,144</u> | <u>328,964</u> |
| Total | <u>\$ 4,410,000</u> | <u>\$ 2,643,719</u> | <u>\$ 7,053,719</u> | <u>\$ 11,215,809</u> | <u>\$ 3,550,899</u> | <u>\$ 14,766,708</u> |

| Years Ending June 30 | Component Unit | | |
|-------------------------|-------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2010 | \$ 85,000 | \$ 7,950 | \$ 92,950 |
| 2011 | <u>90,000</u> | <u>2,700</u> | <u>92,700</u> |
| Total | <u>\$ 175,000</u> | <u>\$ 10,650</u> | <u>\$ 185,650</u> |

Defeased Debt - In prior years, the City defeased certain bonds by placing City funds or proceeds from new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2009, \$4,440,000 of bonds outstanding are considered defeased.

County Contractual Obligations - The above contractual obligations to the County are the result of the County issuance of bonds on behalf of the City and other communities involved in the Lake St. Clair Clean Water Initiative Project and the 8 ½ Drain Relief Project. The City has pledged to raise property taxes, to the extent permitted by law, as necessary to fund the obligation to repay the County. The remaining principal and interest to be paid by the City of Eastpointe on the bonds total \$14,766,708. During the current year, total property taxes levied to fund debt obligations of the City totaled \$1,806,094. Total principal and interest paid by the City for County-issued debt totaled \$1,146,318.

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 8 - Deferred Revenue

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

| | <u>Unavailable</u> | <u>Unearned</u> |
|-----------------------------|--------------------|-----------------|
| Special assessments | \$ 38,013 | \$ - |
| Other miscellaneous charges | 381,367 | - |
| Personal property taxes | 68,337 | - |
| Ambulance billings | <u>114,439</u> | <u>-</u> |
| Total deferred revenue | <u>\$ 602,156</u> | <u>\$ -</u> |

Note 9 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for medical benefits; settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years. The City participates in the Michigan Municipal Risk Management Authority risk pool for claims other than medical benefits.

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

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 9 - Risk Management (Continued)

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

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

| | General Liability, Auto, and Property | | Workers' Compensation | |
|---|--|------------------|-----------------------|-----------------|
| | 2009 | 2008 | 2009 | 2008 |
| Estimated liability - Beginning of year | \$ 37,629 | \$ 124,570 | \$ 3,065 | \$ 3,756 |
| Estimated claims incurred, including changes in estimates | 148,361 | (4,655) | 100 | 330 |
| Claims payments | <u>(57,359)</u> | <u>(82,286)</u> | <u>-</u> | <u>(1,021)</u> |
| Estimated liability - End of year | <u>\$ 128,631</u> | <u>\$ 37,629</u> | <u>\$ 3,165</u> | <u>\$ 3,065</u> |

Note 10 - Defined Benefit Pension Plan

Plan Description - The City of Eastpointe Employees' Retirement System is the administrator of a single-employer public employees' retirement system, established pursuant to collective bargaining agreements that covers all full-time employees of the City. The system provides retirement and death benefits to plan members and their beneficiaries. At June 30, 2008, the date of the most recent actuarial valuation, membership consisted of 184 retirees and beneficiaries currently receiving benefits, 12 terminated employees entitled to benefits but not yet receiving them, and 154 current active employees.

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

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 10 - Defined Benefit Pension Plan (Continued)

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Funded Status and Funding Progress

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | Unfunded (Overfunded) AAL as a Percentage of Covered Payroll |
|--------------------------------|--|---|---------------------------------|---------------------------------------|---------------------------|---|
| 06/30/06 | \$ 48,907,812 | \$ 56,647,165 | \$ 7,739,353 | 86 | \$ 9,429,156 | 82 |
| 06/30/07 | 49,964,926 | 59,481,086 | 9,516,160 | 84 | 9,392,368 | 101 |
| 06/30/08 | 50,448,315 | 62,522,948 | 12,074,633 | 81 | 10,294,149 | 117 |

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

| | Pension Plan |
|---|---------------------|
| Annual required contribution (recommended) | \$ 1,786,080 |
| Interest on prior year's net pension obligation | 117,309 |
| Less adjustment to the annual required contribution | <u>(83,223)</u> |
| Annual OPEB cost | 1,820,166 |
| Amounts contributed - Contributions | <u>1,786,080</u> |
| Change in OPEB | 34,086 |
| Net OPEB obligation: | |
| Beginning of year | <u>1,466,369</u> |
| End of year | <u>\$ 1,500,455</u> |

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended June 30, 2009, the City's annual pension cost was \$1,820,166 for the plan. The annual required contribution was \$1,786,080, which equals the amount contributed by the City during the year. The annual required contribution was determined as part of an actuarial valuation at June 30, 2008, using the individual entry age actuarial funding method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return, (b) projected salary increases of 4 percent to 7 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 30 years.

Reserves - As of June 30, 2009, the plan's legally required reserves are as follows:

| | |
|--------------------------------------|------------|
| Reserve for employees' contributions | \$ 110,759 |
| Reserve for retired benefit payments | 36,349,136 |

Three-year Trend Information

| Year Ended June 30 | Beginning Net Pension Obligation | Annual Pension Cost (APC) | Percentage of APC Contributed | Change in Net Pension Obligation | Ending Net Pension Obligation |
|-----------------------|--|---------------------------------|-------------------------------------|--|-------------------------------------|
| 2007 | \$ 1,400,501 | \$ 1,561,976 | 98% | \$ 32,555 | \$ 1,433,056 |
| 2008 | 1,433,056 | 1,720,060 | 98% | 33,312 | 1,466,368 |
| 2009 | 1,466,368 | 1,820,166 | 98% | 34,087 | 1,500,455 |

Note 11 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to police, fire, and general employee groups. Currently, the plan has 340 members, including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits.

Note 11 - Other Postemployment Benefits (Continued)

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

Funding Policy - The collective bargaining agreements currently do not require a contribution from employees. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a “pay-as-you-go” basis). However, as shown below, the City has made contributions to advance-fund these benefits, as determined by the City Council through annual budget resolutions.

Funding Status and Funding Progress - For the year ended June 30, 2009, the City has estimated the cost of providing retiree healthcare benefits through the Post-retirement Healthcare Plan through actuarial valuations as of June 30, 2008. The valuations compute an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

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

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

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Other Postemployment Benefits (Continued)

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

| | Postretirement Healthcare Plan |
|---|-----------------------------------|
| Annual required contribution (recommended) | \$ 3,227,616 |
| Interest on prior year's net OPEB obligation | - |
| Less adjustment to the annual required contribution | - |
| Annual OPEB cost | <u>3,227,616</u> |
| Amounts contributed - Contributions | <u>2,477,770</u> |
| Change in OPEB | 749,846 |
| Net OPEB obligation: | |
| Beginning of year | <u>-</u> |
| End of year | <u>\$ 749,846</u> |

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

| | Postretirement Healthcare Plan |
|------------------------|---------------------------------------|
| | Fiscal Year Ended June 30, 2009 |
| Annual OPEB cost | \$ 3,227,616 |
| Percentage contributed | 77% |
| Net OPEB obligation | \$ (749,846) |

Note 11 - Other Postemployment Benefits (Continued)

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the assets of the Post-retirement Healthcare Plan are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits of the plans.

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

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

GASB Statement No. 45 was adopted as of July 1, 2008. As a result, the cost of retiree health care is recognized in the government-wide statements based on the actuarial required contributions (ARC) as disclosed above, rather than as contributions or benefit payments are made. Adopting this accounting principle increased the reported expenses of the governmental activities by \$749,846. There was no effect on net assets as of July 1, 2008.

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

Note 12 - Pension and Other Employee Benefit Trust Funds

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

| | Pension and Other Employee Benefit Trust Funds | | | |
|---|--|-----------------------------|------------------------|----------------------|
| | Employees' Retirement System | Employees' Death Benefit | Retiree Health Care | Total |
| | | | | |
| Assets | | | | |
| Cash and cash equivalents | \$ 683,162 | \$ 46,912 | \$ 1,602,392 | \$ 2,332,466 |
| Investments: | | | | |
| Corporate bonds and notes | 1,526,813 | 533,602 | 37,962 | 2,098,377 |
| U.S. government securities | 259,306 | - | 6,447 | 265,753 |
| Common and preferred stock | 22,494,870 | - | 559,301 | 23,054,171 |
| Mutual funds | 10,136,095 | 243,286 | 252,019 | 10,631,400 |
| Other receivables | 1,341 | - | - | 1,341 |
| Total assets | 35,101,587 | 823,800 | 2,458,121 | 38,383,508 |
| Liabilities - Accounts payable | 42,791 | - | 5,113 | 47,904 |
| Net Assets - Held in trust for pension and other employee benefits | <u>\$ 35,058,796</u> | <u>\$ 823,800</u> | <u>\$ 2,453,008</u> | <u>\$ 38,335,604</u> |

City of Eastpointe, Michigan

Notes to Financial Statements June 30, 2009

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

| | Employees' Retirement System | Employees' Death Benefit | Retiree Health Care | Total |
|---|------------------------------------|-----------------------------|------------------------|---------------|
| Additions | | | | |
| Investment income (loss): | | | | |
| Interest and dividends | \$ 1,238,586 | \$ 42,798 | \$ 59,789 | \$ 1,341,173 |
| Net adjustment to fair value of investments | (8,938,064) | (51,475) | (284,122) | (9,273,661) |
| Less investment expenses | (252,867) | (900) | - | (253,767) |
| Net investment loss | (7,952,345) | (9,577) | (224,333) | (8,186,255) |
| Employer contributions | 1,786,080 | - | 2,477,770 | 4,263,850 |
| Total additions - Net | (6,166,265) | (9,577) | 2,253,437 | (3,922,405) |
| Deductions | | | | |
| Benefit payments | 4,307,566 | 27,000 | - | 4,334,566 |
| Health insurance premiums | - | - | 2,027,885 | 2,027,885 |
| Administrative expenses | 8,102 | - | - | 8,102 |
| Total deductions | 4,315,668 | 27,000 | 2,027,885 | 6,370,553 |
| Change in Net Assets | (10,481,933) | (36,577) | 225,552 | (10,292,958) |
| Net Assets - Beginning of year | 46,486,016 | 910,424 | 2,250,959 | 49,647,399 |
| Net Assets - End of year | \$ 36,004,083 | \$ 873,847 | \$ 2,476,511 | \$ 39,354,441 |

Note 13 - Joint Ventures

The City is a member of the Southeast Macomb Sanitary District, which provides sewage to participating municipalities in Macomb County, Michigan. Other members include the cities of Roseville and St. Clair Shores, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest of \$4,412,281 is recorded in the Water and Sewer Fund fund financial statements and within the business-type activities column in the statement of net assets.

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

Note 13 - Joint Ventures (Continued)

The City is a member of the South Macomb Disposal Authority, which provides refuse disposal services to participating municipalities in Macomb County, Michigan. Other members include the cities of Center Line, Roseville, St. Clair Shores, and Warren, Michigan. The City appoints one member to the joint venture's governing board, who then approves the annual budgets. The City's equity interest in the Authority's operating reserve of \$168,444 is recorded within the governmental activities column of the statement of activities. The Authority has reserves totaling approximately \$4.93 million that have been designated for self-insurance activities; the participating communities' equity interest in the insurance reserves is not determinable.

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

Note 14 - Employees' Death Benefit Fund

The Employees' Death Benefit Fund was established by City Ordinance on October 13, 1958 for the purpose of providing a death benefit for employees who elect to participate in the plan. Prior year contributions from the City and plan members have been determined to be sufficient to fully fund the plan at June 30, 2009. Benefits at date of death are payable to designated beneficiaries in varying amounts. The obligation to contribute and maintain the plan was established by negotiation with the City's collective bargaining units.

Note 15 - Upcoming Accounting Pronouncement Disclosures

In June 2007, the GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, effective for the City's 2010 fiscal year end. This statement requires capitalization of identifiable intangible assets in the statement of net assets and provides guidance for amortization of intangible assets unless they are considered to have an indefinite useful life. This statement also establishes specified conditions upon which internally generated intangible assets should be recognized and amortized, including internally generated computer software. The City is currently evaluating the impact this standard will have on the financial statements when adopted.

Note 15 - Upcoming Accounting Pronouncement Disclosures (Continued)

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

Required Supplemental Information

City of Eastpointe, Michigan

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

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--|---------------------|----------------------|----------------------|---------------------------------|
| Revenue | | | | |
| Property taxes | \$ 9,965,091 | \$ 9,975,548 | \$ 9,976,254 | \$ 706 |
| Licenses and permits | 643,050 | 676,100 | 712,571 | 36,471 |
| State sources | 3,810,672 | 3,644,175 | 3,615,542 | (28,633) |
| Charges for services | 650,600 | 793,650 | 579,725 | (213,925) |
| Rental income | 146,314 | 162,389 | 180,190 | 17,801 |
| Fines and forfeitures | 1,824,724 | 1,824,724 | 1,879,454 | 54,730 |
| Interest income | 127,500 | 297,300 | 243,504 | (53,796) |
| Other | 224,991 | 235,507 | 170,103 | (65,404) |
| Total revenue | 17,392,942 | 17,609,393 | 17,357,343 | (252,050) |
| Expenditures | | | | |
| General government: | | | | |
| City Council | 33,993 | 33,993 | 29,680 | 4,313 |
| City manager | 390,385 | 428,367 | 435,250 | (6,883) |
| City clerk and elections | 295,186 | 300,686 | 300,966 | (280) |
| Finance | 912,106 | 912,106 | 894,576 | 17,530 |
| Assessor | 276,894 | 279,194 | 282,747 | (3,553) |
| Law | 186,347 | 202,847 | 175,937 | 26,910 |
| Judicial | 1,075,985 | 1,075,985 | 1,086,174 | (10,189) |
| General operating | 3,103,182 | 3,048,629 | 3,060,947 | (12,318) |
| Public safety - Building inspection | 604,002 | 604,002 | 533,788 | 70,214 |
| Public works - Administration | 489,355 | 464,428 | 427,598 | 36,830 |
| Recreation and culture: | | | | |
| Administration | 640,854 | 605,141 | 562,972 | 42,169 |
| Parks | 692,813 | 695,778 | 688,945 | 6,833 |
| Kennedy Park pool | 121,747 | 119,279 | 115,397 | 3,882 |
| Senior citizens' center | 226,574 | 257,477 | 208,866 | 48,611 |
| Senior citizen SMART | 80,391 | 80,391 | 68,653 | 11,738 |
| Community enrichment and development: | | | | |
| Planning | 43,000 | 43,000 | 24,242 | 18,758 |
| Beautification | 10,000 | 9,000 | 6,735 | 2,265 |
| Total expenditures | 9,182,814 | 9,160,303 | 8,903,473 | 256,830 |
| Excess of Revenue Over Expenditures | 8,210,128 | 8,449,090 | 8,453,870 | 4,780 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 282,700 | 282,700 | 282,700 | - |
| Transfers out | (8,973,481) | (8,826,538) | (7,301,891) | 1,524,647 |
| Total other financing uses | (8,690,781) | (8,543,838) | (7,019,191) | 1,524,647 |
| Net Change in Fund Balance | (480,653) | (94,748) | 1,434,679 | 1,529,427 |
| Fund Balance - Beginning of year | 10,146,583 | 10,146,583 | 10,146,583 | - |
| Fund Balance - End of year | <u>\$ 9,665,930</u> | <u>\$ 10,051,835</u> | <u>\$ 11,581,262</u> | <u>\$ 1,529,427</u> |

City of Eastpointe, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2009

| | Public Safety Fund | | | Variance with Amended Budget |
|--|--------------------|-------------------|-------------------|---------------------------------------|
| | Original Budget | Amended Budget | Actual | |
| Revenue | | | | |
| Property taxes | \$ 5,444,036 | \$ 5,444,036 | \$ 5,450,449 | \$ 6,413 |
| Federal sources | 46,179 | 98,323 | 164,763 | 66,440 |
| State sources | 12,500 | 12,500 | 11,128 | (1,372) |
| Interest income | 51,000 | 51,000 | 49,165 | (1,835) |
| Other | - | - | 94,811 | 94,811 |
| | 5,553,715 | 5,605,859 | 5,770,316 | 164,457 |
| Total revenue | | | | |
| Expenditures - Public safety | 12,225,482 | 12,145,982 | 11,572,611 | 573,371 |
| Excess of Expenditures Over Revenue | (6,671,767) | (6,540,123) | (5,802,295) | 737,828 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | 7,695,508 | 7,548,565 | 6,186,424 | (1,362,141) |
| Transfers out | (1,091,841) | (1,091,841) | (370,459) | 721,382 |
| Total other financing sources | 6,603,667 | 6,456,724 | 5,815,965 | (640,759) |
| Net Change in Fund Balance | (68,100) | (83,399) | 13,670 | 97,069 |
| Fund Balance - Beginning of year | 760,659 | 760,659 | 760,659 | - |
| Fund Balance - End of year | \$ 692,559 | \$ 677,260 | \$ 774,329 | \$ 97,069 |

City of Eastpointe, Michigan

| | Major Streets Fund | | | Variance with Amended Budget |
|---|----------------------------|----------------------------|----------------------------|------------------------------------|
| | Original Budget | Amended Budget | Actual | |
| Revenue | | | | |
| State-shared revenue and grants | \$ 1,349,179 | \$ 1,349,179 | \$ 1,384,650 | \$ 35,471 |
| Interest income | <u>37,700</u> | <u>37,700</u> | <u>75,498</u> | <u>37,798</u> |
| Total revenue | 1,386,879 | 1,386,879 | 1,460,148 | 73,269 |
| Expenditures - Public works | <u>1,075,237</u> | <u>1,200,425</u> | <u>1,426,010</u> | <u>(225,585)</u> |
| Excess of Revenues Over (Under) Expenditures | 311,642 | 186,454 | 34,138 | (152,316) |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | 262,217 | 262,217 |
| Transfers out | <u>(311,642)</u> | <u>(311,642)</u> | <u>(306,642)</u> | <u>5,000</u> |
| Total other financing uses | <u>(311,642)</u> | <u>(311,642)</u> | <u>(44,425)</u> | <u>267,217</u> |
| Net Change in Fund Balances | - | (125,188) | (10,287) | 114,901 |
| Fund Balances - Beginning of year | <u>3,115,264</u> | <u>3,115,264</u> | <u>3,115,264</u> | <u>-</u> |
| Fund Balances - End of year | <u>\$ 3,115,264</u> | <u>\$ 2,990,076</u> | <u>\$ 3,104,977</u> | <u>\$ 114,901</u> |

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds (Continued)
Year Ended June 30, 2009**

| Local Streets Fund | | | |
|----------------------------|----------------------------|----------------------------|------------------------------------|
| Original Budget | Amended Budget | Actual | Variance with Amended Budget |
| \$ 554,218 | \$ 554,218 | \$ 493,999 | \$ (60,219) |
| <u>22,700</u> | <u>22,700</u> | <u>40,464</u> | <u>17,764</u> |
| 576,918 | 576,918 | 534,463 | (42,455) |
| <u>979,891</u> | <u>979,891</u> | <u>1,017,823</u> | <u>(37,932)</u> |
| (402,973) | (402,973) | (483,360) | (80,387) |
| 291,142 | 291,142 | 469,769 | 178,627 |
| <u>(10,200)</u> | <u>(10,200)</u> | <u>(10,200)</u> | <u>-</u> |
| <u>280,942</u> | <u>280,942</u> | <u>459,569</u> | <u>178,627</u> |
| (122,031) | (122,031) | (23,791) | 98,240 |
| <u>1,618,519</u> | <u>1,618,519</u> | <u>1,618,519</u> | <u>-</u> |
| <u>\$ 1,496,488</u> | <u>\$ 1,496,488</u> | <u>\$ 1,594,728</u> | <u>\$ 98,240</u> |

City of Eastpointe, Michigan

Required Supplemental Information Retirement System Schedule of Funding Progress June 30, 2009

The schedule of funding progress is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | Unfunded (Overfunded) AAL as a Percentage of Covered Payroll |
|--------------------------------|--|---|---------------------------------|------------------------------------|---------------------------|---|
| 06/30/03 * | \$ 56,264,305 | \$ 47,803,994 | \$ (8,460,311) | 118 | \$ 9,266,479 | (91) |
| 06/30/04 | 54,289,686 | 50,999,509 | (3,290,177) | 106 | 9,102,598 | (36) |
| 06/30/05 | 51,215,561 | 54,961,821 | 3,746,260 | 93 | 9,496,345 | 39 |
| 06/30/06 ** | 48,907,812 | 56,647,165 | 7,739,353 | 86 | 9,429,156 | 82 |
| 06/30/07 | 49,964,926 | 59,481,086 | 9,516,160 | 84 | 9,392,368 | 101 |
| 06/30/08 | 50,448,315 | 62,522,948 | 12,074,633 | 81 | 10,294,149 | 117 |

* Includes changes in benefit provisions

**After changes in actuarial assumptions or methods

City of Eastpointe, Michigan

Required Supplemental Information Retirement System Schedule of Employer Contributions June 30, 2009

The schedule of employer contributions is as follows:

| Fiscal Year Ended June 30 | Annual Required Contribution* | Percentage Contributed |
|------------------------------|----------------------------------|---------------------------|
| 2004 | \$ 174,637 | - |
| 2005 | 432,939 | - |
| 2006 | 777,640 | - |
| 2007 | 1,529,421 | 100% |
| 2008 | 1,686,748 | 100% |
| 2009 | 1,786,080 | 100% |

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

| | |
|-------------------------------|---------------------------|
| Valuation date | June 30, 2008 |
| Actuarial cost method | Individual entry age |
| Amortization method | Level percent open |
| Remaining amortization period | 30 years |
| Asset valuation method | Five-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return * | 8.0% |
| Projected salary increases * | 4%-7% |
| *Includes inflation at | 4% |
| Cost of living adjustments | None |

City of Eastpointe, Michigan

Required Supplemental Information Retiree Healthcare System Schedule of Funding Progress June 30, 2009

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

The schedule of funding progress is as follows:

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

The schedule of employer contributions is as follows:

| Fiscal Year Ended June 30 | Annual Required Contribution* | Percentage Contributed |
|---------------------------|-------------------------------|------------------------|
| 2009 | \$ 2,477,770 | 100% |

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

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

| | |
|--------------------------------------|------------------------------------|
| Valuation date | June 30, 2008 |
| Actuarial cost method | Individual entry age |
| Amortization method | Level percent of payroll |
| Remaining amortization period | 30 years |
| Asset valuation method | Market value |
| Actuarial assumptions: | |
| Investment rate of return * | 8.0% |
| Projected salary increases * | 4%-7% |
| *Includes inflation at | 4% |
| Cost of living adjustments | None |
| Valuation healthcare cost trend rate | 10% in 2009, grading to 4% in 2017 |

City of Eastpointe, Michigan

Note to Required Supplemental Information June 30, 2009

Note - Reconciliation of Budgeted Amounts to Basic Financial Statements

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

| | General Fund | |
|------------------------------------|----------------------|-----------------------|
| | Total Revenue | Total Expenditures |
| Amounts per operating statement | \$ 17,357,343 | \$ 9,007,119 |
| Expenditure budgeted as a transfer | - | (103,646) |
| Amounts per budget statement | <u>\$ 17,357,343</u> | <u>\$ 8,903,473</u> |

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year ended June 30, 2009, City of Eastpointe incurred expenditures that were in excess of the amounts budgeted, as follows:

| | Final Budget | Actual | Variance |
|--|--------------|------------|------------|
| General Fund | | | |
| General government: | | | |
| City manager | \$ 428,367 | \$ 435,250 | \$ (6,883) |
| City clerk and elections | 300,686 | 300,966 | (280) |
| Assessor | 279,194 | 282,747 | (3,553) |
| Judicial | 1,075,985 | 1,086,174 | (10,189) |
| General operating | 3,048,629 | 3,060,947 | (12,318) |
| Major Streets Fund - Public works | 1,200,425 | 1,426,010 | (225,585) |
| Local Streets Fund - Public works | 979,891 | 1,017,823 | (37,932) |

Other Supplemental Information

City of Eastpointe, Michigan

| | Nonmajor Special | | | |
|--|--------------------------|--------------------------------------|-------------------------|--------------------------|
| | Fire/ALS | Garbage and Rubbish Collection | Library | Drug Law Enforcement |
| Assets | | | | |
| Cash and cash equivalents | \$ 590,177 | \$ 1,149,547 | \$ 16,292 | \$ 487,871 |
| Investments | 88,318 | 172,028 | 2,423 | 71,063 |
| Receivables: | | | | |
| Special assessments | - | - | - | - |
| Accounts - Net of allowance for doubtful accounts | 115,935 | - | - | - |
| Due from other governmental units | - | - | 41,960 | - |
| Restricted assets | - | - | - | - |
| Total assets | <u>\$ 794,430</u> | <u>\$ 1,321,575</u> | <u>\$ 60,675</u> | <u>\$ 558,934</u> |
| Liabilities and Fund Balances | | | | |
| | | - | | |
| | | - | | |
| Liabilities | | - | | |
| Accounts payable | \$ 6,354 | \$ 153,509 | \$ 12,005 | \$ 1,441 |
| Accrued and other liabilities | 9,114 | - | 9,478 | - |
| Deferred revenue | 114,439 | - | - | - |
| Total liabilities | 129,907 | 153,509 | 21,483 | 1,441 |
| Fund Balances | | | | |
| Reserved for: | | | | |
| Lake St. Clair clean water initiative | - | - | - | - |
| Construction projects | - | - | - | - |
| Unreserved: | | | | |
| Designated for debt service | - | - | - | - |
| Designated for capital improvements | - | - | - | - |
| Undesignated | 664,523 | 1,168,066 | 39,192 | 557,493 |
| Total fund balances | <u>664,523</u> | <u>1,168,066</u> | <u>39,192</u> | <u>557,493</u> |
| Total liabilities and fund balances | <u>\$ 794,430</u> | <u>\$ 1,321,575</u> | <u>\$ 60,675</u> | <u>\$ 558,934</u> |

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

| Revenue Funds | | | | | Nonmajor Debt Service Funds | |
|------------------|----------------------------|---------------------|--------------------|---------------------|--------------------------------|-------------------------------------|
| Juvenile Justice | Welfare and Catastrophe | Community Center | Eastpointe Fire | Memorial Library | Building Authority | Chapter 20 Drain Debt Service |
| \$ 2,517 | \$ 25,550 | \$ 15,734 | \$ 1,040 | \$ 7,046 | \$ 184 | \$ 529,565 |
| - | - | - | - | - | - | 79,248 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| <u>\$ 2,517</u> | <u>\$ 25,550</u> | <u>\$ 15,734</u> | <u>\$ 1,040</u> | <u>\$ 7,046</u> | <u>\$ 184</u> | <u>\$ 608,813</u> |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 184 | 608,813 |
| - | - | - | - | - | - | - |
| 2,517 | 25,550 | 15,734 | 1,040 | 7,046 | - | - |
| <u>2,517</u> | <u>25,550</u> | <u>15,734</u> | <u>1,040</u> | <u>7,046</u> | <u>184</u> | <u>608,813</u> |
| <u>\$ 2,517</u> | <u>\$ 25,550</u> | <u>\$ 15,734</u> | <u>\$ 1,040</u> | <u>\$ 7,046</u> | <u>\$ 184</u> | <u>\$ 608,813</u> |

City of Eastpointe, Michigan

Other Supplemental Information Combining Balance Sheet (Continued) Nonmajor Governmental Funds June 30, 2009

| | Nonmajor Capital Projects Funds | | | | Total Nonmajor Governmental Funds |
|--|---------------------------------|---------------------------------|--------------------------|------------------------------------|---|
| | Capital Improvement | SEMSD Clean Water Initiative | Equipment Replacement | Building Authority Construction | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 406,029 | \$ - | \$ 650,980 | \$ 36,136 | \$ 3,918,668 |
| Investments | 60,761 | - | 97,417 | - | 571,258 |
| Receivables: | | | | | |
| Special assessments | 45,198 | - | - | - | 45,198 |
| Accounts - Net of allowance for doubtful accounts | - | - | - | - | 115,935 |
| Due from other governmental units | - | - | - | - | 41,960 |
| Restricted assets | - | 166,843 | - | 394,808 | 561,651 |
| | - | - | - | - | - |
| Total assets | \$ 511,988 | \$ 166,843 | \$ 748,397 | \$ 430,944 | \$ 5,254,670 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ - | \$ - | \$ 283,780 | \$ 36,136 | \$ 493,225 |
| Accrued and other liabilities | - | - | - | - | 18,592 |
| Deferred revenue | 38,013 | - | - | - | 152,452 |
| | - | - | - | - | - |
| Total liabilities | 38,013 | - | 283,780 | 36,136 | 664,269 |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Lake St. Clair clean water initiative | - | 166,843 | - | - | 166,843 |
| Construction projects | - | - | - | 394,808 | 394,808 |
| Unreserved: | | | | | |
| Designated for debt service | - | - | - | - | 608,997 |
| Designated for capital improvements | 473,975 | - | 464,617 | - | 938,592 |
| Undesignated | - | - | - | - | 2,481,161 |
| | - | - | - | - | - |
| Total fund balances | 473,975 | 166,843 | 464,617 | 394,808 | 4,590,401 |
| | - | - | - | - | - |
| Total liabilities and fund balances | \$ 511,988 | \$ 166,843 | \$ 748,397 | \$ 430,944 | \$ 5,254,670 |

City of Eastpointe, Michigan

| | Nonmajor Special | | | |
|--|-------------------|--------------------------------------|------------------|-------------------------|
| | Fire /ALS | Garbage and Rubbish Collection | Library | Drug Law Enforcement |
| Revenue | | | | |
| Property taxes | \$ - | \$ 1,456,610 | \$ 698,369 | \$ - |
| Special assessments | - | - | - | - |
| Intergovernmental: | | | | |
| Federal sources | - | - | - | - |
| State sources | - | - | 10,304 | - |
| Charges for services | 495,788 | - | 2,016 | - |
| Rental income | - | - | - | - |
| Fines and forfeitures | - | - | 61,037 | 263,868 |
| Interest | 19,468 | 45,272 | 5,604 | 13,004 |
| Other | - | 2,442 | - | - |
| Total revenue | 515,256 | 1,504,324 | 777,330 | 276,872 |
| Expenditures | | | | |
| Current: | | | | |
| Public safety | 657,040 | - | - | 113,061 |
| Public works | - | 1,636,492 | - | - |
| Recreation and culture | - | - | 766,891 | - |
| Capital outlay | - | - | - | - |
| Debt service: | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| Total expenditures | 657,040 | 1,636,492 | 766,891 | 113,061 |
| Excess of Revenue Over (Under) Expenditures | (141,784) | (132,168) | 10,439 | 163,811 |
| Other Financing Sources (Uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | (136,926) |
| Total other financing sources (uses) | - | - | - | (136,926) |
| Net Change in Fund Balances | (141,784) | (132,168) | 10,439 | 26,885 |
| Fund Balances - Beginning of year | 806,307 | 1,300,234 | 28,753 | 530,608 |
| Fund Balances - End of year | <u>\$ 664,523</u> | <u>\$ 1,168,066</u> | <u>\$ 39,192</u> | <u>\$ 557,493</u> |

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

| Revenue Funds | | | | | Nonmajor Debt Service Funds | |
|------------------|-------------------------|------------------|-----------------|------------------|-----------------------------|-------------------------------|
| Juvenile Justice | Welfare and Catastrophe | Community Center | Eastpointe Fire | Memorial Library | Building Authority | Chapter 20 Drain Debt Service |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,806,094 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | 642 | 395 | 26 | 173 | - | 27,714 |
| - | - | - | - | 255 | - | - |
| - | 642 | 395 | 26 | 428 | - | 1,833,808 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 475 | 1,021,274 |
| - | - | - | - | - | - | - |
| - | - | - | - | - | - | - |
| - | - | - | - | - | 90,000 | - |
| - | - | - | - | - | 191,250 | - |
| - | - | - | - | - | 281,725 | 1,021,274 |
| - | 642 | 395 | 26 | 428 | (281,725) | 812,534 |
| - | - | - | - | - | 281,650 | - |
| - | - | - | - | - | - | (823,604) |
| - | - | - | - | - | 281,650 | (823,604) |
| - | 642 | 395 | 26 | 428 | (75) | (11,070) |
| 2,517 | 24,908 | 15,339 | 1,014 | 6,618 | 259 | 619,883 |
| \$ 2,517 | \$ 25,550 | \$ 15,734 | \$ 1,040 | \$ 7,046 | \$ 184 | \$ 608,813 |

City of Eastpointe, Michigan

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

| | Nonmajor Capital Projects Funds | | | | Total Nonmajor Governmental Funds |
|--|---------------------------------|---------------------------------|--------------------------|------------------------------------|--------------------------------------|
| | Capital Improvement | SEMSD Clean Water Initiative | Equipment Replacement | Building Authority Construction | |
| Revenue | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ 3,961,073 |
| Special assessments | 135,445 | - | - | - | 135,445 |
| Intergovernmental: | | | | | |
| Federal sources | - | - | - | - | - |
| State sources | - | - | - | - | 10,304 |
| Charges for services | - | - | - | - | 497,804 |
| Rental income | - | - | 232,076 | - | 232,076 |
| Fines and forfeitures | - | - | - | - | 324,905 |
| Interest | 12,644 | 2,655 | 6,795 | 15,888 | 150,280 |
| Other | - | - | - | 530 | 3,227 |
| Total revenue | <u>148,089</u> | <u>2,655</u> | <u>238,871</u> | <u>16,418</u> | <u>5,315,114</u> |
| Expenditures | | | | | |
| Current: | | | | | |
| Public safety | - | - | - | - | 770,101 |
| Public works | - | - | - | - | 2,658,241 |
| Recreation and culture | - | - | - | - | 766,891 |
| Capital outlay | 116,006 | 46,412 | 1,254,807 | 1,065,201 | 2,482,426 |
| Debt service: | | | | | |
| Principal | - | - | - | - | 90,000 |
| Interest | - | - | - | - | 191,250 |
| Total expenditures | <u>116,006</u> | <u>46,412</u> | <u>1,254,807</u> | <u>1,065,201</u> | <u>6,958,909</u> |
| Excess of Revenue Over (Under) Expenditures | 32,083 | (43,757) | (1,015,936) | (1,048,783) | (1,643,795) |
| Other Financing Sources (Uses) | | | | | |
| Transfers in | - | - | 1,237,556 | - | 1,519,206 |
| Transfers out | - | - | - | - | (960,530) |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>1,237,556</u> | <u>-</u> | <u>558,676</u> |
| Net Change in Fund Balances | 32,083 | (43,757) | 221,620 | (1,048,783) | (1,085,119) |
| Fund Balances - Beginning of year | <u>441,892</u> | <u>210,600</u> | <u>242,997</u> | <u>1,443,591</u> | <u>5,675,520</u> |
| Fund Balances - End of year | <u>\$ 473,975</u> | <u>\$ 166,843</u> | <u>\$ 464,617</u> | <u>\$ 394,808</u> | <u>\$ 4,590,401</u> |

City of Eastpointe, Michigan

| | Pension and Other Employee Benefit Trust Funds | | | |
|---|--|-------------------|---------------------|----------------------|
| | Employees' | Employees' | Retiree Health | Total |
| | Retirement System | Death Benefit | Care | |
| Assets | | | | |
| Cash and cash equivalents | \$ 683,162 | \$ 46,912 | \$ 1,602,392 | \$ 2,332,466 |
| Investments: | | | | |
| Corporate bonds and notes | 1,526,813 | 533,602 | 37,962 | 2,098,377 |
| U.S. government obligations | 259,306 | - | 6,447 | 265,753 |
| U.S. government agency bonds/notes | 945,287 | 50,047 | 23,503 | 1,018,837 |
| Common and preferred stock | 22,494,870 | - | 559,301 | 23,054,171 |
| Mutual funds | 10,136,095 | 243,286 | 252,019 | 10,631,400 |
| Other assets | 1,341 | - | - | 1,341 |
| Total assets | 36,046,874 | 873,847 | 2,481,624 | 39,402,345 |
| Liabilities | | | | |
| Accounts payable | 42,791 | - | 5,113 | 47,904 |
| Accrued liabilities | - | - | - | - |
| Due to other governmental units | - | - | - | - |
| Total liabilities | 42,791 | - | 5,113 | 47,904 |
| Net Assets - Held in trust for pension and other employee benefits | \$ 36,004,083 | \$ 873,847 | \$ 2,476,511 | \$ 39,354,441 |

**Other Supplemental Information
Combining Statement of Net Assets
Fiduciary Funds
June 30, 2009**

| Agency Funds | | | | |
|----------------------------------|------------------------|---------------------|------------------------|-------------------------|
| Cash and Performance Bonds | Tax Collection | Imprest Payroll | AFLAC | Total |
| \$ 39,540 | \$ 1,177 | \$ 50 | \$ 6,889 | \$ 47,656 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | - |
| <u>\$ 39,540</u> | <u>\$ 1,177</u> | <u>\$ 50</u> | <u>\$ 6,889</u> | <u>\$ 47,656</u> |
| \$ - | | \$ - | \$ - | \$ - |
| 39,540 | | 50 | - | 39,590 |
| - | 1,177 | - | 6,889 | 8,066 |
| <u>\$ 39,540</u> | <u>\$ 1,177</u> | <u>\$ 50</u> | <u>\$ 6,889</u> | <u>\$ 47,656</u> |

City of Eastpointe, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Fiduciary Funds - Pension and Other Employee Benefit Trust Funds Year Ended June 30, 2009

| | Employees' Retirement System | Employees' Death Benefit | Retiree Health Care | Total |
|---|------------------------------------|-----------------------------|------------------------|----------------------|
| Additions | | | | |
| Investment income (loss): | | | | |
| Interest and dividends | \$ 1,238,586 | \$ 42,798 | \$ 59,789 | \$ 1,341,173 |
| Net adjustment to fair value of investments | (8,938,064) | (51,475) | (284,122) | (9,273,661) |
| Less investment expenses | (252,867) | (900) | - | (253,767) |
| Net investment loss | (7,952,345) | (9,577) | (224,333) | (8,186,255) |
| Employer contributions | 1,786,080 | - | 2,477,770 | 4,263,850 |
| Total additions - Net | (6,166,265) | (9,577) | 2,253,437 | (3,922,405) |
| Deductions | | | | |
| Benefit payments | 4,307,566 | 27,000 | - | 4,334,566 |
| Health insurance premiums | - | - | 2,027,885 | 2,027,885 |
| Administrative expenses | 8,102 | - | - | 8,102 |
| Total deductions | 4,315,668 | 27,000 | 2,027,885 | 6,370,553 |
| Change in Net Assets | (10,481,933) | (36,577) | 225,552 | (10,292,958) |
| Net Assets - Beginning of year | 46,486,016 | 910,424 | 2,250,959 | 49,647,399 |
| Net Assets - End of year | \$ 36,004,083 | \$ 873,847 | \$ 2,476,511 | \$ 39,354,441 |