

City of Westland, Michigan

**Financial Report
with Supplemental Information
June 30, 2008**

**City of Westland, Michigan
Financial Report
June 30, 2008**

MAYOR WILLIAM R. WILD

City Council

James Godbout, President

Cheryl Graunstadt, President Pro Tem

Bill Johnson

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Dewey Reeves

Robert Stottlemeyer

City Administration

Budget Director

Building

CATV/Community Relations

City Assessor

City Clerk

Community Development Programs

Construction Maintenance Superintendent

Controller

Economic Development Director

Deputy Mayor

Finance

Fire Chief

Law

Parks and Recreation

Personnel

Police Chief

Public Service

Planning

Senior Resources Director

Water and Sewer Superintendent

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Joanne Inglis

John Blevins

Jade Smith

Lori Fodale

Courtney Conovor

Steven J. Smith

Michael J. Reddy

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Barbara Marcum

Don Rohraff

City of Westland, Michigan

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Independent Auditor's Report

To the Members of the City Council
City of Westland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2008, 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's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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 Westland, Michigan as of June 30, 2008 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, pension system schedule of funding progress, and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part 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 Members of the City Council
City of Westland, Michigan

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. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's 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.

In accordance with *Government Auditing Standards*, we have issued a report dated November 21, 2008 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 21, 2008

City of Westland, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2008. 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, 2008:

- State-shared revenues from the State of Michigan, our second largest revenue, remained the same as the previous fiscal year. This represents the first time in the last seven years that the amount did not decrease.
- The total net assets related to the City's governmental activities decreased by approximately \$26.9 million. In addition, fund balances for the governmental funds decreased by approximately \$1.1 million during the year. The General Fund unreserved fund balance decreased by \$168,000. The most significant difference between the decrease in fund balances and the decrease in net assets relates to the capitalization and depreciation of capital assets in the government-wide statement of net assets.

Using this Annual Report

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

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

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The City of Westland as a Whole

The following table shows, in a condensed format, the net assets as of the current date:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 17,571,290	\$ 18,632,555	\$ 5,933,886	\$ 7,405,648	\$ 23,505,176	\$ 26,038,203
Noncurrent assets	<u>281,496,733</u>	<u>309,237,390</u>	<u>78,623,629</u>	<u>79,819,611</u>	<u>360,120,362</u>	<u>389,057,001</u>
Total assets	299,068,023	327,869,945	84,557,515	87,225,259	383,625,538	415,095,204
Liabilities						
Current liabilities	8,375,208	8,233,623	3,066,703	3,334,017	11,441,911	11,567,640
Long-term liabilities	<u>16,275,184</u>	<u>18,291,001</u>	<u>3,700,000</u>	<u>4,580,000</u>	<u>19,975,184</u>	<u>22,871,001</u>
Total liabilities	<u>24,650,392</u>	<u>26,524,624</u>	<u>6,766,703</u>	<u>7,914,017</u>	<u>31,417,095</u>	<u>34,438,641</u>
Net Assets						
Invested in capital assets - Net of related debt	269,980,375	295,906,191	73,083,629	73,405,046	343,064,004	369,311,237
Restricted	9,950,103	9,775,976	960,000	984,565	10,910,103	10,760,541
Unrestricted (deficit)	<u>(5,512,847)</u>	<u>(4,336,846)</u>	<u>3,747,183</u>	<u>4,921,631</u>	<u>(1,765,664)</u>	<u>584,785</u>
Total net assets	<u>\$ 274,417,631</u>	<u>\$ 301,345,321</u>	<u>\$ 77,790,812</u>	<u>\$ 79,311,242</u>	<u>\$ 352,208,443</u>	<u>\$ 380,656,563</u>

The City's combined net assets decreased 7.5 percent from a year ago - decreasing from \$380,656,563 to \$352,208,443. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2008, depreciation expense was approximately \$31,500,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$5,512,847 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees, which will be paid from future revenue sources. This accrual is approximately \$9,800,000.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets during the current year from the previous year:

TABLE 2	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Net Assets - Beginning of year	\$ 301,345,321	\$ 326,351,885	\$ 79,311,242	\$ 80,418,671	\$ 380,656,563	\$ 406,770,556
Revenue						
Program revenue:						
Charges for services	19,268,756	18,996,063	17,330,012	17,126,122	36,598,768	36,122,185
Operating grants and contributions	6,578,648	6,563,109	75,857	260,522	6,654,505	6,823,631
Capital grants and contributions	166,658	731,291	146,163	376,564	312,821	1,107,855
General revenue:						
Property taxes	28,275,580	27,962,775	-	-	28,275,580	27,962,775
State-shared revenue	8,545,568	8,553,057	-	-	8,545,568	8,553,057
Refund of captured property taxes	2,739,237	2,672,967	-	-	2,739,237	2,672,967
Interest	1,207,791	1,510,084	70,577	97,257	1,278,368	1,607,341
Transfers and other revenue	(391,432)	103,000	391,432	(103,000)	-	-
Total revenue	66,390,806	67,092,346	18,014,041	17,757,465	84,404,847	84,849,811
Program Expenses						
General government	13,108,668	12,589,008	-	-	13,108,668	12,589,008
Public safety	35,391,665	33,976,158	-	-	35,391,665	33,976,158
Public works	35,325,287	36,016,126	-	-	35,325,287	36,016,126
Community and economic development	2,396,444	2,346,778	-	-	2,396,444	2,346,778
Cultural and recreation	6,641,166	6,627,521	-	-	6,641,166	6,627,521
Miscellaneous	63,064	43,735	-	-	63,064	43,735
Interest on long-term debt	392,202	499,584	-	-	392,202	499,584
Water and sewer	-	-	19,534,471	18,864,894	19,534,471	18,864,894
Total program expenses	93,318,496	92,098,910	19,534,471	18,864,894	112,852,967	110,963,804
Change in Net Assets	(26,927,690)	(25,006,564)	(1,520,430)	(1,107,429)	(28,448,120)	(26,113,993)
Net Assets - End of year	\$ 274,417,631	\$ 301,345,321	\$ 77,790,812	\$ 79,311,242	\$ 352,208,443	\$ 380,656,563

Governmental Activities

The City's total governmental revenues decreased by approximately \$702,000. The decrease, which represents approximately 1 percent, was primarily due to the decrease in capital grants and interest revenue.

Expenses increased by approximately \$1,200,000 during the year. Part of the increase was due to contractual raises as well as rising healthcare costs.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. Usage of the water system remained relatively consistent with usage in the prior year. Effective July 1, 2007, the City Council increased the water rate by 5.65 percent and the existing sewer rate by 1.3 percent to pass on the increases from the City of Detroit and Wayne County. Effective July 1, 2008, the City Council increased water and sewer rates by 7.00 percent and 5.08 percent, respectively.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as major and local road maintenance and debt service. The City's major funds for 2008 include the General Fund, the Major Roads Fund, the Local Roads Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$27.9 million in 2008. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, and the mayor's office), sanitation, and recreation. General Fund expenditures increased by approximately \$1.5 million. A primary reason for that increase is salaries and fringe benefits. The City closely monitored its spending in all other areas, including capital outlay, conferences and seminars, and any nonessential services.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events that occurred during the year. The most significant change to the original budget in the General Fund was the costs due to three of the City's public safety contracts being negotiated and settled. A budget amendment for an increase in fuel costs in the amount of \$173,334 in the General Fund and \$86,666 in the Water and Sewer Fund was also passed. There were also several police grants obtained during the year which required budget amendments. These grants helped the police department obtain necessary equipment and training. City departments overall stayed below budget, with a few exceptions - one being the Police and Fire Retirement board. This was due to payments made to investment managers that were previously paid internally from the Police and Fire Retirement Fund. The other exceptions are the departments of law, insurance and bonds, and motorpool. Despite these exceptions, the City still maintained total expenditures \$2,773,933 below the amended budget.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The General Fund fund balance (reserved and unreserved) decreased from \$7,242,345 to \$7,241,832.

As of June 30, 2008, the City had a total of approximately \$358.4 million invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines.

Capital Asset and Debt Administration

Capital expenditures were limited during the fiscal year. The police department purchased four unmarked vehicles and the fire department purchased four administrative vehicles and one shift command vehicle. In addition, the police department was able to purchase new equipment using grant money. The fire department purchased new defibrillators. The water department purchased a cargo van.

Debt service makes up approximately 2.5 percent of the total expenditures of the governmental funds. Bonded debt and other long-term obligations were reduced by approximately \$2.3 million. New obligations and debt were issued in the amount of \$630,000.

More detailed information concerning capital assets and long-term debt can be found in Notes 5 and 8, respectively, in the notes to the financial statements.

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2009 takes into consideration a very cautious economic climate. The state-shared revenues will be monitored closely as the state of Michigan continues to see reduced revenue. Because of the impact of the slumping housing market, the state equalized values of houses will likely decrease. The City will have to watch closely the effect of these decreases on the overall taxable values. There has been very little building activity which has further decreased revenues. As a result, the City will need to continue to watch the budget very closely and make adjustments as necessary.

As discussed above, the fiscal year ending June 30, 2009 budget anticipates that the water cost will increase. As a result, the water and sewer rates were raised 7.00 percent and 5.08 percent, respectively, effective July 1, 2008.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. For additional questions about this report or additional information, requests should be directed to the finance department.

City of Westland, Michigan

Statement of Net Assets June 30, 2008

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 8,065,337	\$ 493,096	\$ 8,558,433	\$ 2,368,386
Investments (Note 3)	406,856	-	406,856	283,928
Receivables (Note 4)	6,195,378	7,561,244	13,756,622	351,907
Internal balances	2,417,819	(2,417,819)	-	-
Inventories	10,588	267,678	278,266	-
Prepaid costs and other assets	475,312	29,687	504,999	-
Restricted assets (Note 6)	-	960,000	960,000	642,681
Investment in joint ventures (Note 11)	730,274	-	730,274	-
Capital assets - Net (Note 5):				
Not being depreciated	2,340,379	-	2,340,379	5,893
Depreciable - Net	<u>278,426,080</u>	<u>77,663,629</u>	<u>356,089,709</u>	<u>1,568,095</u>
Total assets	299,068,023	84,557,515	383,625,538	5,220,890
Liabilities				
Accounts payable	1,288,038	1,604,724	2,892,762	49,657
Accrued and other liabilities	2,693,003	368,706	3,061,709	13,406
Deferred revenue (Note 4)	96,681	-	96,681	-
Compensated absences (Note 8):				
Due within one year	2,979,468	213,273	3,192,741	-
Due in more than one year	6,807,118	-	6,807,118	-
Long-term debt (Note 8):				
Due within one year	1,318,018	880,000	2,198,018	575,000
Due in more than one year	<u>9,468,066</u>	<u>3,700,000</u>	<u>13,168,066</u>	<u>625,000</u>
Total liabilities	<u>24,650,392</u>	<u>6,766,703</u>	<u>31,417,095</u>	<u>1,263,063</u>
Net Assets				
Invested in capital assets - Net of related debt	269,980,375	73,083,629	343,064,004	1,166,669
Restricted:				
Road improvements	2,438,817	-	2,438,817	-
Library operations	1,501,682	-	1,501,682	-
Other (Note 13)	6,009,604	960,000	6,969,604	-
Unrestricted	<u>(5,512,847)</u>	<u>3,747,183</u>	<u>(1,765,664)</u>	<u>2,791,158</u>
Total net assets	<u>\$ 274,417,631</u>	<u>\$ 77,790,812</u>	<u>\$ 352,208,443</u>	<u>\$ 3,957,827</u>

City of Westland, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government - Governmental activities:				
General government	\$ 13,108,668	\$ 7,321,080	\$ 20,000	\$ -
Public safety	35,391,665	8,590,657	54,765	98,494
Public works	35,325,287	1,138,976	4,777,076	68,164
Community and economic development	2,396,444	-	1,652,660	-
Cultural and recreation	6,641,166	2,218,043	74,147	-
Miscellaneous	63,064	-	-	-
Interest on long-term debt	392,202	-	-	-
Total primary government - Governmental activities	93,318,496	19,268,756	6,578,648	166,658
Business-type activities - Water and sewer	19,534,471	17,330,012	75,857	146,163
Total primary government	<u>\$ 112,852,967</u>	<u>\$ 36,598,768</u>	<u>\$ 6,654,505</u>	<u>\$ 312,821</u>
Component units	<u>\$ 1,934,071</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes
State-shared revenues
Refund of captured property taxes
Interest and sundry

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, 2008

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,767,588)	\$ -	\$ (5,767,588)	\$ -
(26,647,749)	-	(26,647,749)	-
(29,341,071)	-	(29,341,071)	-
(743,784)	-	(743,784)	-
(4,348,976)	-	(4,348,976)	-
(63,064)	-	(63,064)	-
(392,202)	-	(392,202)	-
(67,304,434)	-	(67,304,434)	-
-	(1,982,439)	(1,982,439)	-
(67,304,434)	(1,982,439)	(69,286,873)	-
-	-	-	(1,934,071)
28,275,580	-	28,275,580	6,441,951
8,545,568	-	8,545,568	-
2,739,237	-	2,739,237	(4,164,214)
1,207,791	70,577	1,278,368	172,095
(391,432)	391,432	-	-
40,376,744	462,009	40,838,753	2,449,832
(26,927,690)	(1,520,430)	(28,448,120)	515,761
301,345,321	79,311,242	380,656,563	3,442,066
<u>\$ 274,417,631</u>	<u>\$ 77,790,812</u>	<u>\$ 352,208,443</u>	<u>\$ 3,957,827</u>

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2008

	Major Funds				Total Governmental Funds
	General Fund	Major Roads Fund	Local Roads Fund	Other Nonmajor Governmental Funds	
Assets					
Cash and cash equivalents (Note 3)	\$ 3,333,560	\$ 1,218,517	\$ 892,250	\$ 2,570,708	\$ 8,015,035
Investments (Note 3)	-	306,856	-	100,000	406,856
Receivables - Net (Note 4)	1,092,426	-	344,070	623,134	2,059,630
Prepaid costs and other assets	449,672	17,871	-	7,769	475,312
Due from other funds (Note 7)	3,349,698	-	-	132,784	3,482,482
Due from other governmental units	3,265,009	550,650	197,894	122,195	4,135,748
Total assets	\$ 11,490,365	\$ 2,093,894	\$ 1,434,214	\$ 3,556,590	\$ 18,575,063
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,119,351	\$ 43,925	\$ -	\$ 73,965	\$ 1,237,241
Accrued and other liabilities	547,245	-	-	99,761	647,006
Due to other funds	1,905,834	581,155	464,211	283,654	3,234,854
Deferred revenue (Note 4)	676,103	-	344,070	195,924	1,216,097
Total liabilities	4,248,533	625,080	808,281	653,304	6,335,198
Fund Balances					
Reserved for:					
Retirement system	1,823,000	-	-	-	1,823,000
Sanitation	2,785,000	-	-	-	2,785,000
Other purposes	449,672	17,871	-	125,632	593,175
Unreserved - Reported in:					
General Fund	2,184,160	-	-	-	2,184,160
Special Revenue Funds:					
Designated	-	279,026	86,803	686,124	1,051,953
Undesignated	-	1,171,917	539,130	2,078,315	3,789,362
Debt Service Funds	-	-	-	13,215	13,215
Total fund balances	7,241,832	1,468,814	625,933	2,903,286	12,239,865
Total liabilities and fund balances	\$ 11,490,365	\$ 2,093,894	\$ 1,434,214	\$ 3,556,590	

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	276,644,055
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	1,119,416
Accrued interest on long-term liabilities is not reported in the funds	(81,682)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(19,546,522)
Investments in joint ventures are included as part of governmental activities	730,274
Internal Service Funds are included as governmental activities	3,312,225
Net assets of governmental activities	\$ 274,417,631

City of Westland, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2008

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General	Major Roads			
	Fund	Fund	Local Roads Fund		
Revenues					
Property taxes	\$ 25,757,011	\$ -	\$ -	\$ 2,456,921	\$ 28,213,932
Licenses and permits	1,134,725	-	-	-	1,134,725
Federal sources	54,765	-	-	1,652,660	1,707,425
State sources	8,720,394	3,361,701	1,207,680	56,536	13,346,311
Local sources	691,571	-	-	1,408,025	2,099,596
Charges for services	7,333,534	86,846	-	1,235,210	8,655,590
Court fines and fees	4,787,942	-	-	-	4,787,942
Special assessments	-	-	78,902	905,608	984,510
Refund of captured property taxes	2,468,562	-	-	270,675	2,739,237
Interest and other	3,189,763	38,616	147	205,857	3,434,383
Total revenues	54,138,267	3,487,163	1,286,729	8,191,492	67,103,651
Expenditures					
General government	11,803,935	-	-	-	11,803,935
Public safety	35,164,257	-	-	65,764	35,230,021
Highways, streets, and drains	-	1,959,652	2,293,795	7,017	4,260,464
Street lighting	-	-	-	1,111,273	1,111,273
Sanitation	3,500,010	-	-	-	3,500,010
Community and economic development	-	-	-	1,900,732	1,900,732
Cultural and recreation	3,398,642	-	-	3,281,760	6,680,402
Debt service	-	-	-	1,882,931	1,882,931
Motorpool contribution and other	1,388,397	-	-	36,693	1,425,090
Total expenditures	55,255,241	1,959,652	2,293,795	8,286,170	67,794,858
Excess of Revenues Over (Under) Expenditures	(1,116,974)	1,527,511	(1,007,066)	(94,678)	(691,207)
Other Financing Sources (Uses)					
Operating transfers in (Note 7)	1,386,384	-	1,345,008	1,438,574	4,169,966
Operating transfers out (Note 7)	(269,923)	(2,095,571)	-	(2,195,904)	(4,561,398)
Total other financing sources (uses)	1,116,461	(2,095,571)	1,345,008	(757,330)	(391,432)
Net Change in Fund Balances	(513)	(568,060)	337,942	(852,008)	(1,082,639)
Fund Balances - July 1, 2007	7,242,345	2,036,874	287,991	3,755,294	13,322,504
Fund Balances - June 30, 2008	\$ 7,241,832	\$ 1,468,814	\$ 625,933	\$ 2,903,286	\$ 12,239,865

City of Westland, 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, 2008

Net Change in Fund Balances - Total Governmental Funds	\$ (1,082,639)
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	(27,510,902)
Delinquent personal property tax revenues are recorded in the statement of activities when the taxes are assessed; they are not reported in the funds until collected or collectible within 60 days of year end	51,823
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(10,738)
Revenue due from the State, not received within 60 days of year end, is not available currently and is not recorded in the funds.	9,825
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)	1,604,468
Change in accrued interest on long-term debt is not recorded in the governmental funds	52,726
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(403,161)
Changes to investment in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities	262,898
Internal Service Funds are also included as governmental activities	<u>98,010</u>
Change in Net Assets of Governmental Activities	<u>\$ (26,927,690)</u>

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2008

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 493,096	\$ 50,302
Receivables - Net	7,533,366	-
Due from other funds (Note 7)	-	2,183,439
Due from other governmental units	27,878	-
Inventories	267,678	10,588
Prepaid costs and other assets	29,687	372
Total current assets	8,351,705	2,244,701
Noncurrent assets:		
Restricted assets (Note 6)	960,000	-
Capital assets - Net (Note 5)	77,663,629	4,122,404
Total noncurrent assets	78,623,629	4,122,404
Total assets	86,975,334	6,367,105
Liabilities		
Current liabilities:		
Accounts payable	1,604,724	51,169
Accrued and other liabilities	228,698	1,964,315
Due to other funds	2,417,819	13,248
Escrow deposits	140,008	-
Current portion of long-term debt	1,093,273	474,388
Total current liabilities	5,484,522	2,503,120
Long-term debt - Net of current portion	3,700,000	551,760
Total liabilities	9,184,522	3,054,880
Net Assets		
Investment in capital assets - Net of related debt	73,083,629	3,096,256
Restricted (Note 13)	960,000	-
Unrestricted	3,747,183	215,969
Total net assets	\$ 77,790,812	\$ 3,312,225

City of Westland, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2008

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenues		
Water and sewer	\$ 15,826,592	\$ -
Charges for services	605,965	4,692,418
Penalties	803,583	-
Federal sources	75,857	-
Rent	36,600	-
Other	57,272	-
Total operating revenues	17,405,869	4,692,418
Operating Expenses		
Cost of water	4,275,374	-
Cost of sewage disposal	5,743,025	-
Wages and fringe benefits	3,192,519	573,336
Contracted services	3,266,569	12,200
Operating supplies	261,464	645,579
Repairs and maintenance	42,258	347,815
Insurance, claims, and other	-	2,022,587
Depreciation	1,575,683	953,823
Sundry	142,334	-
Rentals	828,364	13,700
Total operating expenses	19,327,590	4,569,040
Operating (Loss) Income	(1,921,721)	123,378
Nonoperating Revenue (Expenses)		
Investment income	70,577	1,425
Interest expense	(206,881)	(66,223)
Gain on disposal of assets	-	39,430
Total nonoperating expenses	(136,304)	(25,368)
(Loss) Income - Before other financing sources and capital contributions	(2,058,025)	98,010
Other Financing Sources - Operating transfers in (Note 7)	391,432	-
Capital Contributions	146,163	-
Change in Net Assets	(1,520,430)	98,010
Net Assets - July 1, 2007	79,311,242	3,214,215
Net Assets - June 30, 2008	\$ 77,790,812	\$ 3,312,225

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2008

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 17,589,107	\$ -	\$ 17,589,107
Payments to suppliers	(14,856,742)	(1,103,738)	(15,960,480)
Payments to employees	(3,184,300)	(569,665)	(3,753,965)
Internal activity - Payments from other funds	-	4,081,937	4,081,937
Claims paid	-	(1,424,660)	(1,424,660)
Other payments	(12,105)	-	(12,105)
	<u>(464,040)</u>	<u>983,874</u>	<u>519,834</u>
Net cash (used in) provided by operating activities			
	(464,040)	983,874	519,834
Cash Flows from Noncapital Financing Activities -			
Operating transfers and interfund loans	1,801,090	-	1,801,090
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments and fees	146,163	-	146,163
Operating transfers to other funds	391,432	-	391,432
Principal and interest paid on long-term debt	(1,055,975)	(766,445)	(1,822,420)
Purchase of capital assets	(404,266)	(234,219)	(638,485)
Proceeds from sale of assets	-	39,430	39,430
	<u>(922,646)</u>	<u>(961,234)</u>	<u>(1,883,880)</u>
Net cash used in capital and related financing activities			
	(922,646)	(961,234)	(1,883,880)
Cash Flows from Investing Activities - Interest received on investments and other assets	<u>71,192</u>	<u>1,425</u>	<u>72,617</u>
Net Increase in Cash and Cash Equivalents	485,596	24,065	509,661
Cash and Cash Equivalents - July 1, 2007	<u>967,500</u>	<u>26,237</u>	<u>993,737</u>
Cash and Cash Equivalents - June 30, 2008	<u><u>\$ 1,453,096</u></u>	<u><u>\$ 50,302</u></u>	<u><u>\$ 1,503,398</u></u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 493,096	\$ 50,302	\$ 543,398
Restricted assets (Note 6)	<u>960,000</u>	<u>-</u>	<u>960,000</u>
Total	<u><u>\$ 1,453,096</u></u>	<u><u>\$ 50,302</u></u>	<u><u>\$ 1,503,398</u></u>

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2008

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (1,921,721)	\$ 123,378	\$ (1,798,343)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,575,683	953,823	2,529,506
Changes in assets and liabilities:			
Receivables	295,695	-	295,695
Due from other governmental units	(2,027)	-	(2,027)
Due from other funds	-	(591,243)	(591,243)
Inventory	(26,814)	-	(26,814)
Other assets	(701)	-	(701)
Restricted assets	17,065	-	17,065
Accounts payable	(277,470)	(84,110)	(361,580)
Accrued and other liabilities	(20,750)	601,264	580,514
Due to other funds	(103,000)	(19,238)	(122,238)
Net cash (used in) provided by operating activities	<u>\$ (464,040)</u>	<u>\$ 983,874</u>	<u>\$ 519,834</u>

Noncash Activities - During the year ended June 30, 2008, there were no noncash transactions.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2008

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 3,387,072
Investments (Note 3):		
U.S. government securities	13,022,220	-
Corporate bonds	9,449,043	-
Common stock	80,624,206	-
Mutual funds	51,126,639	-
Accrued interest and other assets	284,314	-
Total assets	154,506,422	3,387,072
Liabilities		
Accounts payable	573,383	2,622
Accrued and other liabilities	-	2,075,383
Due to other governmental units	-	1,309,067
Total liabilities	573,383	3,387,072
Net Assets - Held in trust for pension benefits and other purposes	\$ 153,933,039	\$ -

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2008

	Pension Trust Fund - Police and Fire Retirement
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,728,723
Net decrease in fair value of investments	(6,810,673)
Investment-related expenses	<u>(162,215)</u>
Total investment loss	(4,244,165)
Employer contributions:	
Pension	5,085,329
Medical insurance	<u>2,368,420</u>
Total contributions	7,453,749
Deductions	
Benefit payments	6,880,290
Medical premiums	<u>2,368,420</u>
Total deductions	<u>9,248,710</u>
Net Decrease	(6,039,126)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>159,972,165</u>
End of year	<u><u>\$ 153,933,039</u></u>

City of Westland, Michigan

Component Units Statement of Net Assets June 30, 2008

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 388,819	\$ 4,838	\$ 870,567	\$ 1,104,162	\$ 2,368,386
Investments (Note 3)	-	-	-	283,928	283,928
Accrued interest receivable	-	-	-	351,907	351,907
Restricted assets	642,681	-	-	-	642,681
Capital assets - Net (Note 5)	<u>1,573,988</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,573,988</u>
Total assets	2,605,488	4,838	870,567	1,739,997	5,220,890
Liabilities					
Accounts payable	18,220	-	400	31,037	49,657
Accrued interest	13,406	-	-	-	13,406
Long-term debt (Note 8):					
Due within one year	500,000	-	75,000	-	575,000
Due in more than one year	<u>550,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>625,000</u>
Total liabilities	<u>1,081,626</u>	<u>-</u>	<u>150,400</u>	<u>31,037</u>	<u>1,263,063</u>
Net Assets					
Investment in capital assets - Net of related debt	1,166,669	-	-	-	1,166,669
Unrestricted	<u>357,193</u>	<u>4,838</u>	<u>720,167</u>	<u>1,708,960</u>	<u>2,791,158</u>
Total net assets	<u><u>\$ 1,523,862</u></u>	<u><u>\$ 4,838</u></u>	<u><u>\$ 720,167</u></u>	<u><u>\$ 1,708,960</u></u>	<u><u>\$ 3,957,827</u></u>

City of Westland, Michigan

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Downtown Development Authority</u>
Governmental Activities				
Downtown Development Authority - Operations	\$ 1,358,120	\$ -	\$ -	\$ (1,358,120)
Economic Development Corporation - Operations	-	-	-	-
Local Development Finance Authority - Operations	147,487	-	-	-
Tax Increment Finance Authority - Operations	<u>428,464</u>	<u>-</u>	<u>-</u>	<u>-</u>
 Total governmental activities	 <u>\$ 1,934,071</u>	 <u>\$ -</u>	 <u>\$ -</u>	 (1,358,120)
 General revenues:				
Property taxes				1,360,890
Property tax refunds				-
Interest and sundry				<u>30,769</u>
 Total general revenues				 <u>1,391,659</u>
 Change in Net Assets				 33,539
 Net Assets - July 1, 2007				 <u>1,490,323</u>
 Net Assets - June 30, 2008				 <u>\$ 1,523,862</u>

**Component Units
Statement of Activities
Year Ended June 30, 2008**

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
Local			
Economic Development Corporation	Development Finance Authority	Tax Increment Finance Authority	Total
\$ -	\$ -	\$ -	\$ (1,358,120)
-	-	-	-
-	(147,487)	-	(147,487)
-	-	(428,464)	(428,464)
-	(147,487)	(428,464)	(1,934,071)
-	294,608	4,786,453	6,441,951
-	-	(4,164,214)	(4,164,214)
-	33,410	107,916	172,095
-	328,018	730,155	2,449,832
-	180,531	301,691	515,761
4,838	539,636	1,407,269	3,442,066
<u>\$ 4,838</u>	<u>\$ 720,167</u>	<u>\$ 1,708,960</u>	<u>\$ 3,957,827</u>

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Westland, 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:

Reporting Entity

The City is governed by an elected mayor and an elected seven-member council. The accompanying financial statements present the City of Westland, Michigan and its component units, entities for which the City is considered to be financially accountable. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government, and separate financial statements are not issued.

The City of Westland Building Authority is governed by a three-member board that is appointed by the mayor and approved by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activity of the City of Westland Building Authority is reported within the Building Authority Debt - Tower and Building Authority Debt - Court Expansion Debt Service Funds.

Discretely Presented Component Units

- a. The Local Development Finance Authority and the Tax Increment Finance Authority were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authority's governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation 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 residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

- c. The Downtown Development 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 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.
- d. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Brownfield Redevelopment Authority is inactive as of June 30, 2008.

Government-wide and Fund Financial Statements

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Property taxes, special assessments, state-shared revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. Sales taxes collected and held by the State at year end on behalf of the City also are recognized as revenue. All other revenue items, such as fines and permits, are considered to be available only when cash is received by the City.

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.

Note I - Summary of Significant Accounting Policies (Continued)

Major Roads Fund - The Major Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on major roads.

Local Roads Fund - The Local Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on local roads.

The City reports the following major proprietary fund:

Enterprise Fund - Water and Sewer - The Water and Sewer Fund accounts for the activities of the water distribution system and sewage collection system.

Additionally, the government reports the following fund types:

Internal Service Funds - The Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

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

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 government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 our 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.

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

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

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." No allowance for uncollectible accounts had been recorded as the City believes all receivables will be collected.

Property Taxes - Property taxes are levied on each July 1 on the taxable valuation of property as of the preceding December 31. Taxes are due on August 15, with the final collection date of February 28 before they are added to the delinquent county tax rolls.

The 2007 taxable valuation of the City totaled approximately \$2.31 billion, on which ad valorem taxes levied consisted of 6.4834 mills for the City's operating purposes, .9477 mills for operation of the library, 3.3500 mills for the Police and Fire Pension Fund, 2.1500 mills for sanitation, and .2554 mills for water and sewer debt service. The ad valorem taxes levied raised approximately \$15.0 million for City operations, approximately \$2.2 million for operation of the library, approximately \$7.7 million for the Police and Fire Pension Fund, approximately \$5.0 million for sanitation, and approximately \$0.6 million for water and sewer debt service. Portions of the amounts levied have been captured by the tax increment financing authorities reported in the component units. These amounts, net of the amounts reported by the component units, are recognized in the respective General Fund, Special Revenue Fund, and Debt Service Fund financial statements as taxes receivable or as tax revenue.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City's water and sewer lines.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. 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.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Roads and sidewalks	20-30 years
Buildings and improvements	20-40 years
Water and sewer distribution system	5-100 years
Tools and equipment	2-40 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policy, employees earn sick and vacation time based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. The face amount of debt issued is reported as other financing sources in the governmental fund-based statements.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted 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, expenses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than as a reduction of expenditures, transfers are included as revenue and expenditures, and proceeds of long-term debt are included as revenue.

The annual budget is prepared by the City management and submitted to the City Council by April 1 of each year. The budget is adopted by the City Council at the first Council meeting in June. Subsequent amendments are approved by the City Council. Amendments may be made by the City Council up until the last day of the fiscal year. The General Fund budget, including the District Court, has been adopted on a departmental basis. The other funds' budgets have been adopted on an aggregate basis; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

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

Following is a reconciliation of the General Fund's budget statement to the operating statement:

	<u>Revenue</u>	<u>Expenditures</u>
Amounts per operating statement	\$ 54,138,267	\$ 55,255,241
Other financing sources per operating statement	1,386,384	-
Other financing uses per operating statement	-	269,923
Reimbursements from other funds recorded as revenue	<u>3,201,104</u>	<u>3,201,104</u>
Amounts per budget statement	<u>\$ 58,725,755</u>	<u>\$ 58,726,268</u>

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2008 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Funds is presented as required supplemental information. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at City Hall.

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

	<u>Budget</u>	<u>Actual</u>
General Fund:		
District Court	\$ 3,708,772	\$ 3,794,893
General - Law	665,000	740,090
Police and fire retirement board	550,000	752,964
Motorpool contribution	1,365,532	1,388,397

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

The City has designated six banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of state statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, 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 \$12,026,290 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. At year end, the component units had \$2,809,342 of bank deposits that were uninsured and uncollateralized.

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

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 (Years)
U.S. Treasury securities (pension)	\$ 4,219,820	14.40
U.S. agency securities (pension)	8,802,400	26.48
Corporate securities (pension)	9,449,043	17.17

At year end, the average maturity of the investment for the City's component units is as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 649,834	5.04

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Comerica J Fund	\$ 467,142	AI, PI	S&P, Moody's
Corporate securities (pension)	1,255,000	A	S&P
Corporate securities (pension)	575,000	AA	S&P
Corporate securities (pension)	1,721,000	AAA	S&P
Corporate securities (pension)	1,236,000	B	S&P
Corporate securities (pension)	797,000	BB	S&P
Corporate securities (pension)	2,894,000	BBB	S&P
Corporate securities (pension)	385,000	CCC	S&P
Corporate securities (pension)	586,000	NR	N/A

Concentration of Credit Risk

The City places no limit on the amount the City may invest in any one issuer. No more than 5 percent of the City's investments are invested in any one issuer.

Note 4 - Receivables

The City's receivables of governmental activities are as follows:

	General Fund	Major Roads Funds	Local Roads Funds	Nonmajor and Other Funds	Total		Total Primary Government	Component Units
					Governmental Activities	Business-type Activities		
Receivables:								
Taxes	\$ 666,277	\$ -	\$ -	\$ 118,228	\$ 784,505	\$ 273,961	\$ 1,058,466	\$ -
Intergovernmental	3,265,009	550,650	197,894	122,195	4,135,748	27,878	4,163,626	-
Special assessments	3,996	-	344,070	-	348,066	-	348,066	-
Customer	-	-	-	-	-	7,258,106	7,258,106	-
Interest and other	422,153	-	-	504,906	927,059	1,299	928,358	351,907
Total receivables	\$ 4,357,435	\$ 550,650	\$ 541,964	\$ 745,329	\$ 6,195,378	\$ 7,561,244	\$ 13,756,622	\$ 351,907

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 4 - Receivables (Continued)

The delinquent real property taxes of the City are purchased by the County of Wayne. The County issues tax notes, the proceeds of which were used to pay the City for these property taxes. These taxes have been recorded as revenue for the current year.

The City considers all receivables to be collectible and has not recorded an allowance for doubtful accounts.

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:

	Revenue Not Available	Revenue Not Earned	Total
General Fund - Personal property tax	\$ 676,103	\$ -	\$ 676,103
Local Roads Fund - Special assessment revenue	344,070	-	344,070
Other nonmajor governmental funds - E-911 wireless revenue	99,243	-	99,243
Other nonmajor governmental funds - Federal grant revenue	-	96,681	96,681
	<u>-</u>	<u>96,681</u>	<u>96,681</u>
Total	<u>\$ 1,119,416</u>	<u>\$ 96,681</u>	<u>\$ 1,216,097</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets

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

	Balance July 1, 2007	Additions	Disposals and Adjustments	Balance June 30, 2008	Depreciable Life - Years
Governmental Activities					
Capital assets not being depreciated - Land	\$ 2,340,379	\$ -	\$ -	\$ 2,340,379	-
Capital assets being depreciated:					
Roads and sidewalks	756,822,850	801,142	-	757,623,992	20-30
Buildings and improvements	17,954,545	92,367	-	18,046,912	20-40
Other tools and equipment	24,610,303	1,012,521	689,124	24,933,700	2-40
Subtotal	799,387,698	1,906,030	689,124	800,604,604	
Accumulated depreciation:					
Roads and sidewalks	473,738,386	27,489,226	-	501,227,612	
Buildings and improvements	3,976,400	420,725	-	4,397,125	
Other tools and equipment	15,243,277	1,999,634	689,124	16,553,787	
Subtotal	492,958,063	29,909,585	689,124	522,178,524	
Net capital assets being depreciated	306,429,635	(28,003,555)	-	278,426,080	
Net capital assets	\$ 308,770,014	\$ (28,003,555)	\$ -	\$ 280,766,459	
Business-type Activities					
Capital assets being depreciated - Water and sewer distribution systems	\$ 105,658,299	\$ 404,266	\$ -	\$ 106,062,565	5-100
Accumulated depreciation - Water and sewer distribution systems	26,823,253	1,575,683	-	28,398,936	
Net capital assets	\$ 78,835,046	\$ (1,171,417)	\$ -	\$ 77,663,629	
Component Units					
Capital assets not being depreciated - Land	\$ 90,000	\$ -	\$ -	\$ 90,000	-
Capital assets being depreciated - DDA Streetscape	1,738,525	2,968	-	1,741,493	20
Accumulated depreciation - DDA Streetscape	170,430	87,075	-	257,505	
Net capital assets being depreciated	1,568,095	(84,107)	-	1,483,988	
Net capital assets	\$ 1,658,095	\$ (84,107)	\$ -	\$ 1,573,988	

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 786,157
Public safety	482,062
Public works	27,516,256
Recreation and culture	171,287
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>953,823</u>

Total governmental activities \$ 29,909,585

Business-type activities - Enterprise Fund - Water and Sewer \$ 1,575,683

Note 6 - Restricted Assets

Restricted assets at June 30, 2008 consist of the following:

Cash and cash equivalents \$ 960,000

These assets are restricted for the following purposes:

Bond reserve for 1998 Water and Sewer Revenue Bonds	\$ 397,500
Bond reserve for 2003 Water and Sewer Revenue Bonds	377,500
Bond reserve for 2006 Water and Sewer Revenue Bonds	<u>185,000</u>

Total restricted assets \$ 960,000

Restricted assets in the Downtown Development Authority consist of unspent bond proceeds totaling \$642,681.

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Interfund Balances and Operating Transfers

The composition of interfund receivables and payables balances is as follows:

General Fund:	
Major Roads Fund	\$ 581,155
Local Roads Fund	464,211
Water and Sewer Fund	2,011,888
Motorpool Fund	13,248
Other nonmajor governmental funds	<u>279,196</u>
Total General Fund - Interfund receivable	3,349,698
Other nonmajor governmental funds:	
General Fund	106,972
Other nonmajor governmental funds	<u>4,458</u>
Total other nonmajor governmental funds - Interfund receivable	<u>111,430</u>
Total governmental funds	3,461,128
Other proprietary funds:	
General Fund	1,777,508
Water and Sewer Fund	<u>405,931</u>
Total other proprietary funds - Interfund receivable	<u>2,183,439</u>
Total interfund receivable	<u><u>\$ 5,644,567</u></u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 7 - Interfund Balances and Operating Transfers (Continued)

The composition of operating transfers is as follows:

<u>Operating Transfer Out</u>	<u>Operating Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds (1)	\$ 269,923
Major Roads Fund	Local Roads Fund (2)	1,345,008
	Other governmental funds (1)	<u>750,563</u>
	Total Major Roads Fund	2,095,571
Other governmental funds	General Fund (2)	1,386,384
	Other governmental funds (2)	418,088
	Water and Sewer Fund (2)	<u>391,432</u>
	Total other governmental funds	<u>2,195,904</u>
	Total operating transfers	<u>\$ 4,561,398</u>

(1) Transfer for debt service

(2) Transfer for general operations

Note 8 - 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.

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

Governmental Activities	July 1, 2007	Additions	Reductions	June 30, 2008	Due Within One Year
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 1,200,000	\$ -	\$ (225,000)	\$ 975,000	\$ 225,000
1998 Michigan Transportation Fund Bonds	2,000,000	-	(200,000)	1,800,000	200,000
2005 Building Authority Refunding Bonds	3,950,000	-	(110,000)	3,840,000	110,000
County drain contracts	694,012	-	(694,012)	-	-
2004 Michigan Transportation Fund Bonds	2,800,000	-	(100,000)	2,700,000	100,000
1999 Building Authority Bonds	325,000	-	(100,000)	225,000	100,000
HUD Section 108 loans	240,000	-	(100,000)	140,000	70,000
Compensated absences	9,383,425	403,161	-	9,786,586	2,979,468
Installment purchase agreements:					
Police communications equipment	155,392	-	(75,456)	79,936	38,630
Other equipment	1,499,421	226,951	(700,224)	1,026,148	474,388
Total governmental activities	<u>\$ 22,247,250</u>	<u>\$ 630,112</u>	<u>\$ (2,304,692)</u>	<u>\$ 20,572,670</u>	<u>\$ 4,297,486</u>
Business-type Activities					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 2,325,000	\$ -	\$ (200,000)	\$ 2,125,000	\$ 200,000
2003 Water and Sewer Revenue Bonds	1,180,000	-	(575,000)	605,000	605,000
2006 Water and Sewer Revenue Bonds	1,925,000	-	(75,000)	1,850,000	75,000
Compensated absences	212,367	906	-	213,273	213,273
Total business-type activities	<u>\$ 5,642,367</u>	<u>\$ 906</u>	<u>\$ (850,000)</u>	<u>\$ 4,793,273</u>	<u>\$ 1,093,273</u>
Note: The change in compensated absences is the net change to the liability during the year ended June 30, 2008.					
Component Units					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 230,000	\$ -	\$ (80,000)	\$ 150,000	\$ 75,000
2003 Downtown Development Authority Bonds	1,500,000	-	(450,000)	1,050,000	500,000
Total component units	<u>\$ 1,730,000</u>	<u>\$ -</u>	<u>\$ (530,000)</u>	<u>\$ 1,200,000</u>	<u>\$ 575,000</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 8 - Long-term Debt (Continued)

Other information concerning long-term debt obligations is as follows:

	Original Principal	Outstanding Debt June 30, 2008	Final Payment Date	Maturity Payment Ranges	Interest Rates
Governmental Activities					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,500,000	\$ 975,000	12/01/2011	\$225,000-\$250,000	4.000%-4.750%
1998 Michigan Transportation Fund Bonds	2,900,000	1,800,000	12/01/2013	\$200,000-\$400,000	4.250%-4.500%
2005 Building Authority Bonds	3,970,000	3,840,000	11/01/2019	\$110,000-\$500,000	3.250%-5.000%
2004 Michigan Transportation Fund Bonds	3,000,000	2,700,000	12/01/2018	\$100,000-\$300,000	2.500%-4.000%
1999 Building Authority Bonds	2,600,000	225,000	07/01/2009	\$100,000-\$125,000	5.000%
Other debt	2,353,206	1,246,084	10/09/2008	\$10,652-\$115,000	3.410%-6.600%
Total governmental activities	<u>\$ 17,323,206</u>	<u>\$ 10,786,084</u>			
Business-type Activities					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 3,225,000	\$ 2,125,000	04/01/2018	\$200,000-\$250,000	4.400%-4.500%
2003 Water and Sewer Revenue Bonds	3,025,000	605,000	04/01/2009	\$605,000	3.000%
2006 Water and Sewer Revenue Bonds	2,000,000	1,850,000	04/01/2015	\$75,000-\$300,000	3.875%-3.900%
Total business-type activities	<u>\$ 8,250,000</u>	<u>\$ 4,580,000</u>			
Component Units					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 525,000	\$ 150,000	06/01/2010	\$75,000	3.450%-3.800%
2003 Downtown Development Authority Bonds	2,420,000	1,050,000	10/01/2009	\$500,000-\$550,000	2.625%-2.875%
Total component units	<u>\$ 2,945,000</u>	<u>\$ 1,200,000</u>			

Annual debt service requirements to maturity for the City's long-term obligations, except compensated absences, are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2009	\$ 1,318,018	\$ 442,780	\$ 1,760,798	\$ 880,000	\$ 185,275	\$ 1,065,275	\$ 575,000	\$ 27,813	\$ 602,813
2010	1,363,903	375,047	1,738,950	300,000	155,419	455,419	625,000	10,756	635,756
2011	1,169,163	316,354	1,485,517	475,000	142,744	617,744	-	-	-
2012	1,055,000	265,726	1,320,726	475,000	123,088	598,088	-	-	-
2013	960,000	223,313	1,183,313	475,000	103,431	578,431	-	-	-
2014	955,000	187,876	1,142,876	475,000	83,775	558,775	-	-	-
2015	630,000	147,626	777,626	475,000	64,050	539,050	-	-	-
2016	680,000	119,226	799,226	525,000	32,625	557,625	-	-	-
2017	705,000	90,788	795,788	250,000	22,500	272,500	-	-	-
2018	705,000	63,525	768,525	250,000	11,250	261,250	-	-	-
2019	745,000	34,900	779,900	-	-	-	-	-	-
2020	500,000	10,000	510,000	-	-	-	-	-	-
Total	<u>\$ 10,786,084</u>	<u>\$ 2,277,161</u>	<u>\$ 13,063,245</u>	<u>\$ 4,580,000</u>	<u>\$ 924,157</u>	<u>\$ 5,504,157</u>	<u>\$ 1,200,000</u>	<u>\$ 38,569</u>	<u>\$ 1,238,569</u>

Total interest incurred related to governmental and business-type activities for the year approximated \$469,000 and \$206,000, respectively. Total interest incurred related to component units for the year approximated \$42,000.

Note 8 - Long-term Debt (Continued)

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2008, \$4,300,000 of bonds outstanding are considered defeased.

Future Revenues Pledged for Debt Payments - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal systems. The bonds are payable solely from the net revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds is \$5,515,857. During the current year, the annual debt requirement of \$1,062,506 was paid out of system reserves as the system operated at a loss for the year.

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 claims, and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to property loss, torts, and errors and omissions; the City is uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

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 Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

Note 9 - Risk Management (Continued)

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the General Liability Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Estimated liability - Beginning of year	\$ 722,599	\$ 722,599
Estimated claims incurred, including changes in estimates	1,805,756	1,254,000
Claim payments	<u>(1,422,895)</u>	<u>(1,254,000)</u>
Estimated liability - End of year	<u>\$ 1,105,460</u>	<u>\$ 722,599</u>

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Workers' Compensation Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Estimated liability - Beginning of year	\$ 573,069	\$ 449,445
Estimated claims incurred, including changes in estimates	814,090	903,124
Claim payments	<u>(599,358)</u>	<u>(779,500)</u>
Estimated liability - End of year	<u>\$ 787,801</u>	<u>\$ 573,069</u>

Note 10 - Defined Benefit Pension Plans

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2007, the date of the most recent actuarial valuation, membership consisted of 166 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 179 current active employees. The plan does not issue a separate financial report.

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

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

Annual Pension Costs - For the year ended June 30, 2008, the City's annual pension cost of \$5,085,329 for the plan was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2006	2007	2008
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 4,069,216	\$ 4,281,154	\$ 5,085,329
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 10 - Defined Benefit Pension Plans (Continued)

Funded Status and Funding Progress - As of June 30, 2007, the most recent actuarial valuation date, the plan was 99.7 percent funded. The actuarial accrued liability for benefits was \$141,233,100, and the actuarial value of assets was \$140,751,089, resulting in an unfunded actuarial accrued liability of \$482,011. The covered payroll (annual payroll for active employees covered by the plan) was \$12,661,870, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 3.1 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2006, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5.00 percent per year to 9.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. 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 a closed basis. The remaining amortization period is 20 years.

Reserves - As of June 30, 2008, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 822,775
Reserve for retired benefit payments	70,883,141

Note 10 - Defined Benefit Pension Plans (Continued)

Municipal Employees' Retirement System of Michigan

Plan Description - The City participates in the Municipal Employees' Retirement System of Michigan (MERS), an agent multiple-employer defined benefit pension plan that covers all employees of the City other than police and fire employees. The MERS provides retirement, disability, and death benefits to plan members and their beneficiaries. The MERS issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, MI 48197.

Funding Policy - The obligation to contribute to and maintain the MERS for these employees was established by negotiation with the City's competitive bargaining units and requires no contribution from the employees.

Annual Pension Costs - For the year ended June 30, 2008, the City's annual pension cost of \$3,733,896 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age cost method. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return, (b) projected salary increases of 4.50 percent per year to 12.90 percent per year, attributable to seniority/merit, and (c) postretirement benefit increases of 2.50 percent annually. Both (a) and (b) include an inflationary component of 4.50 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 30 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2006	2007	2008
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 3,489,536	\$ 3,569,964	\$ 3,733,896
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 10 - Defined Benefit Pension Plans (Continued)

	Actuarial Valuation as of December 31		
	2005	2006	2007
Actuarial value of assets	\$ 49,394,852	\$ 52,375,178	\$ 55,371,148
Actuarial accrued liability (AAL) (entry)	\$ 85,133,646	\$ 89,836,497	\$ 94,315,225
Unfunded AAL (UAAL)	\$ 35,738,794	\$ 37,461,319	\$ 38,944,077
Funded ratio	58.02%	58.30%	58.71%
Covered payroll	\$ 10,123,891	\$ 10,177,100	\$ 10,622,098
UAAL as a percentage of covered payroll	353%	368%	367%

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission and the Central Wayne County Sanitation Authority with the communities indicated below. The City appoints two members to the Nankin Transit Commission's governing board and one member to the Central Wayne County Sanitation Authority's board, who then approves the annual budget. The City recorded a long-term asset related to the two joint ventures of approximately \$730,000 in the government-wide statement of net assets.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, other than the letter of credit discussed in Note 12. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at William J. Engle Memorial Building, 37137 Marquette St., Westland, MI 48185 and 3759 Commerce Court, Wayne, MI 48184, respectively.

	Nankin Transit Commission	Central Wayne County Sanitation Authority
Participating communities	City of Garden City City of Inkster City of Wayne City of Westland	City of Dearborn Heights City of Garden City City of Inkster City of Wayne City of Westland

Note 12 - Contingent Liabilities

Letter of Credit - The City participates in a joint venture, the Central Wayne County Sanitation Authority, through which the City has obligated its full faith and credit under an irrevocable letter of credit. The letter of credit totals \$325,000, of which the City's portion would be \$120,000 should the Authority default on this letter of credit. See Note 11 for financial information on Central Wayne County Sanitation Authority.

Environmental Cleanup - The City may have financial exposure in actions to cleanup sites of environmental contamination. These sites are not currently owned or controlled by the City. Evaluation of the required cleanup and associated costs is in the process of being determined by the current property owners. The monetary exposure to the City cannot presently be determined but could be significant.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The new pronouncement provides guidance for local units of government in recognizing pollution remediation expenses and obligations to address current or potential detrimental effects of existing pollution. The new pronouncement is effective for the year ending June 30, 2009. Management is currently assessing the impact of this new accounting standard on the City's financial statements for future reporting periods.

City of Westland, Michigan

Notes to Financial Statements June 30, 2008

Note 13 - Restricted Net Assets

Net assets have been restricted for the following purposes:

Restricted for	Total Governmental Activities	Total Business-type Activities
Police and Fire Retirement System	\$ 1,823,000	\$ -
Sanitation	2,785,000	-
Street lighting	53,583	-
Public safety - E911	350,237	-
Public safety - Drug forfeiture	272,811	-
County drain debt service	13,215	-
800 MHZ Fund	34,458	-
Public Improvement Fund	34,073	-
Task Force Fund	62,560	-
Restricted Cable Commission projects	429,595	-
Revenue bonds	-	960,000
Metro Act Fund - Right-of-way improvements	151,072	-
Total	\$ 6,009,604	\$ 960,000

Note 14 - Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 392 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$4,590,000. Of this amount, approximately \$2,368,000 and \$2,222,000 was paid by the Police and Fire Retirement System Fund and the General Fund, respectively.

Note 14 - Postemployment Benefits (Continued)

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 15 - Construction Code Fees

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

Building permit revenue	\$ 994,043
Direct costs	<u>(1,583,704)</u>
Excess	(589,661)
Cumulative shortfall - July 1, 2007	<u>(1,806,415)</u>
Cumulative shortfall - June 30, 2008	<u><u>\$ (2,396,076)</u></u>

Note 16 - Commitments

The City has entered into several construction and maintenance contracts totaling \$3,683,503. As of June 30, 2008, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 17 - Subsequent Events

Declines in Investment Values - Subsequent to year end, the City's Pension Trust Fund - Police and Fire Retirement has incurred a significant decline in fair value, consistent with the general decline in financial markets. However, because the values of individual investments fluctuate with market conditions, the amount of losses that will be recognized in subsequent periods, if any, cannot be determined.

Acquisition of Assets - On November, 1, 2008, the Elderly Housing Corp. building reverts to the City.

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2007	\$ 7,242,345	\$ 7,242,345	\$ 7,242,345	\$ -
Revenues				
Property taxes	26,484,952	26,484,952	25,757,011	(727,941)
Business licenses and permits	27,300	33,300	24,345	(8,955)
Nonbusiness licenses and permits	1,548,950	1,542,950	1,110,380	(432,570)
State-shared revenue	8,785,533	8,785,533	8,494,083	(291,450)
Charges for services	9,038,039	12,398,689	12,121,476	(277,213)
Miscellaneous	14,664,047	11,526,437	11,218,460	(307,977)
Total revenues	60,548,821	60,771,861	58,725,755	(2,046,106)
Appropriations				
Legislative	138,653	138,653	126,304	12,349
District Court	4,020,621	3,708,772	3,794,893	(86,121)
Executive	557,464	557,464	517,681	39,783
Elections	324,049	384,049	356,990	27,059
City clerk	515,880	515,880	497,309	18,571
Assessment	573,427	573,427	512,330	61,097
Police and Fire Retirement Board	550,000	550,000	752,964	(202,964)
Law	665,000	665,000	740,090	(75,090)
Personnel	354,314	354,314	345,589	8,725
Board of Review	4,578	4,578	4,279	299
Finance	1,819,418	1,819,418	1,525,408	294,010
City Hall and grounds	214,780	214,780	192,129	22,651
General civil service	9,102	9,102	1,791	7,311
Police and fire civil service	30,159	30,159	19,656	10,503
General government	2,668,054	2,668,054	2,668,051	3
Police	15,951,387	16,156,622	16,098,322	58,300
Fire	11,663,504	11,816,364	11,778,336	38,028
Building	1,662,769	1,662,769	1,583,704	79,065
Joint dispatch	1,524,845	1,535,020	1,156,038	378,982
General maintenance	694,106	694,106	126,490	567,616
Engineering	672,334	672,334	436,562	235,772
Highway maintenance	3,403,685	3,403,685	3,201,104	202,581
Sanitation	4,195,806	4,065,071	3,500,010	565,061
Youth assistance program	213,732	217,482	207,776	9,706
Senior resources	526,145	526,145	440,279	85,866

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Appropriations (Continued)				
Parks and recreation	\$ 1,752,732	\$ 1,869,746	\$ 1,812,593	\$ 57,153
Golf course	446,016	446,016	404,173	41,843
Parks and Recreation Advisory Council	5,040	5,040	3,360	1,680
Ice arena	518,173	518,173	493,373	24,800
Housing	478,863	478,863	457,354	21,509
Economic development	164,517	159,973	135,001	24,972
Historical Commission	20,000	33,430	30,776	2,654
Economic Development Corporation	256	4,800	2,886	1,914
Planning	257,877	257,877	216,876	41,001
Planning Commission	9,337	9,337	7,109	2,228
Zoning Board of Appeals	10,024	10,024	8,165	1,859
Community development programs	488,866	488,866	428,279	60,587
Commission on Aging	7,920	7,920	6,312	1,608
Insurance and bonds	2,425,000	2,589,507	2,477,606	111,901
Motorpool contribution	1,317,198	1,365,532	1,388,397	(22,865)
Operating transfers out	-	311,849	269,923	41,926
Total appropriations	<u>60,855,631</u>	<u>61,500,201</u>	<u>58,726,268</u>	<u>2,773,933</u>
Fund Balance - June 30, 2008	<u>\$ 6,935,535</u>	<u>\$ 6,514,005</u>	<u>\$ 7,241,832</u>	<u>\$ 727,827</u>

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2007	\$ 2,036,874	\$ 2,036,874	\$ 2,036,874	\$ -
Sources				
State sources	3,500,000	3,500,000	3,361,701	(138,299)
Charges for services	88,600	88,600	86,846	(1,754)
Interest income	50,000	50,000	38,616	(11,384)
Total sources	5,675,474	5,675,474	5,524,037	(151,437)
Uses				
Maintenance	600,000	600,000	662,815	(62,815)
Traffic	75,000	75,000	53,220	21,780
Snow removal	250,000	250,000	407,939	(157,939)
Administration	350,000	350,000	336,170	13,830
Construction	344,307	901,399	499,508	401,891
Transfers to other funds	2,500,989	2,500,989	2,095,571	405,418
Total uses	4,120,296	4,677,388	4,055,223	622,165
Fund Balance - June 30, 2008	<u>\$ 1,555,178</u>	<u>\$ 998,086</u>	<u>\$ 1,468,814</u>	<u>\$ 470,728</u>

Note: For Special Revenue Funds, the final amended budget is adopted at the fund level.

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2008

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2007	\$ 287,991	\$ 287,991	\$ 287,991	\$ -
Sources				
State sources	1,250,000	1,250,000	1,207,680	(42,320)
Special assessments	60,000	60,000	78,902	18,902
Interest income	5,000	5,000	147	(4,853)
Transfers from other funds	<u>1,750,000</u>	<u>1,750,000</u>	<u>1,345,008</u>	<u>(404,992)</u>
Total sources	3,352,991	3,352,991	2,919,728	(433,263)
Uses				
Maintenance	1,700,000	1,700,000	1,661,959	38,041
Traffic	85,000	85,000	145,765	(60,765)
Snow removal	250,000	250,000	234,204	15,796
Administration	125,000	125,000	120,768	4,232
Construction	<u>300,000</u>	<u>400,000</u>	<u>131,099</u>	<u>268,901</u>
Total uses	<u>2,460,000</u>	<u>2,560,000</u>	<u>2,293,795</u>	<u>266,205</u>
Fund Balance - June 30, 2008	<u>892,991</u>	<u>792,991</u>	<u>625,933</u>	<u>(167,058)</u>

Note: For Special Revenue Funds, the final amended budget is adopted at the fund level.

City of Westland, Michigan

Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded/ Underfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	AAL (UAAL) as a Percentage of Covered Payroll
06/30/2002	\$ 124,500	\$ 110,400	\$ (14,100)	112.8	\$ 11,100	(127.0)
06/30/2003	123,700	116,300	(7,400)	106.4	11,300	(65.5)
06/30/2004	123,800	121,700	(2,100)	101.7	11,400	(18.4)
06/30/2005	125,200	126,400	1,200	99.1	11,300	10.6
06/30/2006	128,700	134,600	5,900	95.6	12,600	46.8
06/30/2007	140,800	141,200	400	99.7	12,700	3.1

Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/03	12/31/02	\$ 1,846,559	100
06/30/04	12/31/03	2,367,997	100
06/30/05	12/31/04	3,287,050	100
06/30/06	12/31/05	4,069,216	100
06/30/07	12/31/06	4,281,154	100
06/30/08	12/31/07	5,085,329	100

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

Other Supplemental Information

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
General Government				
Legislative	\$ 96,701	\$ 96,688	\$ 5,182	\$ 4,721
City Clerk	499,815	489,014	9,215	6,004
Executive	537,589	503,102	8,275	5,261
Elections	159,688	141,661	36,797	37,981
Assessment	562,472	504,636	4,305	2,802
General - Law	-	-	-	-
General - Civil service	3,820	1,526	957	183
Police and fire civil service	2,480	2,480	159	55
Finance	1,527,323	1,284,657	55,050	49,062
Board of Review	4,564	4,267	14	12
City Hall and grounds	-	-	27,930	25,803
General government	2,290,388	2,290,387	38,848	38,847
Engineering	351,234	311,126	4,700	1,644
General maintenance	96,777	88,494	4,974	253
Planning	242,601	213,065	3,216	1,415
Planning Commission	8,100	6,024	112	75
Zoning Board of Appeals	9,298	7,866	281	280
Economic development	154,673	134,123	5,300	878
Community development programs	412,981	355,158	5,899	5,403
Housing development	478,863	457,354	-	-
Insurance and bonds	107,000	106,845	-	-
Personnel	342,483	339,360	3,290	2,580
Total general government	7,888,850	7,337,833	214,504	183,259
Public Safety				
District Court	3,011,272	3,170,886	96,500	113,212
Police	15,010,056	14,931,735	56,923	58,021
Fire	11,316,485	11,315,532	129,272	111,963
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,329,520	1,146,174	4,000	467
Building	1,491,200	1,425,886	18,445	8,804
Total public safety	32,158,533	31,990,213	305,140	292,467
Highways and Streets	2,402,986	2,292,490	380,224	294,500

* The total column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

Other Supplemental Information
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2008

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 36,770	\$ 24,895	\$ -	\$ -	\$ -	\$ -	\$ 138,653	\$ 126,304
6,850	2,291	-	-	-	-	515,880	497,309
11,600	9,318	-	-	-	-	557,464	517,681
187,564	177,348	-	-	-	-	384,049	356,990
6,650	4,892	-	-	-	-	573,427	512,330
665,000	740,090	-	-	-	-	665,000	740,090
4,325	82	-	-	-	-	9,102	1,791
27,520	17,121	-	-	-	-	30,159	19,656
237,045	191,689	-	-	-	-	1,819,418	1,525,408
-	-	-	-	-	-	4,578	4,279
186,850	166,326	-	-	-	-	214,780	192,129
338,818	338,817	-	-	-	-	2,668,054	2,668,051
316,400	123,792	-	-	-	-	672,334	436,562
592,355	37,743	-	-	-	-	694,106	126,490
12,060	2,396	-	-	-	-	257,877	216,876
1,125	1,010	-	-	-	-	9,337	7,109
445	19	-	-	-	-	10,024	8,165
4,800	2,886	-	-	-	-	164,773	137,887
69,986	67,718	-	-	-	-	488,866	428,279
-	-	-	-	-	-	478,863	457,354
2,482,507	2,370,761	-	-	-	-	2,589,507	2,477,606
8,541	3,649	-	-	-	-	354,314	345,589
5,197,211	4,282,843	-	-	-	-	13,300,565	11,803,935
601,000	510,795	-	-	-	-	3,708,772	3,794,893
988,086	1,009,484	15,590	13,117	85,967	85,965	16,156,622	16,098,322
353,700	333,935	16,907	16,906	-	-	11,816,364	11,778,336
550,000	752,964	-	-	-	-	550,000	752,964
1,000	149	200,500	9,248	-	-	1,535,020	1,156,038
153,124	149,014	-	-	-	-	1,662,769	1,583,704
2,646,910	2,756,341	232,997	39,271	85,967	85,965	35,429,547	35,164,257
620,475	614,114	-	-	-	-	3,403,685	3,201,104

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
Building Authority Debt - Tower - Operating transfer	\$ -	\$ -	\$ -	\$ -
Sanitation	98,878	88,937	31,900	17,000
Cultural and Recreation				
Youth assistance	-	-	1,904	1,488
Senior resource department	385,419	336,267	12,605	12,497
Parks and recreation	1,311,174	1,274,079	117,620	116,146
Golf course	-	-	74,775	70,872
Parks and Recreation Advisory Council	5,040	3,360	-	-
Historical committee	5,940	4,842	800	681
Ice arena	-	-	55,033	54,444
Commission on Aging	7,920	6,312	-	-
Total cultural and recreation	1,715,493	1,624,860	262,737	256,128
Sundry - Motorpool contribution	1,365,532	1,388,397	-	-
Total expenditures and other operating transfers	<u>\$ 45,630,272</u>	<u>\$ 44,722,730</u>	<u>\$ 1,194,505</u>	<u>\$ 1,043,354</u>

* The total column represents the budget as adopted on a departmental basis. The additional detail presented here is for information purposes only.

Other Supplemental Information
Schedule of Expenditures - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2008

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 311,849	\$ 269,923	\$ 311,849	\$ 269,923
3,934,293	3,394,073	-	-	-	-	4,065,071	3,500,010
215,578	206,288	-	-	-	-	217,482	207,776
128,121	91,515	-	-	-	-	526,145	440,279
270,463	254,799	170,489	167,569	-	-	1,869,746	1,812,593
371,241	333,301	-	-	-	-	446,016	404,173
-	-	-	-	-	-	5,040	3,360
13,210	11,773	13,480	13,480	-	-	33,430	30,776
420,452	399,929	42,688	39,000	-	-	518,173	493,373
-	-	-	-	-	-	7,920	6,312
1,419,065	1,297,605	226,657	220,049	-	-	3,623,952	3,398,642
-	-	-	-	-	-	1,365,532	1,388,397
\$ 13,817,954	\$ 12,344,976	\$ 459,654	\$ 259,320	\$ 397,816	\$ 355,888	\$ 61,500,201	\$ 58,726,268

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund - Drain Problem	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,569,898	\$ 810	\$ -	\$ 2,570,708
Investments	100,000	-	-	100,000
Receivables - Net	576,901	46,233	-	623,134
Prepaid expense	7,769	-	-	7,769
Due from other funds	132,784	-	-	132,784
Due from other governmental units	122,195	-	-	122,195
Total assets	\$ 3,509,547	\$ 47,043	\$ -	\$ 3,556,590
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 73,965	\$ -	\$ -	\$ 73,965
Accrued and other liabilities	99,761	-	-	99,761
Due to other funds	249,826	33,828	-	283,654
Deferred revenue	195,924	-	-	195,924
Total liabilities	619,476	33,828	-	653,304
Fund Balances				
Reserved for cable grant	125,632	-	-	125,632
Unreserved:				
Designated for next year's expenditures	686,124	-	-	686,124
Undesignated	2,078,315	13,215	-	2,091,530
Total fund balances	2,890,071	13,215	-	2,903,286
Total liabilities and fund balances	\$ 3,509,547	\$ 47,043	\$ -	\$ 3,556,590

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2008

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund - Drain Problem	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 1,935,388	\$ 521,533	\$ -	\$ 2,456,921
Federal sources	1,652,660	-	-	1,652,660
State sources	56,536	-	-	56,536
Local sources	1,408,025	-	-	1,408,025
Charges for services	1,235,210	-	-	1,235,210
Special assessments	905,608	-	-	905,608
Refund of captured property taxes	218,107	52,568	-	270,675
Interest and other	196,318	1,273	8,266	205,857
Total revenues	<u>7,607,852</u>	<u>575,374</u>	<u>8,266</u>	<u>8,191,492</u>
Expenditures				
Public safety	65,764	-	-	65,764
Highways, steets, and drains	-	-	7,017	7,017
Street lighting	1,111,273	-	-	1,111,273
Community and economic development	1,661,742	-	-	1,661,742
Cultural and recreation	3,281,760	-	-	3,281,760
Contracted services	238,990	-	-	238,990
Debt service	-	1,882,931	-	1,882,931
Sundry	36,693	-	-	36,693
Total expenditures	<u>6,396,222</u>	<u>1,882,931</u>	<u>7,017</u>	<u>8,286,170</u>
Excess of Revenues Over (Under)				
Expenditures	1,211,630	(1,307,557)	1,249	(94,678)
Other Financing Sources (Uses)				
Operating transfers in	295,542	1,143,032	-	1,438,574
Operating transfers out	(1,784,472)	(20,000)	(391,432)	(2,195,904)
Total other financing sources (uses)	<u>(1,488,930)</u>	<u>1,123,032</u>	<u>(391,432)</u>	<u>(757,330)</u>
Net Change in Fund Balances	(277,300)	(184,525)	(390,183)	(852,008)
Fund Balances - July 1, 2007	<u>3,167,371</u>	<u>197,740</u>	<u>390,183</u>	<u>3,755,294</u>
Fund Balances - June 30, 2008	<u><u>\$ 2,890,071</u></u>	<u><u>\$ 13,215</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,903,286</u></u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Assets					
Cash and cash equivalents	\$ 10,888	\$ 145,167	\$ 249,752	\$ 34,073	\$ 279,405
Investments	-	-	100,000	-	-
Receivables - Net	-	-	313,115	-	-
Prepaid expense	-	-	-	-	-
Due from other funds	126,301	-	-	-	-
Due from other governmental units	3,955	-	-	-	-
Total assets	\$ 141,144	\$ 145,167	\$ 662,867	\$ 34,073	\$ 279,405
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 40,408	\$ -	\$ 10,324	\$ -	\$ 6,594
Accrued and other liabilities	-	-	99,761	-	-
Due to other funds	4,055	91,584	123,187	-	-
Deferred revenue	96,681	-	-	-	-
Total liabilities	141,144	91,584	233,272	-	6,594
Fund Balances					
Reserved for cable grant	-	-	125,632	-	-
Unreserved - Designated for next year's expenditures	-	35,000	196,416	34,073	84,113
Unreserved - Undesignated	-	18,583	107,547	-	188,698
Total fund balances	-	53,583	429,595	34,073	272,811
Total liabilities and fund balances	\$ 141,144	\$ 145,167	\$ 662,867	\$ 34,073	\$ 279,405

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2008**

Library	Task Force	E-911	800 MHZ	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,347,327	\$ 62,092	\$ 289,675	\$ 447	\$ 151,072	\$ 2,569,898
-	-	-	-	-	100,000
71,995	-	155,347	36,444	-	576,901
7,301	468	-	-	-	7,769
-	-	4,458	2,025	-	132,784
118,240	-	-	-	-	122,195
<u>\$ 1,544,863</u>	<u>\$ 62,560</u>	<u>\$ 449,480</u>	<u>\$ 38,916</u>	<u>\$ 151,072</u>	<u>\$ 3,509,547</u>
\$ 16,639	\$ -	\$ -	\$ -	\$ -	\$ 73,965
-	-	-	-	-	99,761
26,542	-	-	4,458	-	249,826
-	-	99,243	-	-	195,924
43,181	-	99,243	4,458	-	619,476
-	-	-	-	-	125,632
-	-	211,797	5,000	119,725	686,124
1,501,682	62,560	138,440	29,458	31,347	2,078,315
1,501,682	62,560	350,237	34,458	151,072	2,890,071
<u>\$ 1,544,863</u>	<u>\$ 62,560</u>	<u>\$ 449,480</u>	<u>\$ 38,916</u>	<u>\$ 151,072</u>	<u>\$ 3,509,547</u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	1,652,660	-	-	-	-
State sources	-	-	-	-	-
Local sources	-	-	-	-	420,267
Charges for services	-	-	1,235,210	-	-
Special assessments	-	905,608	-	-	-
Refund of captured property taxes	-	-	-	-	-
Interest and other	9,082	161	18,764	1,399	5,987
Total revenues	1,661,742	905,769	1,253,974	1,399	426,254
Expenditures					
Public safety	-	-	-	-	63,064
Street lighting	-	1,111,273	-	-	-
Community and economic development	1,661,742	-	-	-	-
Cultural and recreation	-	-	1,016,678	-	-
Contracted services	-	-	-	-	-
Sundry	-	-	-	20,929	-
Total expenditures	1,661,742	1,111,273	1,016,678	20,929	63,064
Excess of Revenues Over (Under)					
Expenditures	-	(205,504)	237,296	(19,530)	363,190
Other Financing Sources (Uses)					
Operating transfers in	-	250,000	-	-	-
Operating transfers out	-	-	(142,378)	-	(225,000)
Total other financing sources (uses)	-	250,000	(142,378)	-	(225,000)
Net Change in Fund Balances	-	44,496	94,918	(19,530)	138,190
Fund Balances - July 1, 2007	-	9,087	334,677	53,603	134,621
Fund Balances - June 30, 2008	\$ -	\$ 53,583	\$ 429,595	\$ 34,073	\$ 272,811

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2008**

Library	Task Force	E-911	800 MHZ	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,935,388	\$ -	\$ -	\$ -	\$ -	\$ 1,935,388
-	-	-	-	-	1,652,660
56,536	-	-	-	-	56,536
188,928	51,719	406,481	120,849	219,781	1,408,025
-	-	-	-	-	1,235,210
-	-	-	-	-	905,608
218,107	-	-	-	-	218,107
<u>78,801</u>	<u>9</u>	<u>8,647</u>	<u>73,468</u>	<u>-</u>	<u>196,318</u>
2,477,760	51,728	415,128	194,317	219,781	7,607,852
-	-	2,700	-	-	65,764
-	-	-	-	-	1,111,273
-	-	-	-	-	1,661,742
2,265,082	-	-	-	-	3,281,760
-	-	-	236,690	2,300	238,990
-	15,764	-	-	-	36,693
<u>2,265,082</u>	<u>15,764</u>	<u>2,700</u>	<u>236,690</u>	<u>2,300</u>	<u>6,396,222</u>
212,678	35,964	412,428	(42,373)	217,481	1,211,630
-	-	-	45,542	-	295,542
<u>(399,507)</u>	<u>-</u>	<u>(661,088)</u>	<u>(4,000)</u>	<u>(352,499)</u>	<u>(1,784,472)</u>
<u>(399,507)</u>	<u>-</u>	<u>(661,088)</u>	<u>41,542</u>	<u>(352,499)</u>	<u>(1,488,930)</u>
(186,829)	35,964	(248,660)	(831)	(135,018)	(277,300)
<u>1,688,511</u>	<u>26,596</u>	<u>598,897</u>	<u>35,289</u>	<u>286,090</u>	<u>3,167,371</u>
<u>\$ 1,501,682</u>	<u>\$ 62,560</u>	<u>\$ 350,237</u>	<u>\$ 34,458</u>	<u>\$ 151,072</u>	<u>\$ 2,890,071</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2008

		Building Authority	County Drain Debt	Building Authority - Court Expansion	Total Nonmajor Debt Service Funds
	Motor Vehicle Highway Debt - Newburgh	Debt - 2005 Refunding	Debt	Expansion	Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 810	\$ -	\$ 810
Receivables - Net	-	-	46,233	-	46,233
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,043</u>	<u>\$ -</u>	<u>\$ 47,043</u>
Liabilities and Fund Balances					
Liabilities - Due to other funds	\$ -	\$ -	\$ 33,828	\$ -	\$ 33,828
Fund Balances - Unreserved - Undesignated	-	-	13,215	-	13,215
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,043</u>	<u>\$ -</u>	<u>\$ 47,043</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds Year Ended June 30, 2008

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	County Drain Debt	Building Authority Debt - Court Expansion	Total Nonmajor Debt Service Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 521,533	\$ -	\$ 521,533
Refund of captured property taxes	-	-	52,568	-	52,568
Interest and other	-	-	1,273	-	1,273
Total revenues	-	-	575,374	-	575,374
Expenditures - Debt service	<u>750,563</u>	<u>278,444</u>	<u>739,899</u>	<u>114,025</u>	<u>1,882,931</u>
Excess of Expenditures Over Revenues	(750,563)	(278,444)	(164,525)	(114,025)	(1,307,557)
Other Financing Sources (Uses)					
Operating transfers in	750,563	278,444	-	114,025	1,143,032
Operating transfers out	-	-	(20,000)	-	(20,000)
Total other financing sources (uses)	<u>750,563</u>	<u>278,444</u>	<u>(20,000)</u>	<u>114,025</u>	<u>1,123,032</u>
Net Change in Fund Balances	-	-	(184,525)	-	(184,525)
Fund Balances - July 1, 2007	<u>-</u>	<u>-</u>	<u>197,740</u>	<u>-</u>	<u>197,740</u>
Fund Balances - June 30, 2008	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,215</u>	<u>\$ -</u>	<u>\$ 13,215</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2008

	Motorpool	Self-insurance		Total
		Workers' Compensation	General Liability	
Assets				
Current assets:				
Cash and cash equivalents	\$ 50,302	\$ -	\$ -	\$ 50,302
Due from other funds	100,000	787,429	1,296,010	2,183,439
Inventory	10,588	-	-	10,588
Prepaid costs and other assets	-	372	14,772	15,144
Total current assets	160,890	787,801	1,310,782	2,259,473
Equipment	4,122,404	-	-	4,122,404
Total assets	4,283,294	787,801	1,310,782	6,381,877
Liabilities				
Current liabilities:				
Accounts payable	65,941	-	-	65,941
Accrued liabilities	71,054	787,801	1,105,460	1,964,315
Due to other funds	13,248	-	-	13,248
Current portion of long-term debt	474,388	-	-	474,388
Total current liabilities	624,631	787,801	1,105,460	2,517,892
Long-term debt	551,760	-	-	551,760
Total liabilities	1,176,391	787,801	1,105,460	3,069,652
Net Assets				
Invested in capital assets - Net of related debt	3,096,256	-	-	3,096,256
Unrestricted	10,647	-	205,322	215,969
Total net assets	<u>\$ 3,106,903</u>	<u>\$ -</u>	<u>\$ 205,322</u>	<u>\$ 3,312,225</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2008

	Motorpool	Self-insurance		Total
		Workers' Compensation	General Liability	
Operating Revenues - Charges to other funds	\$ 2,555,061	\$ 604,758	\$ 1,532,599	\$ 4,692,418
Operating Expenses				
Wages and fringe benefits	573,336	-	-	573,336
Contracted services	6,800	5,400	-	12,200
Operating supplies	645,579	-	-	645,579
Repairs and maintenance	347,815	-	-	347,815
Insurance, claims, and other	334	599,358	1,422,895	2,022,587
Depreciation	953,823	-	-	953,823
Rent	13,700	-	-	13,700
Total operating expenses	<u>2,541,387</u>	<u>604,758</u>	<u>1,422,895</u>	<u>4,569,040</u>
Operating Income	13,674	-	109,704	123,378
Nonoperating Revenue (Expense)				
Investment income	5	-	1,420	1,425
Interest expense	(66,223)	-	-	(66,223)
Gain on disposal of assets	39,430	-	-	39,430
Total nonoperating revenue (expense)	<u>(26,788)</u>	<u>-</u>	<u>1,420</u>	<u>(25,368)</u>
Change in Net Assets	(13,114)	-	111,124	98,010
Net Assets - July 1, 2007	<u>3,120,017</u>	<u>-</u>	<u>94,198</u>	<u>3,214,215</u>
Net Assets - June 30, 2008	<u>\$ 3,106,903</u>	<u>\$ -</u>	<u>\$ 205,322</u>	<u>\$ 3,312,225</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2008

	Self-insurance			
	Motorpool	Workers' Compensation	General Liability	Total
Cash Flows from Operating Activities				
Payments to suppliers	\$ (985,864)	\$ (5,400)	\$ (112,474)	\$ (1,103,738)
Payments to employees	(569,665)	-	-	(569,665)
Internal activity - Payments from other funds	2,540,823	390,026	1,151,088	4,081,937
Claims paid	-	(384,626)	(1,040,034)	(1,424,660)
	<u>985,294</u>	<u>-</u>	<u>(1,420)</u>	<u>983,874</u>
Net cash provided by (used in) operating activities				
Cash Flows from Capital and Related Financing Activities				
Principal and interest paid on long-term debt	(766,445)	-	-	(766,445)
Purchase of capital assets	(234,219)	-	-	(234,219)
Proceeds from sale of assets	39,430	-	-	39,430
	<u>(961,234)</u>	<u>-</u>	<u>-</u>	<u>(961,234)</u>
Net cash used in capital and related financing activities				
Cash Flows from Investing Activities - Interest received on investments and other assets				
	5	-	1,420	1,425
	<u>24,065</u>	<u>-</u>	<u>-</u>	<u>24,065</u>
Net Increase in Cash and Cash Equivalents				
Cash and Cash Equivalents - July 1, 2007	<u>26,237</u>	<u>-</u>	<u>-</u>	<u>26,237</u>
Cash and Cash Equivalents - June 30, 2008	<u>\$ 50,302</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,302</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 13,674	\$ -	\$ 109,704	\$ 123,378
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	953,823	-	-	953,823
Changes in assets and liabilities:				
Due from other funds	5,000	(214,732)	(381,511)	(591,243)
Accounts payable	28,364	-	(112,474)	(84,110)
Accrued liabilities	3,671	214,732	382,861	601,264
Due to other funds	(19,238)	-	-	(19,238)
	<u>985,294</u>	<u>-</u>	<u>(1,420)</u>	<u>983,874</u>
Net cash provided by (used in) operating activities				

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2008

	Trust and Agency	Undistributed Tax Collection	District Court	Total
Assets - Cash and cash equivalents	<u>\$ 1,683,240</u>	<u>\$ 1,208,233</u>	<u>\$ 495,599</u>	<u>\$ 3,387,072</u>
Liabilities				
Accounts payable	\$ -	\$ 2,622	\$ -	\$ 2,622
Accrued and other liabilities	1,683,240	-	392,143	2,075,383
Due to other governmental units	<u>-</u>	<u>1,205,611</u>	<u>103,456</u>	<u>1,309,067</u>
Total liabilities	<u>\$ 1,683,240</u>	<u>\$ 1,208,233</u>	<u>\$ 495,599</u>	<u>\$ 3,387,072</u>

City of Westland, Michigan

**Federal Awards
Supplemental Information
June 30, 2008**

City of Westland, Michigan

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Independent Auditor's Report

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

We have audited the financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of City of Westland, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2008. Those basic financial statements are the responsibility of the management of City of Westland, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Westland, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 21, 2008

Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Westland, Michigan as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 21, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered City of Westland, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Westland, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Westland, Michigan's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2008-2 to be a significant deficiency in internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a material weakness in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Westland, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matter that are required to be reported under *Government Auditing Standards*.

City of Westland, Michigan's response to the significant deficiencies related to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of city management, the City Council, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 21, 2008

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of City of Westland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal program for the year ended June 30, 2008. The major federal program of City of Westland, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of City of Westland, Michigan's management. Our responsibility is to express an opinion on City of Westland, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Westland, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on City of Westland, Michigan's compliance with those requirements.

In our opinion, City of Westland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-4, 2008-5, 2008-6, 2008-7, and 2008-8.

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

Internal Control Over Compliance

The management of City of Westland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Westland, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies and others that we consider to be material weaknesses.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-3, 2008-6, and 2008-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. Of the significant deficiencies described in the accompanying schedule of findings and questioned costs, we consider items 2008-4, 2008-5, and 2008-8 to be material weaknesses.

City of Westland, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit City of Westland, Michigan's responses and, accordingly, we express no opinion on them.

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

This report is intended solely for the information and use of city management, the City Council, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 21, 2008

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:			
Program year 2007 - B-07-MC-26-0017	14.218	N/A	\$ 185,194
Program year 2008 - B-07-MC-26-0017			<u>1,182,952</u>
Total Community Development Block Grant			1,368,146
Section 108 Loan Balance outstanding as of June 30, 2008 - Program year 1999 - B-99-MC-26-0017	14.218	N/A	140,000
Home Investment Partnership Program - Passed through the Michigan State Housing Development Authority:	14.239	N/A	
Program year 2007 - B-07-MC-26-0017			65,393
Program year 2008 - B-07-MC-26-0017			<u>227,930</u>
Total MSHDA and HOME			<u>293,323</u>
Total U.S. Department of Housing and Urban Development			1,801,469
Federal Homeland Security - Passed through State of Michigan - Urban Areas Security Initiative - Police and Fire Training	97.008	N/A	46,831
U.S. Environmental Protection Agency - River Rouge Wet Weather Demonstration Project - Round VII-B Grant Program - Implement Manhole Rehabilitation and Continue Public Education in the City of Westland - Passed through Wayne County, Michigan	66.606	N/A	75,857
U.S. Department of Transportation - Office of Highway Safety Programs:			
Highway Safety Cluster - "Click it or Ticket" Seatbelt/Alcohol Enforcement	20.600	PT-08-05	39,319
Highway Safety Cluster - "Youth Alcohol Enforcement Grant"	20.601	AL-07-42	<u>13,031</u>
Total Office of Highway Safety Programs			52,350

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008 (Continued)

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Justice:			
JAG Grant 2005 - Passed through Wayne County, Michigan	16.738	82025 I	\$ 5,127
JAG Grant 2006 - Passed through Wayne County, Michigan	16.738	82025 I	16,125
Bullet Proof Vest Program	16.607	N/A	6,193
Enforcing Underage Drinking Laws Program	16.727	N/A	9,965
Public Safety Partnership and Community Policing - On behalf of Wayne-Westland Community Schools	16.710	2007CKWX0137	<u>94,808</u>
Total U.S. Department of Justice			132,218
U.S. Department of Agriculture:			
Food Distribution	10.550	ERP-337.20	11,417
Cooperative Forestry Assistance - Passed through Michigan Department of Natural Resources	10.664	EAB 08-05	<u>21,500</u>
Total U.S. Department of Agriculture			<u>32,917</u>
Total federal awards			<u>\$ 2,141,642</u>

City of Westland, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Revenue from federal sources - As reported on financial statements	\$ 1,783,282
Federal revenue not reported in the financial statements:	
Section 108 loans not recorded as revenue in the basic financial statements	140,000
Noncash grants received - Revenue not recorded in basic financial statements	11,417
Federal expenditures not received within the current period	102,501
Federal revenue reported as elsewhere in the financial statements	<u>104,442</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,141,642</u>

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Westland, Michigan (the "City") and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 277,476
Home Investment Partnership Program	14.239	33,669
Public Safety Partnership and Community Policing	16.710	94,808

Note 3 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended June 30, 2008 that is included on the schedule of expenditures of federal awards.

Federal Program Title	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.550	Food Distribution	\$ 11,417

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 4 - Loans Outstanding

City of Westland, Michigan had the following loan balance outstanding at June 30, 2008. This loan balance was included in the federal expenditures presented in the schedule.

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 140,000

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings

Reference Number	Findings
2008-1	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to present the trial balance ready for audit in accordance with generally accepted accounting principles.</p> <p>Condition - Resulting from City of Westland, Michigan's financial statement audit of the year ended June 30, 2008, City of Westland, Michigan was required to post various entries in order for its financial statements to be correctly stated.</p> <p>Context - Significant journal entries were required to be made to four of the City's funds after the audit commenced on August 26, 2008.</p> <p>Cause - At the start of the audit, the accounting records contained several account balances that had not been adjusted to the appropriate amounts.</p> <p>Effect - As a result, certain transactions were not originally recorded in audit records prior to the audit process.</p> <p>Recommendation - City of Westland, Michigan should attempt to post all entries prior to the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - City of Westland, Michigan will continue to improve year-end reporting prior to audit.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2008-2	<p>Finding Type - Significant deficiency</p> <p>Criteria - The general controls of the IT system at the City and should provide assurance that the City is able to initiate, authorize, record, process, or report financial data reliably in accordance with GAAP.</p> <p>Condition - Certain duties deemed to be incompatible are not segregated, hindering the City's ability to initiate, authorize, record, process, and report financial data reliably in accordance with GAAP. Other necessary controls are not enforced.</p> <p>Context - During review of the IT general controls at the City of Westland, it was noted the there are employees with both financial (general ledger) access and administrative access to the network, which is a lack of proper segregation of duties. Also, the City is not enforcing authentication controls, such as unique user IDs or password expiration.</p> <p>Cause - Due to staffing limitations, the City lacks proper segregation of duties and enforcement of authentication controls in relation to the IT general controls.</p> <p>Effect - As a result, there is the possibility that user access and accountability controls could be compromised or unauthorized users could gain access to the network.</p> <p>Recommendation - The City should consider restricting individuals with administrative access on the network from access to post transactions in the financial systems and strictly enforce authentication parameters.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City concurs with the recommendation and is currently evaluating solutions to the problems.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings

Reference Number	Findings
2008-3	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218)</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Internal controls should be in place in order to properly monitor which individuals are able to access the IDIS system.</p> <p>Condition - The employees authorized to access the IDIS system were not monitored or kept up to date.</p> <p>Context - Former employees were able to access the IDIS system after employment with the City had ceased.</p> <p>Cause - Upon separation from the City, authorized employees did not have their access to the IDIS system revoked by the City.</p> <p>Effect - As a result, former employees still had access to and authority in the IDIS system.</p> <p>Questioned Costs - None</p> <p>Recommendation - The community development department should remove former employees from the IDIS system.</p> <p>Views of Responsible Officials - The community development director has already taken the necessary steps to correct the potential access to the IDIS system by former employees.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-4	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218)</p> <p>Finding Type - Material noncompliance/Material weakness</p> <p>Criteria - Federal agency monies used for expenditures that support Community Development Block Grant (CDBG) programs have limitations on the percentage of monies expended for public services compared to the grant monies awarded in the current year. There is an exception, however, for spending based on calculations using 1982 and 1983 grant years.</p> <p>Condition - The Community Development department did not monitor monies spent for public services during the current year.</p> <p>Context - During review of the budget, IDIS report, and calculation of 1982 and 1983 expenditures, it was noted that the Community Development department properly budgeted public services expenditures to be less than 20 percent of the grant monies, including program income, awarded in the current year. Because program income was approximately \$68,000 less than budgeted, the percentage of monies expended for public services compared to the total grant award was greater than the allowable 20 percent.</p> <p>Cause - The department does not have a system in place to ensure the monies expended for public services each year do not exceed the maximum amount allowed or that expenditures relating to public services are properly classified as such within the IDIS system.</p> <p>Effect - The amount of grant monies spent for public services was more than the maximum allowed for the year.</p> <p>Questioned Costs - \$50,380</p> <p>Recommendation - The Community Development department should consider monitoring the amount of federal funds spent on public services throughout the grant year in order to comply with CDBG requirements.</p> <p>Views of Responsible Officials - The Community Development department will review expended amounts monthly to ensure federal funds used for public services for the year are not more than the maximum amount allowed.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-5	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218)</p> <p>Finding Type - Material noncompliance/Material weakness</p> <p>Criteria - Federal agency monies used for expenditures that support Community Development Block Grant (CDBG) programs must be within the approved budgeted amounts for the program year.</p> <p>Condition - The actual amount of monies spent on public services in the current year was greater than the approved budgeted amount for the program year.</p> <p>Context - Per review of the current year approved budget, it was noted that the actual amount of monies spent on public services exceeded the approved budgeted amount.</p> <p>Cause - The department improperly allocated budgeted funds for police activities to the public services activity number within the IDIS system, which caused the actual expenditures for the program year for public services to exceed the approved budget amount.</p> <p>Effect - Overspending the amount of monies set aside for public services in the approved budget</p> <p>Questioned Costs - None</p> <p>Recommendation - The Community Development department should consider verifying that the amount of federal funds budgeted for public services is properly allocated within the IDIS system during the budgeting process in order to remain within the budgeted amount of expenditures for the program year.</p> <p>Views of Responsible Officials - The Community Development department will properly enter community policing funds into the IDIS system by splitting the budgeted costs between code enforcement and public services activities.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-6	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218)</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - Federal funding awarded to Community Development for programs must be spent within a period of three years.</p> <p>Condition - Per review of transaction for allowable costs, it was noted that some current year expenditures dated back to the 2004-2005 fiscal year.</p> <p>Context - During review of grant files, it was noted that one of 26 transactions selected, a disbursement for \$570, was over the three-year spending period.</p> <p>Cause - The Community Development department does not have controls in place that adequately monitor the time period from which expenditures are incurred.</p> <p>Effect - Not all grant monies are being spent in a timely manner.</p> <p>Questioned Costs - Unknown</p> <p>Recommendation - The Community Development department should consider compiling an annual list of expenditures remaining to be reimbursed to ensure spending of program funds within the allowable period of three years.</p> <p>Views of Responsible Officials - The Community Development department will maintain an up-to-date listing of funds available for spending.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-7	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218)</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - Planning and administrative costs cannot exceed 20 percent of grant monies awarded in a given year.</p> <p>Condition - Per review of IDIS report, 21.4 percent of Community Development Block Grant funds was spent on planning and administrative costs during the current year.</p> <p>Context - During review of the budget, it was noted that the Community Development department appropriately budgeted the spending of planning and administration. However, actual program income was less than the budget, resulting in planning and administrative expenditures being greater than 20 percent of the total grant income. Actual expenditures for planning and administration were within budgeted amounts.</p> <p>Cause - The department does not have a system in place to ensure that the monies expended for planning and administration each year do not exceed the maximum percentage allowed.</p> <p>Effect - The percentage of grant monies spent for planning and administration was more than the maximum allowed for the year.</p> <p>Questioned Costs - \$11,661</p> <p>Recommendation - The Community Development department should consider monitoring the amount of federal funds spent on planning and administration throughout the grant year in order to comply with CDBG requirements.</p> <p>Views of Responsible Officials - The Community Development department will review expended amounts monthly to ensure federal funds used for planning and administration for the year are not more than the maximum amount allowed.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2008

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2008-8	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218)</p> <p>Finding Type - Material noncompliance/Material weakness</p> <p>Criteria - HUD requires grantees to use the Integrated Disbursement and Information System (IDIS) to electronically submit to HUD an annual performance and evaluation report.</p> <p>Condition - The CAPER was submitted to HUD with incorrect information relating to the prior year.</p> <p>Context - Per review of the IDIS report submitted to HUD, it was noted that key information was inaccurately reported. The incorrect information included the prior year amount of unexpended funds, which resulted in the current year amount of unexpended funds being incorrect.</p> <p>Cause - The Community Development staff who prepared the CAPER used incorrect information. The CAPER was not properly reviewed prior to submission to HUD.</p> <p>Effect - The department submitted an inaccurate CAPER to HUD.</p> <p>Questioned Costs - None</p> <p>Recommendation - The Community Development director should agree beginning balances in the IDIS to the ending balances from the prior report and adjust if necessary.</p> <p>Views of Responsible Officials - The Community Development director has already taken the necessary steps to submit an accurate CAPER.</p>

City of Westland, Michigan

Report to the City Council

June 30, 2008



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To the City Council
City of Westland, Michigan

We have recently completed our audit of the basic financial statements of the City of Westland, Michigan (the "City") for the year ended June 30, 2008. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, recommendations, and informational comments which impact the City:

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Report on Internal Control	1-3
Results of the Audit	4-7
Other Recommendations	8-11
Informational - Legislative Matters, etc.	12-18

We are grateful for the opportunity to be of service to the City of Westland, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

November 21, 2008

Report on Internal Control

November 21, 2008

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

Dear Mayor and Council Members:

Beginning with last year's audit, national auditing standards call for auditors to communicate matters to the governing body that may be useful in its oversight of the City's financial management. Specifically, they require us to report internal control issues to the governing body that may be relatively minor, in order to allow it to evaluate their significance, and make any changes it may deem appropriate. In general, these are items that would have been discussed orally with management in the past. The purpose of these new standards is to allow the governing body an opportunity to discuss issues when they are relatively minor, rather than waiting until they become more serious problems. We hope this report on internal control will be helpful to you, and we look forward to being able to discuss any questions you may have concerning these issues.

In planning and performing our audit of the financial statements of the City of Westland as of and for the year ended June 30, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and/or material weaknesses.

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

November 21, 2008

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiency in internal control over financial reporting to be a significant deficiency, as defined above.

- During review of the IT general controls, it was noted that there are employees with both financial (general ledger) access and administrative access to the network, which is a lack of proper segregation of duties. Also, the City is not enforcing authentication controls, such as unique user IDs or password expiration.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We consider the following deficiency in internal control over financial reporting to be a material weakness, as defined above:

- Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles.

In addition, during the compliance audit of the City's federal awards (A-133 or "single audit"), we identified several findings in the Community Development Block Grant Program that are considered to be a significant deficiency or material weakness. More detail on these findings can be found in the separately issued federal awards audit report.

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

November 21, 2008

This communication is intended solely for the information and use of management, the City Council, and others within the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a large, stylized flourish at the end.

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Brian J. Camiller", with a large, stylized flourish at the end.

Brian J. Camiller

Results of the Audit

November 21, 2008

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

We have audited the financial statements of the City of Westland, Michigan for the year ended June 30, 2008 and have issued our report thereon dated November 21, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 25, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Westland. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the City of Westland's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City of Westland's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 21, 2008 regarding our consideration of the City of Westland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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

November 21, 2008

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the City of Westland, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 2, 2008.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Westland are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Significant estimates included in the financial statements include the historical cost of the City's infrastructure (roads and buildings), incurred but not reported claims of the workers' compensation and general liability funds, and zero liability related to potential environmental remediation.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

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

November 21, 2008

Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management's Representations

We have requested certain representations from management that are included in the management representation letter dated November 21, 2008.

Management's Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the organization's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

During the compliance audit of the City's federal awards (A-133 or "single audit"), we identified several findings in the Community Development Block Grant Program that are considered significant deficiencies or material weaknesses. More detail on these findings can be found in the separately issued federal awards audit report.

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

November 21, 2008

This information is intended solely for the use of the City Council and management of the City of Westland and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a large, stylized flourish at the end.

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Brian J. Camiller", with a large, stylized flourish at the end.

Brian J. Camiller

Other Recommendations

City of Westland, Michigan

Other Recommendations

Due to the troubled national and state economy, the fund equity of some of the main operating funds of the City continues to be an area of focus. The following comments are made to help keep you abreast of developments affecting fund equity:

- The City was successful in maintaining total General Fund fund balance over the current fiscal year. Total General Fund fund balance decreased by approximately \$500, staying at approximately \$7,242,000 as of June 30, 2008. Unreserved fund balance decreased approximately \$168,000 to \$2,184,160. It should be noted that the General Fund budget called for a decrease in fund balance of almost \$728,000. We would like to take this opportunity to compliment the City in closely monitoring General Fund financial activities. With a few exceptions, most departments were well under budget for the year. Total expenditures were approximately \$2,800,000 under budget.
- During the audit, we noted that building construction fees continue to be less than the related expenses to provide these services. It is our understanding that subsequent to year end, the City has made changes to the department, reallocating personnel resources. We commend the City on making these adjustments.
- Operating, capital, and financing activities of the Water and Sewer Fund used \$1.4 million more cash than what was generated through fees, charges, and other revenue sources. The General Fund has loaned the Water and Sewer Fund approximately \$2.0 million as of June 30, 2008 to assist operations and meet obligations.
- As you are aware, the City implemented changes to the water and sewer rates effective in July 2008 following a rate study earlier in the spring. We congratulate the City on this positive step forward. Now that the City has a tool to help project the financial needs of the system, we encourage the City to continue monitoring the results of the water and sewer system and make adjustments to the rate structure, as necessary, when preparing the budget each year.

Other items noted during the audit:

- The City of Westland receives drug forfeiture revenues from local, state, and federal sources. These seized revenues and the eventual expenditure are accounted for, in total, in a separate Special Revenue Fund. The City does not have appropriate procedures in place to separately track the expenditure of federal forfeitures throughout the year in order to identify them for A-133 determination purposes. We recommend identifying each expenditure in the Drug Forfeiture Fund as either state or federal.

During the audit, it was noted that the City functions under an informal capitalization policy. The City should consider implementing a written, council-approved capitalization policy.

City of Westland, Michigan

Other Recommendations (Continued)

- The grant activity of the Community Development Block Grant (CDBG) and Home Investment Partnership Program (“HOME”) are tracked in the same fund and share the same bank account. This leads to significant confusion for the finance department during the year and in the year-end reconciliations. We recommend separating the accounting for these programs into two separate funds or at least utilizing a second bank account.

Upcoming Reporting Changes

As mentioned in previous years and disclosed in the financial statements, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare benefits. The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. The statement, as previously mentioned, will be effective for the City’s fiscal year ending June 30, 2009. Going forward, the City will need to perform an actuarial valuation every two years to provide an estimate as to what these annual costs may amount to. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

In addition, the Governmental Accounting Standards Board has recently released Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The new pronouncement provides guidance for local units of government in recognizing pollution remediation expenses and obligations to address current or potential detrimental effects of existing pollution. The new pronouncement is effective for the year ending June 30, 2009. Management is currently assessing the impact of this new accounting standard on the City’s financial statements for future reporting periods.

This communication is intended solely for the information and use of the mayor, the members of the City Council, and the finance department and is not intended to be and should not be used by anyone other than these specified parties.

City of Westland, Michigan

Other Recommendations (Continued)

We would like to thank the City and all those involved with the audit process for their assistance, especially Steve Smith, Debra Szajko, and Jade Smith. If any questions arise on reviewing the financial statements or on the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations. Thank you for the continued opportunity to be of service.

Very truly yours,

Plante & Moran, PLLC



Michael J. Swartz



Brian J. Camiller

Informational

Revenue Sharing

The governor released her proposal of the State's fiscal year 2009 budget (for the year ending September 30, 2009) originally in February 2008. Over the course of budget deliberations in the spring and early summer, the legislature further debated the level of the revenue-sharing funding, resulting in a compromise by the Senate and House to fund revenue sharing equal to the projected fiscal year 2008 (fiscal year ended September 30, 2008) amounts, plus provide an increase of 2 percent of the statutory portion of revenue sharing received in FY 2007. This proposal was presented to the governor on July 25, and enacted in mid-August.

Here is a summary (in millions of dollars) of the revenue-sharing budget submitted to the governor:

	FY 2007 Actual	FY 2008 Projected	FY 2009 Projected	Percent Change
Cities, villages, and townships:				
Constitutional	\$ 665.980	\$ 682.780	\$ 675.992	-0.99%
Statutory	<u>404.920</u>	<u>392.050</u>	<u>406.933</u>	3.80%
Total to cities, villages, and townships	1,070.900	1,074.830	1,082.925	0.75%
Counties (statutory)	<u>-</u>	<u>-</u>	<u>2.394</u>	n/a
Total revenue sharing	<u>\$ 1,070.900</u>	<u>\$ 1,074.830</u>	<u>\$ 1,085.319</u>	0.98%

While the projection is for an overall increase of 0.75 percent (for cities, villages, and townships), the impact will not be evenly distributed between all local units. Remember, the 2 percent increase is for the statutory portion only - not the constitutional portion. The intent is for the total revenue sharing (constitutional plus statutory) in FY 2009 to equal the total of constitutional and statutory revenue sharing received in FY 2008, plus an additional payment equal to 2 percent of the FY 2007 statutory revenue sharing received by the local unit. That may mean that for those units (primarily townships) that now receive no statutory revenue sharing, total revenue sharing projected for FY 2009 will be identical to the amounts received in FY 2008. We are awaiting a final distribution table from the Michigan Department of Treasury.

The governor's proposed budget also included \$2.4 million to restore state revenue-sharing payments for the six qualifying counties that will exhaust their revenue-sharing reserve funds in fiscal year 2008/2009. As you may remember, a reserve fund was created for each county in 2005 when the State eliminated counties from the revenue-sharing program (remember, counties only receive statutory revenue sharing, not constitutional). In 2005, counties were required to phase in the early collection of winter property tax payments and to create a reserve fund with a portion of these monies. Counties have been drawing on their reserve funds to replace lost statutory revenue sharing. When the reserve fund is depleted, counties will then look to the State to re-enter the statutory portion of the revenue-sharing program. Prior to their elimination from the revenue-sharing program in 2005, counties statewide received approximately \$182 million annually.

City of Westland, Michigan

Informational (Continued)

It is encouraging that this budget funds revenue sharing at a higher level than last year. As counties have started to come back into the formula, the legislature has budgeted this as an additional payment, rather than one that reduces distributions to the other local units of government. To a great extent, however, actual revenue-sharing distributions will depend on the stability of the State's budget, as well as the actual level of state tax collections. In addition, we need to remember that the statutory formula expired in 2007 and a new, permanent formula has not been enacted - please remember to remind your state representatives of the importance of extending this legislation.

The table below details state-shared revenue for the City since 2002 broken out by statutory and constitutional portions.

<u>State Fiscal Year</u>	<u>Statutory</u>	<u>Constitutional</u>	<u>Total</u>	<u>Decrease from 2002</u>
2002	\$ 4,707,508	\$ 5,669,237	\$ 10,376,745	\$ -
2003	4,148,600	5,765,216	9,913,816	462,929
2004	3,207,477	5,702,593	8,910,070	1,466,675
2005	2,974,266	5,838,684	8,812,950	1,563,795
2006	2,777,010	5,935,884	8,712,894	1,663,851
2007	2,640,660	5,814,702	8,455,362	1,921,383
2008	2,493,940	5,961,422	8,455,362	1,921,383
2009 est.	2,606,034	5,902,141	8,508,175	1,868,570

If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has approximately \$2,500,000 at risk in its General Fund budget based on 2008 funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

Property Tax Developments

The front page story several months ago is now old news. For many communities in Michigan, the challenging real estate market will negatively change the taxable value trends of recent years. Many communities saw modest declines in their 2008 taxable values, and if the downward trend in the housing market continues, the impact will be larger next year. How it will actually play out in each community and over what period of time remains to be seen. While each community will need to carefully determine the impact of the current environment on its budget, there are also several pieces of legislation in Lansing that will impact property taxes going forward. Examples include:

- House Bill 4215 (Public Act 96 of 2008) allows property owners to obtain two principal residence exemptions in certain situations. The bill was designed for situations where a homeowner has purchased a new home and is unable to sell the existing home. The dual exemption only applies if certain conditions are met (i.e., the property previously occupied is for sale, not occupied, not leased or available for lease, etc.).
- A series of bills were introduced in March 2007 as part of a package to stimulate home sales (House Bills 4440, 4441, and 4442). The lead bill of that package, House Bill 4440, establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the time frame of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years. House Bill 4440 actually passed the House in March 2007 and is currently in the Michigan Senate.
- Many property owners continue to struggle with the concept that their individual taxable values actually increased during a time that overall property values - and even their individual property values - have fallen. As we all have re-learned in recent months, that is a constitutional requirement that changed with Proposal A in 1994. It may be helpful to remember the principle behind Proposal A - its purpose was to disconnect taxable values from market value increases, and instead limit the growth in taxable values to the lesser of 5 percent or inflation, until that point that the property transfers ownership. Now that the market values are declining in many areas, Proposal A continues to stay disconnected, and allows the taxable value to increase by the lesser of 5 percent or inflation (up until the point that it re-connects with market values).

- Fairly or not, this year, many property owners said it did not feel right when they saw their taxable value increase by inflation when market value did not. This has led to a discussion as to whether a third variable, called “change in market value,” needs to be added to the Proposal A formula. In what some are calling a “super cap,” the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would be the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. To date, a proposal to accomplish this change has not moved through the legislature. A change of this nature would impact local government budgets.
- As part of the changes to the single business tax last year and the introduction of the Michigan business tax, changes were also made to the calculation of tax rates applicable to industrial and commercial personal property taxes. As advertised, industrial personal property taxpayers received a reduction of the school operating mills (up to 18 mills) and the 6 mill state education tax. Commercial personal property taxpayers received a reduction of up to 12 school operating mills. However, if your community has a school district with “hold harmless” school mills, you must add back any hold harmless millage prior to computing the total mills to be levied. This may generate questions from commercial and industrial taxpayers.
- A Michigan Supreme Court case has changed how local governments can treat public service improvements by developers. Leading up to the court case, as private property owners or developers installed public service improvements (i.e., street lights, water and sewer lines, etc.) there was normally an increase in their property tax assessment. The Michigan Supreme Court upheld a Court of Appeals ruling that the installation of public service improvements does not constitute a taxable addition.

Reminder - Change in Investment Act

Public Act 213 of 2007, adopted at the end of 2007, requires local governments to perform their investment reporting quarterly to the governing body. The investment of surplus monies by Michigan local governments is controlled by Public Act 20 of 1943. The Act previously required investment reporting annually. It is suggested that the required quarterly reports list investments by institution along with maturity dates and interest rates.

Recent Revisions to State Transportation Funding Program

Current legislation modified Act 51 to allow local governments to transfer monies from their Major Street Fund (MSF) to their Local Street Fund (LSF) at a level of 50 percent of annual major street funding received. In addition, greater than 50 percent can be transferred. However, the amended law requires that certain conditions be met to allow for a transfer in excess of 50 percent including the adoption of an asset management process for the major and local street systems as well as a detailed resolution passed by the City. It is important to note that major street monies transferred for use on local streets cannot be used for construction but may be used for preservation. Current legislation also includes a pilot program that would allow for the combination of the Major Street Fund and the Local Street Fund if certain conditions are met.

In the current instructions to the Act 51 reports, MDOT has stipulated that these transfers from the MSF to the LSF will not be allowed after December 31, 2008, except to the extent matched by local revenues expended by the city or village of the major street system. It is unclear whether the actual legislation that allows this transfer (MCL Section 247.663(12) of PA 51 of 1951, as amended) is set to expire at the end of the year. Local governmental units should, however, be aware of this potential sunset and take appropriate action prior to December 31, 2008 to make transfers that are allowable through this date.

Other Legislative Items

As part of Michigan's new "Planning Enabling Act," many local governments will now be required to prepare an annual "capital improvements program." This new requirement is effective September 1, 2008. According to Public Act 33 of 2008, a planning commission, after the adoption of a master plan, shall annually prepare a capital improvements program of public structures and improvements. The law does allow that if the planning commission is exempted from this requirement, the legislative body shall prepare and adopt a capital improvements program or delegate this responsibility to the administration of the local unit for the ultimate approval by the legislative body. The law provides that the capital improvement program report public structures and improvements that, in the community's judgment, will be needed or desirable within the next six years. The law also requires that the public structures and improvements included in the capital improvements program be prioritized. In general, Plante & Moran strongly encourages the development of a capital plan. While the law is restricted to "public structures and improvements," we strongly encourage the inclusion of all capital assets - vehicles, machinery and equipment, office furnishings, etc. In addition, we feel the participation of the governing body (in addition to or instead of) the planning commission is good public policy.

This same public act added several other requirements of planning commissions, including annual reporting by the planning commission to the legislative body along with the mandatory creation of a master plan.

- Multiple bills are pending in Lansing that would make changes to investment laws governing Michigan communities. Changes have been proposed to add different types of investments to what is commonly referred to as “Public Act 20,” which governs the investment of surplus operating monies. Changes are also being proposed to the laws governing the investment of retirement monies.
- A bill is pending in the Michigan Legislature regarding retainages held by governmental units. Retainages are a common method used by local governments in procurement, particularly in the area of construction contracts. The law change focuses on reducing the retainage amount that a local government could require and stipulate the payment of interest on these monies among other provisions.
- Efforts continue in the wake of the *Bolt* case to provide a means for local units of government to engage in rate making to finance the cost of utility operations, particularly that of storm water. Senate Bill 1249 has been introduced to address the tests included in the *Bolt* decision on whether a charge is really a fee or a tax.