

City of Westland, Michigan

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

City of Westland, Michigan
Financial Report
June 30, 2010

Mayor William R. Wild

City Council

James Godbout, President

Michael Kehrer, President Pro Tem

Christine Cicirelli-Bryant

Adam Hammons

Bill Johnson

Meriem Kadi

Dewey Reeves

City Administration

Deputy Mayor
Building Director
City Assessor
City Clerk
Community Development Programs
Computer Information Systems Director
Controller
Economic Development Director
Finance Director
Fire Chief
Law
Parks and Recreation
Personnel Director
Police Chief
Public Service
Planning
Senior Resources Director
Water and Sewer Superintendent

Jade Smith
Roger Shifflett
James H. Elrod
Eileen DeHart
Joanne Inglis
Daniel Bourdeau
William Gabriel
Lori Fodale
Steven J. Smith
Michael J. Reddy
Jim Fausone
Robert Kosowski
Cindy King
Alan Ramsden
Kevin L. Buford
Bruce Thompson
Barbara Marcum
Ben McCusker

City of Westland, Michigan

Contents

| | |
|---|-------|
| Report Letter | 1-2 |
| Management's Discussion and Analysis | 3-7 |
| Basic Financial Statements | |
| Government-wide Financial Statements: | |
| Statement of Net Assets | 8 |
| Statement of Activities | 9-10 |
| Fund Financial Statements: | |
| Governmental Funds: | |
| Balance Sheet | 11 |
| Reconciliation of the Balance Sheet to the Statement of Net Assets | 12 |
| Statement of Revenue, Expenditures, and Changes in Fund Balances | 13 |
| Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 14 |
| Proprietary Funds: | |
| Statement of Net Assets | 15 |
| Statement of Revenue, Expenses, and Changes in Net Assets | 16 |
| Statement of Cash Flows | 17 |
| Fiduciary Funds: | |
| Statement of Net Assets | 18 |
| Statement of Changes in Plan Net Assets | 19 |
| Component Units: | |
| Statement of Net Assets | 20 |
| Statement of Activities | 21-22 |
| Notes to Financial Statements | 23-47 |
| Required Supplemental Information | 48 |
| Budgetary Comparison Schedule - General Fund | 49-50 |
| Budgetary Comparison Schedule - Major Special Revenue Fund - Major Roads Fund | 51 |
| Budgetary Comparison Schedule - Major Special Revenue Fund - Local Roads Fund | 52 |
| Police and Fire Pension System | 53 |

City of Westland, Michigan

Contents (Continued)

| | |
|--|-------|
| Other Supplemental Information | 54 |
| General Fund - Schedule of Expenditures - Budget and Actual | 55-58 |
| Nonmajor Governmental Funds: | |
| Combining Balance Sheet | 59-60 |
| Combining Statement of Revenue, Expenditures, and Changes in Fund Balances | 61-62 |
| Internal Service Funds: | |
| Combining Statement of Net Assets | 63 |
| Combining Statement of Revenue, Expenses, and Changes in Net Assets | |
| Combining Statement of Cash Flows | 65 |
| Fiduciary Funds - Combining Balance Sheet | 66 |

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, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and 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, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, pension system schedule of funding progress, and the 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

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 accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have issued a report dated November 23, 2010 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 & Morse, PLLC

November 23, 2010

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, 2010. 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, 2010:

- Tax revenue, our largest revenue source, declined by over \$1,000,000 from the previous fiscal year. This was due to the reduction in taxable value citywide.
- State-shared revenue from the State of Michigan, our second largest revenue source, declined \$909,947 from the previous fiscal year. This represents the eighth year out of the last nine that the revenue has decreased.
- Court revenue increased nearly \$700,000 from the previous year.
- The City of Westland incurred a 100-year rain storm on June 5, 2010. Because of this, the Water and Sewer Fund had an extraordinary charge of approximately \$2.2 million for all of the related expenses for the cleanup.
- The total net assets related to the City's governmental activities decreased by approximately \$18.1 million. In addition, fund balances for the governmental funds decreased by approximately \$1.6 million during the year. The General Fund unreserved, undesignated fund balance decreased by \$275,000. The most significant difference between the change 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 | |
|------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Assets | | | | | | |
| Current assets | \$ 19,944,740 | \$ 20,499,630 | \$ 10,185,832 | \$ 5,927,801 | \$ 30,130,572 | \$ 26,427,431 |
| Noncurrent assets | 243,120,412 | 254,156,160 | 76,459,852 | 76,912,610 | 319,580,264 | 331,068,770 |
| Total assets | 263,065,152 | 274,655,790 | 86,645,684 | 82,840,411 | 349,710,836 | 357,496,201 |
| Liabilities | | | | | | |
| Current liabilities | 11,686,016 | 9,662,822 | 7,607,731 | 2,605,918 | 19,293,747 | 12,268,740 |
| Long-term liabilities | 28,228,413 | 23,707,532 | 4,436,742 | 4,002,422 | 32,665,155 | 27,709,954 |
| Total liabilities | 39,914,429 | 33,370,354 | 12,044,473 | 6,608,340 | 51,958,902 | 39,978,694 |
| Net Assets | | | | | | |
| Invested in capital assets - | | | | | | |
| Net of related debt | 233,843,213 | 243,372,500 | 72,273,519 | 72,637,610 | 306,116,732 | 316,010,110 |
| Restricted | 10,710,319 | 10,553,881 | 415,000 | 575,000 | 11,125,319 | 11,128,881 |
| Unrestricted (deficit) | (21,402,809) | (12,640,945) | 1,912,692 | 3,019,461 | (19,490,117) | (9,621,484) |
| Total net assets | \$ 223,150,723 | \$ 241,285,436 | \$ 74,601,211 | \$ 76,232,071 | \$ 297,751,934 | \$ 317,517,507 |

The City's combined net assets decreased 6.2 percent from a year ago - decreasing from \$317,517,507 to \$297,751,934. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2010, depreciation expense was approximately \$14,500,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$21,402,809 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees and other postemployment benefits, which will be paid from future revenue sources. This accrual is approximately \$22,900,000.

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 | |
|---------------------------------------|-------------------------|-----------------------|--------------------------|----------------------|-----------------------|-----------------------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Net Assets - Beginning of year | \$ 241,285,436 | \$ 274,417,631 | \$ 76,232,071 | \$ 77,790,812 | \$ 317,517,507 | \$ 352,208,443 |
| Revenue | | | | | | |
| Program revenue: | | | | | | |
| Charges for services | 20,237,154 | 19,513,973 | 18,813,198 | 17,795,807 | 39,050,352 | 37,309,780 |
| Operating grants and contributions | 7,388,189 | 6,080,594 | - | 24,749 | 7,388,189 | 6,105,343 |
| Capital grants and contributions | 829,258 | 470,847 | 383,671 | 176,265 | 1,212,929 | 647,112 |
| General revenue: | | | | | | |
| Property taxes | 26,544,114 | 27,724,257 | - | - | 26,544,114 | 27,724,257 |
| State-shared revenue | 7,202,961 | 8,114,487 | - | - | 7,202,961 | 8,114,487 |
| Refund of captured property taxes | 2,785,724 | 2,895,693 | - | - | 2,785,724 | 2,895,693 |
| Interest | 104,918 | 1,372,477 | 10,363 | 16,398 | 115,281 | 1,388,875 |
| Transfers and other revenue | 513,345 | - | - | - | 513,345 | - |
| Total revenue | 65,605,663 | 66,172,328 | 19,207,232 | 18,013,219 | 84,812,895 | 84,185,547 |
| Program Expenses | | | | | | |
| General government | 15,211,858 | 16,182,920 | - | - | 15,211,858 | 16,182,920 |
| Public safety | 38,460,716 | 39,059,893 | - | - | 38,460,716 | 39,059,893 |
| Public works | 19,812,000 | 34,750,705 | - | - | 19,812,000 | 34,750,705 |
| Community and economic development | 2,809,322 | 2,462,614 | - | - | 2,809,322 | 2,462,614 |
| Cultural and recreation | 7,072,301 | 6,362,066 | - | - | 7,072,301 | 6,362,066 |
| Miscellaneous | - | 104,711 | - | - | - | 104,711 |
| Interest on long-term debt | 374,179 | 381,614 | - | - | 374,179 | 381,614 |
| Water and sewer | - | - | 20,838,092 | 19,571,960 | 20,838,092 | 19,571,960 |
| Total program expenses | 83,740,376 | 99,304,523 | 20,838,092 | 19,571,960 | 104,578,468 | 118,876,483 |
| Change in Net Assets | (18,134,713) | (33,132,195) | (1,630,860) | (1,558,741) | (19,765,573) | (34,690,936) |
| Net Assets - End of year | \$ 223,150,723 | \$ 241,285,436 | \$ 74,601,211 | \$ 76,232,071 | \$ 297,751,934 | \$ 317,517,507 |

Governmental Activities

The City's total governmental revenue decreased by approximately \$567,000. The decrease, which represents approximately less than 1 percent, was primarily due to the decrease in property taxes and the reduction in state-shared revenue.

Expenses decreased by approximately \$15,600,000 during the year. The decrease was primarily due to the decrease in the depreciation expense related to the infrastructure/reduction in public works expenditures. There was also \$250,000 designated for restoration of Central City Park.

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 declined slightly from usage in the prior year. Effective July 1, 2009, the City Council increased the water rate by 10.43 percent and the existing sewer rate by 13.03 percent to pass on the increases from the City of Detroit and Wayne County. Effective June 1, 2010, the City Council increased water and sewer rates by 13.03 percent and 9.38 percent, respectively. Also effective April 1, 2010, the City Council added a fixed charge of \$5.00 per bill per month. This fee will be used to offset the City of Detroit's and Wayne County's fixed cost charges to Westland.

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 2010 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 \$27.7 million in 2010. 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 decreased by approximately \$1,767,000. A primary reason for a 3.0 percent decrease was through attrition. The City offered the employees the opportunity to purchase five years of generic time; in turn, the employee could retire sooner. As these employees retired, their positions were not filled. There was a total of 69 fewer full-time positions as a result of this. This was accomplished by reallocating the available workforce into other areas of importance. The City closely monitored all of 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. There was a large budget amendment in April that focused on adjusting both revenue and expenditures line items in the budget to actual numbers at that time. The most significant change to the original budget in the General Fund was due to the reduction in state-shared revenue. There were departments that went over budget. Those are the department of computer information systems, city hall and grounds, general government, fire, highway maintenance, building, parks and recreation, and golf course. Despite these exceptions, the City still maintained total expenditures \$485,477 below the amended budget.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The General Fund fund balance (reserved and unreserved) decreased from \$9,197,017 to \$7,529,176.

As of June 30, 2010, the City had a total of approximately \$319.1 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 nine patrol vehicles. In addition, the police department was able to purchase new equipment using grant money. The Downtown Development Authority purchased a sizeable water spray structure for Tatten Park.

Debt service makes up approximately 1.8 percent of the total expenditures of the governmental funds. Bonded debt and other long-term obligations were reduced by approximately \$1.3 million. There were no new obligations or debt issued in the governmental funds in the current year.

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, 2011 takes into consideration a continued cautious economic climate. The taxable values of both residential and commercial property continue to decline; this will continue to affect the General Fund in a negative manner. The state-shared revenue will be monitored closely as the State of Michigan continues to see reduced revenue. Building activity continues to be slow and revenue has been adjusted downward over the last several years to account for this. Interest rates on investments are at all-time lows. This reduces earnings on investments greatly. 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 ended June 30, 2010 budget anticipates that the water and sewer costs will increase. As a result, the water and sewer rates were raised 13.03 percent and 9.38 percent, respectively, effective June 1, 2010. Also effective April 1, 2010, the City Council added a fixed charge of \$5.00 per bill per month. This fee will be used to offset the City of Detroit's and Wayne County's fixed cost charges to Westland.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. 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, 2010

| | Primary Government | | | Component Units |
|---|----------------------------|-----------------------------|-----------------------|---------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Cash and cash equivalents (Note 3) | \$ 8,874,950 | \$ 777,622 | \$ 9,652,572 | \$ 1,416,877 |
| Investments (Note 3) | 100,000 | - | 100,000 | 341,825 |
| Receivables - Net (Note 4) | 8,340,475 | 9,152,197 | 17,492,672 | 274,759 |
| Internal balances | 2,606,813 | (2,606,813) | - | - |
| Inventories | 10,588 | 212,327 | 222,915 | - |
| Prepaid costs and other assets | 11,914 | 28,986 | 40,900 | 6,000 |
| Restricted assets (Note 6) | - | 415,000 | 415,000 | - |
| Investment in joint ventures (Note 11) | 96,649 | - | 96,649 | - |
| Capital assets - Net (Note 5): | | | | |
| Not being depreciated | 2,340,379 | 1,206,681 | 3,547,060 | 90,000 |
| Depreciable - Net | 240,683,384 | 74,838,171 | 315,521,555 | 2,212,075 |
| Total assets | 263,065,152 | 84,024,171 | 347,089,323 | 4,341,536 |
| Liabilities | | | | |
| Accounts payable | 1,324,116 | 3,926,800 | 5,250,916 | 69,489 |
| Due to other governmental units | - | - | - | 19,049 |
| Deposits | - | 286,188 | 286,188 | - |
| Accrued and other liabilities | 6,434,637 | 129,918 | 6,564,555 | - |
| Deferred revenue (Note 4) | 96,956 | - | 96,956 | - |
| Net other postemployment benefits liability (Note 16) | 14,159,758 | 1,147,377 | 15,307,135 | - |
| Noncurrent liabilities: | | | | |
| Due within one year: | | | | |
| Compensated absences (Note 8) | 2,527,698 | 161,344 | 2,689,042 | - |
| Current portion of long-term debt (Note 8) | 1,302,609 | 481,968 | 1,784,577 | 48,329 |
| Due in more than one year: | | | | |
| Compensated absences (Note 8) | 6,190,714 | - | 6,190,714 | - |
| Long-term debt - Net of current portion (Note 8) | 7,877,941 | 3,289,365 | 11,167,306 | 51,671 |
| Total liabilities | 39,914,429 | 9,422,960 | 49,337,389 | 188,538 |
| Net Assets | | | | |
| Invested in capital assets - Net of related debt | 233,843,213 | 72,273,519 | 306,116,732 | 2,202,075 |
| Restricted for: | | | | |
| Retirement system | 2,591,000 | - | 2,591,000 | - |
| Sanitation | 3,591,000 | - | 3,591,000 | - |
| Road improvements | 1,977,285 | - | 1,977,285 | - |
| Library operations | 1,522,840 | - | 1,522,840 | - |
| Other (Note 13) | 1,028,194 | 415,000 | 1,443,194 | - |
| Unrestricted | (21,402,809) | 1,912,692 | (19,490,117) | 1,950,923 |
| Total net assets | <u>\$ 223,150,723</u> | <u>\$ 74,601,211</u> | <u>\$ 297,751,934</u> | <u>\$ 4,152,998</u> |

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Westland, Michigan

| Functions/Programs | Expenses | Program Revenue | | |
|--|-----------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary government: | | | | |
| Governmental activities: | | | | |
| General government | \$ 15,211,858 | \$ 8,054,080 | \$ - | \$ - |
| Public safety | 38,460,716 | 8,361,846 | 20,749 | 44,889 |
| Public works | 19,812,000 | 1,218,693 | 4,467,839 | 330,795 |
| Community and economic development | 2,809,322 | - | 2,865,493 | 453,574 |
| Cultural and recreation | 7,072,301 | 2,602,535 | 34,108 | - |
| Interest on long-term debt | 374,179 | - | - | - |
| Total primary government - Governmental activities | 83,740,376 | 20,237,154 | 7,388,189 | 829,258 |
| Business-type activities - Water and sewer | 20,838,092 | 18,813,198 | - | 383,671 |
| Total primary government | \$ 104,578,468 | \$ 39,050,352 | \$ 7,388,189 | \$ 1,212,929 |
| Component units | \$ 1,608,896 | \$ - | \$ - | \$ - |
| General revenue: | | | | |
| Property taxes | | | | |
| Refund of captured property taxes | | | | |
| State-shared revenue | | | | |
| Interest and sundry | | | | |
| Other income | | | | |
| Gain on sale of capital assets | | | | |
| Total general revenue | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning of year | | | | |
| Net Assets - End of year | | | | |

Statement of Activities
Year Ended June 30, 2010

| Primary Government | | | |
|----------------------------|-----------------------------|-----------------------|---------------------|
| Governmental Activities | Business-type Activities | Total | Component Units |
| \$ (7,157,778) | \$ - | \$ (7,157,778) | \$ - |
| (30,033,232) | - | (30,033,232) | - |
| (13,794,673) | - | (13,794,673) | - |
| 509,745 | - | 509,745 | - |
| (4,435,658) | - | (4,435,658) | - |
| (374,179) | - | (374,179) | - |
| (55,285,775) | - | (55,285,775) | - |
| - | (1,641,223) | (1,641,223) | - |
| (55,285,775) | (1,641,223) | (56,926,998) | - |
| - | - | - | (1,608,896) |
| 26,544,114 | - | 26,544,114 | 6,651,443 |
| 2,785,724 | - | 2,785,724 | (4,900,000) |
| 7,202,961 | - | 7,202,961 | - |
| 104,918 | 10,363 | 115,281 | 42,445 |
| 108,165 | - | 108,165 | - |
| 405,180 | - | 405,180 | - |
| 37,151,062 | 10,363 | 37,161,425 | 1,793,888 |
| (18,134,713) | (1,630,860) | (19,765,573) | 184,992 |
| 241,285,436 | 76,232,071 | 317,517,507 | 3,968,006 |
| \$ 223,150,723 | \$ 74,601,211 | \$ 297,751,934 | \$ 4,152,998 |

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2010

| | General Fund | Major Roads Fund | Local Roads Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|---|----------------------|---------------------|---------------------|-----------------------------------|--------------------------|
| Assets | | | | | |
| Cash and cash equivalents (Note 3) | \$ 5,106,252 | \$ 833,924 | \$ 732,578 | \$ 2,182,645 | \$ 8,855,399 |
| Investments (Note 3) | - | - | - | 100,000 | 100,000 |
| Receivables - Net (Note 4) | 5,914,358 | 520,841 | 418,162 | 1,487,114 | 8,340,475 |
| Due from other funds (Note 7) | 3,013,379 | - | 163,011 | 34,711 | 3,211,101 |
| Prepaid costs and other assets | - | 11,914 | - | - | 11,914 |
| Total assets | \$ 14,033,989 | \$ 1,366,679 | \$ 1,313,751 | \$ 3,804,470 | \$ 20,518,889 |
| Liabilities and Fund Balances | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 1,222,929 | \$ 21,061 | \$ - | \$ 74,484 | \$ 1,318,474 |
| Due to other funds | 1,638,293 | 258,796 | 423,288 | 287,682 | 2,608,059 |
| Accrued and other liabilities | 2,698,796 | - | - | 128,629 | 2,827,425 |
| Deferred revenue (Note 4) | 944,795 | - | 229,817 | 447,956 | 1,622,568 |
| Total liabilities | 6,504,813 | 279,857 | 653,105 | 938,751 | 8,376,526 |
| Fund Balances | | | | | |
| Reserved for: | | | | | |
| Retirement system | 2,591,000 | - | - | - | 2,591,000 |
| Sanitation | 3,591,000 | - | - | - | 3,591,000 |
| Other purposes | - | 11,914 | - | 127,711 | 139,625 |
| Unreserved - Reported in: | | | | | |
| General Fund: | | | | | |
| Designated for subsequent year's expenditures | 250,000 | - | - | - | 250,000 |
| Undesignated | 1,097,176 | - | - | - | 1,097,176 |
| Special Revenue Funds: | | | | | |
| Designated for next year's expenditures | - | 297,670 | 129,000 | 334,282 | 760,952 |
| Undesignated | - | 777,238 | 531,646 | 2,403,726 | 3,712,610 |
| Total fund balances | 7,529,176 | 1,086,822 | 660,646 | 2,865,719 | 12,142,363 |
| Total liabilities and fund balances | \$ 14,033,989 | \$ 1,366,679 | \$ 1,313,751 | \$ 3,804,470 | \$ 20,518,889 |

City of Westland, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2010

| | |
|--|------------------------------|
| Fund Balance Reported in Governmental Funds | \$ 12,142,363 |
| 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 | 239,890,997 |
| Investments in joint ventures are included as part of governmental activities | 96,649 |
| Other long-term liabilities, such as health claims incurred but not reported, do not present a claim on current financial resources and are not reported as fund liabilities | (444,874) |
| Deferred revenue is reported in the governmental funds, but not in the government-wide statements | 1,525,612 |
| Long-term liabilities are not due and payable in the current period and are not reported in the funds | (17,575,912) |
| Accrued interest on long-term liabilities is not reported in the funds | (52,606) |
| Net other postemployment benefit obligation is not recorded as a liability in the funds | (14,159,758) |
| Net pollution remediation liability is not recorded as a liability in the funds | (1,115,000) |
| Internal Service Funds are included as part of governmental activities | <u>2,843,252</u> |
| Net Assets of Governmental Activities | <u>\$ 223,150,723</u> |

City of Westland, Michigan

Governmental Funds

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

| | General Fund | Major Roads Fund | Local Roads Fund | Other Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|---------------------|---------------------|--|--------------------------------|
| Revenue | | | | | |
| Property taxes | \$ 24,706,066 | \$ - | \$ - | \$ 1,838,048 | \$ 26,544,114 |
| Licenses and permits | 1,026,802 | - | - | - | 1,026,802 |
| Federal sources | 20,000 | - | - | 3,319,067 | 3,339,067 |
| State sources | 7,241,906 | 3,180,109 | 1,143,429 | - | 11,565,444 |
| Charges for services | 6,826,815 | - | - | - | 6,826,815 |
| Court fines and fees | 4,687,840 | - | - | - | 4,687,840 |
| Interest income | 41,916 | 3,146 | 5 | 3,798 | 48,865 |
| Other revenue: | | | | | |
| Special assessments | - | - | 60,941 | 915,285 | 976,226 |
| Local sources | 1,266,830 | 194,979 | - | 1,538,447 | 3,000,256 |
| Cable franchise fees | - | - | - | 1,402,725 | 1,402,725 |
| Refund of captured property taxes | 2,578,697 | - | - | 207,027 | 2,785,724 |
| Other income | 2,288,620 | - | 1,907 | 302,555 | 2,593,082 |
| Total revenue | <u>50,685,492</u> | <u>3,378,234</u> | <u>1,206,282</u> | <u>9,526,952</u> | <u>64,796,960</u> |
| Expenditures | | | | | |
| General government | 12,190,336 | - | - | - | 12,190,336 |
| Street lighting | - | - | - | 1,324,661 | 1,324,661 |
| Public safety | 34,066,214 | - | - | 297,658 | 34,363,872 |
| Highway, streets, and drains | - | 1,817,594 | 1,829,817 | 214,820 | 3,862,231 |
| Sanitation | 4,274,731 | - | - | - | 4,274,731 |
| Community and economic development | - | - | - | 3,341,483 | 3,341,483 |
| Cultural and recreation | 2,924,633 | - | - | 3,131,342 | 6,055,975 |
| Debt service | 154,875 | - | - | 1,266,904 | 1,421,779 |
| Total expenditures | <u>53,610,789</u> | <u>1,817,594</u> | <u>1,829,817</u> | <u>9,576,868</u> | <u>66,835,068</u> |
| Excess of Revenue (Under) Over Expenditures | (2,925,297) | 1,560,640 | (623,535) | (49,916) | (2,038,108) |
| Other Financing Sources (Uses) | | | | | |
| Proceeds from sale of capital assets | 405,180 | - | - | - | 405,180 |
| Transfers in (Note 7) | 1,211,077 | - | 781,424 | 1,594,675 | 3,587,176 |
| Transfers out (Note 7) | (358,801) | (1,611,124) | - | (1,617,251) | (3,587,176) |
| Total other financing sources (uses) | <u>1,257,456</u> | <u>(1,611,124)</u> | <u>781,424</u> | <u>(22,576)</u> | <u>405,180</u> |
| Net Change in Fund Balances | (1,667,841) | (50,484) | 157,889 | (72,492) | (1,632,928) |
| Fund Balances - Beginning of year | <u>9,197,017</u> | <u>1,137,306</u> | <u>502,757</u> | <u>2,938,211</u> | <u>13,775,291</u> |
| Fund Balances - End of year | <u>\$ 7,529,176</u> | <u>\$ 1,086,822</u> | <u>\$ 660,646</u> | <u>\$ 2,865,719</u> | <u>\$ 12,142,363</u> |

The Notes to Financial Statements are an
Integral Part of this Statement.

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, 2010

| | |
|--|-------------------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ (1,632,928) |
| 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 | (10,698,759) |
| Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end | 412,605 |
| Change in health claims incurred but not reported liability is not recorded in the governmental funds | (444,874) |
| Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt) | 1,113,132 |
| Change in accrued interest on long-term debt is not recorded in the governmental funds | 33,840 |
| Change in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities | 1,518,330 |
| Changes to investment in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities | (16,315) |
| Change in pollution remediation liability is not recorded in the governmental funds | (865,000) |
| Change in other postemployment benefit liability is not recorded in the governmental funds | (7,430,902) |
| Internal Service Funds are also included as governmental activities | <u>(123,842)</u> |
| Change in Net Assets of Governmental Activities | <u>\$ (18,134,713)</u> |

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

| | Enterprise Fund - Water and Sewer | Internal Service Funds |
|---|---|---------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 777,622 | \$ 19,551 |
| Receivables - Net | 9,152,197 | - |
| Due from other funds (Note 7) | 14,700 | 2,018,471 |
| Inventories | 212,327 | 10,588 |
| Prepaid costs and other assets | 28,986 | 32,827 |
| Total current assets | 10,185,832 | 2,081,437 |
| Noncurrent assets: | | |
| Restricted assets (Note 6) | 415,000 | - |
| Capital assets - Net (Note 5) | 76,044,852 | 3,132,766 |
| Total noncurrent assets | 76,459,852 | 3,132,766 |
| Total assets | 86,645,684 | 5,214,203 |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 3,926,800 | 38,469 |
| Due to other funds | 2,621,513 | 14,700 |
| Escrow deposits and other | 286,188 | - |
| Accrued and other liabilities | 129,918 | 1,994,732 |
| Compensated absences | 161,344 | - |
| Current portion of long-term debt | 481,968 | 245,292 |
| Total current liabilities | 7,607,731 | 2,293,193 |
| Noncurrent liabilities: | | |
| Net other postemployment benefits liability (Note 16) | 1,147,377 | - |
| Long-term debt - Net of current portion | 3,289,365 | 77,758 |
| Total noncurrent liabilities | 4,436,742 | 77,758 |
| Total liabilities | 12,044,473 | 2,370,951 |
| Net Assets | | |
| Investment in capital assets - Net of related debt | 72,273,519 | 2,809,716 |
| Restricted (Note 13) | 415,000 | - |
| Unrestricted | 1,912,692 | 33,536 |
| Total net assets | \$ 74,601,211 | \$ 2,843,252 |

City of Westland, Michigan

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

| | Enterprise Fund - Water and Sewer | Internal Service Funds |
|--|--------------------------------------|---------------------------|
| Operating Revenue | | |
| Water and sewer | \$ 17,751,989 | \$ - |
| Penalties | 935,807 | - |
| Rent | 38,600 | - |
| Other | 86,802 | - |
| Charges for services | - | 3,857,149 |
| | 18,813,198 | 3,857,149 |
| Total operating revenue | | |
| Operating Expenses | | |
| Cost of water | 3,504,115 | - |
| Cost of sewage disposal | 5,643,206 | - |
| Sundry | 143,030 | - |
| Wages and fringe benefits | 3,713,954 | 400,317 |
| Contracted services | 3,045,899 | 13,670 |
| Operating supplies | 247,400 | 406,704 |
| Repairs and maintenance | 2,301,401 | 318,652 |
| Rent, insurance, claims, and other | 522,475 | 2,311,125 |
| Depreciation | 1,544,780 | 822,106 |
| | 20,666,260 | 4,272,574 |
| Total operating expenses | | |
| Operating Loss | (1,853,062) | (415,425) |
| Nonoperating Revenue (Expense) | | |
| Investment income | 10,363 | 89 |
| Interest expense | (171,832) | (34,634) |
| | (161,469) | (34,545) |
| Loss - Before contributions | (2,014,531) | (449,970) |
| Capital Grants | 326,000 | 326,128 |
| Capital Contributions - Lines donated by developers | 57,671 | - |
| | 383,671 | 326,128 |
| Total capital contributions | | |
| Change in Net Assets | (1,630,860) | (123,842) |
| Net Assets - Beginning of year | 76,232,071 | 2,967,094 |
| Net Assets - End of year | \$ 74,601,211 | \$ 2,843,252 |

City of Westland, Michigan

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

| | Enterprise Fund - Water and Sewer | Internal Service Funds | Total |
|--|--------------------------------------|---------------------------|---------------------|
| Cash Flows from Operating Activities | | | |
| Receipts from customers | \$ 17,521,520 | \$ - | \$ 17,521,520 |
| Payments to suppliers | (12,608,704) | (803,706) | (13,412,410) |
| Payments to employees | (3,698,265) | (415,533) | (4,113,798) |
| Internal activity - Payments from other funds | - | 3,869,677 | 3,869,677 |
| Claims paid | - | (2,078,476) | (2,078,476) |
| Other receipts | (21,788) | - | (21,788) |
| | 1,192,763 | 571,962 | 1,764,725 |
| Net cash provided by operating activities | | | |
| Cash Flows from Noncapital Financing Activities - | | | |
| Operating transfers and interfund loans | 38,168 | - | 38,168 |
| Cash Flows from Capital and Related Financing Activities | | | |
| Proceeds from issuance of long-term debt | 371,333 | - | 371,333 |
| Receipt of capital grants | 326,000 | - | 326,000 |
| Collection of customer assessments and fees | 57,671 | - | 57,671 |
| Purchase of capital assets | (1,252,022) | (175,604) | (1,427,626) |
| Principal and interest paid on long-term debt | (507,943) | (411,648) | (919,591) |
| | (1,004,961) | (587,252) | (1,592,213) |
| Net cash used in capital and related financing activities | | | |
| Cash Flows from Investing Activities - | | | |
| Interest received on investments and other assets | 10,363 | 89 | 10,452 |
| | 236,333 | (15,201) | 221,132 |
| Net Increase (Decrease) in Cash and Cash Equivalents | | | |
| Cash and Cash Equivalents - Beginning of year | 956,289 | 34,752 | 991,041 |
| Cash and Cash Equivalents - End of year | \$ 1,192,622 | \$ 19,551 | \$ 1,212,173 |
| Balance Sheet Classification of Cash and Cash Equivalents | | | |
| Cash and cash equivalents | \$ 777,622 | \$ 19,551 | \$ 797,173 |
| Restricted assets (Note 6) | 415,000 | - | 415,000 |
| | \$ 1,192,622 | \$ 19,551 | \$ 1,212,173 |
| Total cash and cash equivalents | | | |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | | | |
| Operating loss | \$ (1,853,062) | \$ (415,425) | \$ (2,268,487) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | | |
| Depreciation | 1,544,780 | 822,106 | 2,366,886 |
| Changes in assets and liabilities: | | | |
| Receivables | (1,253,078) | - | (1,253,078) |
| Due from other funds | - | 77,418 | 77,418 |
| Inventory | (3,487) | - | (3,487) |
| Other assets | - | (8,528) | (8,528) |
| Accounts payable | 2,183,659 | (34,839) | 2,148,820 |
| Accrued and other liabilities | 595,739 | 116,530 | 712,269 |
| Due to other funds | (21,788) | 14,700 | (7,088) |
| | \$ 1,192,763 | \$ 571,962 | \$ 1,764,725 |
| Net cash provided by operating activities | | | |

Noncash Activities - During the year ended June 30, 2010, \$57,671 of water and sewer lines was donated to the City by developers.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2010

| | Pension Trust Fund - Police and Fire Retirement | Agency Funds |
|---|--|--------------|
| Assets | | |
| Cash and cash equivalents (Note 3) | \$ - | \$ 2,985,369 |
| Investments (Note 3): | | |
| U.S. government securities | 9,090,750 | - |
| Common stock | 54,984,217 | - |
| Corporate bonds | 14,023,782 | - |
| Real estate | 5,842,815 | - |
| Mutual funds | 41,988,765 | - |
| Other | 5,680,395 | - |
| Accrued interest and other assets | 373,901 | - |
| Total assets | 131,984,625 | \$ 2,985,369 |
| Liabilities | | |
| Accounts payable | 825,326 | \$ - |
| Due to other governmental units | - | 1,310,315 |
| Accrued and other liabilities | - | 1,675,054 |
| Total liabilities | 825,326 | \$ 2,985,369 |
| Net Assets - Held in trust for pension benefits and other purposes | \$ 131,159,299 | |

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2010

Additions

| | |
|--|------------------|
| Investment income (loss): | |
| Interest and dividends | \$ 2,430,973 |
| Net increase in fair value of investments | 12,334,737 |
| Investment-related expenses | <u>(325,827)</u> |
| Net investment income | 14,439,883 |
| Employer contributions: | |
| Pension | 3,829,140 |
| Medical insurance | <u>2,044,352</u> |
| Total employer contributions | 5,873,492 |
| Employee contributions and service credits | <u>29,183</u> |
| Total additions | 20,342,558 |

Deductions

| | |
|------------------|-------------------|
| Benefit payments | 8,285,844 |
| Medical premiums | <u>2,044,352</u> |
| Total deductions | <u>10,330,196</u> |

Net Increase

10,012,362

Net Assets Held in Trust for Pension and Other Employee Benefits -

Beginning of year 121,146,937

Net Assets Held in Trust for Pension and Other Employee Benefits -

End of year \$ 131,159,299

City of Westland, Michigan

Component Units Statement of Net Assets June 30, 2010

| | Downtown Development Authority | Economic Development Corporation | Local Development Finance Authority | Tax Increment Finance Authority | Total |
|---|--------------------------------------|--|--|---------------------------------------|---------------------|
| Assets | | | | | |
| Cash and cash equivalents (Note 3) | \$ 338,759 | \$ 4,838 | \$ 858,266 | \$ 215,014 | \$ 1,416,877 |
| Investments (Note 3) | - | - | - | 341,825 | 341,825 |
| Interest and other | - | - | - | 255,710 | 255,710 |
| Due from other governmental units | - | - | 19,049 | - | 19,049 |
| Prepaid costs and other assets | 6,000 | - | - | - | 6,000 |
| Capital assets - Net (Note 5) | 1,957,338 | - | - | 344,737 | 2,302,075 |
| Total assets | 2,302,097 | 4,838 | 877,315 | 1,157,286 | 4,341,536 |
| Liabilities | | | | | |
| Accounts payable | 8,675 | - | 7,913 | 52,901 | 69,489 |
| Due to other governmental units | - | - | - | 19,049 | 19,049 |
| Long-term debt - Due within one year | 48,329 | - | - | - | 48,329 |
| Long-term debt - Net of current portion (Note 8) | 51,671 | - | - | - | 51,671 |
| Total liabilities | 108,675 | - | 7,913 | 71,950 | 188,538 |
| Net Assets | | | | | |
| Invested in capital assets - Net of related debt | 1,857,338 | - | - | 344,737 | 2,202,075 |
| Unrestricted | 336,084 | 4,838 | 869,402 | 740,599 | 1,950,923 |
| Total net assets | \$ 2,193,422 | \$ 4,838 | \$ 869,402 | \$ 1,085,336 | \$ 4,152,998 |

City of Westland, Michigan

| Component Units | <u>Expenses</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
|--|----------------------------|---|---|
| Downtown Development Authority - Operations | \$ 844,692 | \$ - | \$ - |
| Economic Development Corporation - Operations | - | - | - |
| Local Development Finance Authority - Operations | 214,938 | - | - |
| Tax Increment Finance Authority - Operations | <u>549,266</u> | <u>-</u> | <u>-</u> |
| Total component units | <u>\$ 1,608,896</u> | <u>\$ -</u> | <u>\$ -</u> |

General revenue:

Property taxes
 Property tax refunds
 Interest income

Total general revenue

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

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

| Net (Expense) Revenue and Changes in Net Assets | | | | |
|---|--|--|---------------------------------------|---------------------|
| Downtown Development Authority | Economic Development Corporation | Local Development Finance Authority | Tax Increment Finance Authority | Total |
| \$ (844,692) | \$ - | \$ - | \$ - | \$ (844,692) |
| - | - | - | - | - |
| - | - | (214,938) | - | (214,938) |
| - | - | - | (549,266) | (549,266) |
| (844,692) | - | (214,938) | (549,266) | (1,608,896) |
| 1,569,574 | - | 310,182 | 4,771,687 | 6,651,443 |
| - | - | - | (4,900,000) | (4,900,000) |
| 79 | - | 408 | 41,958 | 42,445 |
| 1,569,653 | - | 310,590 | (86,355) | 1,793,888 |
| 724,961 | - | 95,652 | (635,621) | 184,992 |
| 1,468,461 | 4,838 | 773,750 | 1,720,957 | 3,968,006 |
| \$ 2,193,422 | \$ 4,838 | \$ 869,402 | \$ 1,085,336 | \$ 4,152,998 |

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 of Westland, Michigan is governed by an elected mayor and an elected seven-member council. The accompanying financial statements present the City 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 City, 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 - Court Expansion Debt Service Fund.

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, 2010.

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue 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 revenue are reported instead as general revenue.

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

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period. In 2010, the City's receipt of its property tax settlement for delinquent taxes from Wayne County, which is normally received within 60 days of year end, was significantly delayed. Due to the unusual circumstances surrounding the delay and the fact that the City does normally receive this within the 60-day time frame, the City did record this as revenue on the modified accrual basis in FYE 2010. 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.

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of 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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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 has 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 considered delinquent on August 15, with the final collection date of February 28 before they are added to the delinquent county tax rolls.

The 2009 taxable valuation of the City totaled approximately \$2.22 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, and 2.0000 mills for sanitation. The ad valorem taxes levied raised approximately \$14.4 million for City operations, approximately \$2.1 million for operation of the library, approximately \$7.4 million for the Police and Fire Pension Fund, and approximately \$4.4 million for sanitation. 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 and Special Revenue 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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

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

| | |
|-------------------------------------|-------------|
| Roads and sidewalks | 30-40 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.

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

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

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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Change in Accounting Estimate - During 2010, the City changed its estimation on the depreciable lives of the roads the City owns from approximately 20-30 years to 30-40 years. The City believes this new method provides a more accurate estimation of the useful lives of the infrastructure. The change in estimate resulted in a decrease in public works depreciation expense of approximately \$16.7 million on a government-wide basis.

Upcoming Accounting Pronouncements - The Governmental Accounting Standards Board has recently issued a new pronouncement, GASB No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. GASB No. 54 eliminates the current use of the terms "reserved" and "designated" in the reporting of fund balances and replaces those terms with five new categories for segregating fund balance. The standard is effective for periods beginning after June 15, 2010 (which would be the City's fiscal year ending June 30, 2011).

Note 2 - Stewardship, Compliance, and Accountability

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

| | |
|---------------------------------------|------------------------------|
| Cumulative shortfall at July 1, 2009 | \$ (2,355,181) |
| Current year permit revenue | 891,492 |
| Related expenses - Direct costs | <u>1,144,513</u> |
| Current year shortfall | <u>(253,021)</u> |
| Cumulative shortfall at June 30, 2010 | <u><u>\$ (2,608,202)</u></u> |

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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

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

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 at the fund level; expenditures at this level in excess of amounts budgeted are a violation of Michigan law.

The 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 | \$ 50,705,170 | \$ 53,823,106 |
| Reimbursements from other funds recorded as revenue | <u>3,087,313</u> | <u>3,087,313</u> |
| Amounts per budget statement | <u>\$ 53,792,483</u> | <u>\$ 56,910,419</u> |

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2010 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: | | |
| Computer information systems | \$ 387,515 | \$ 427,162 |
| City hall and grounds | 209,310 | 233,250 |
| General government | 3,202,153 | 3,494,549 |
| Fire | 11,848,475 | 12,047,400 |
| Highway maintenance | 2,523,925 | 3,087,313 |
| Building | 1,342,050 | 1,352,128 |
| Parks and recreation | 1,616,560 | 1,628,750 |
| Golf course | 300,218 | 314,022 |
| Major Roads Fund | 1,563,000 | 1,817,594 |

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 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 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 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 \$11,220,566 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 \$981,469 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) |
|---|--------------|--|
| Pension Funds | | |
| U.S. Treasury | \$ 4,671,459 | 7.76 |
| U.S. government agency securities | 4,419,291 | 23.67 |
| Corporate securities | 14,023,782 | 15.72 |
| Component Units - U.S. Treasury securities | 597,535 | 4.17 |

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

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:

| <u>Investment</u> | <u>Fair Value</u> | <u>Rating</u> | <u>Rating Organization</u> |
|---|-------------------|---------------|----------------------------|
| Primary Government | | | |
| Comerica J Fund | \$ 1,264,683 | AI, PI | S&P, Moody's |
| Fiduciary Funds | | | |
| Corporate securities (pension) | 2,151,950 | A | S&P |
| Corporate securities (pension) | 685,092 | AA | S&P |
| Corporate securities (pension) | 1,819,604 | AAA | S&P |
| Corporate securities (pension) | 1,639,590 | B | S&P |
| Corporate securities (pension) | 2,035,939 | BB | S&P |
| Corporate securities (pension) | 4,949,401 | BBB | S&P |
| Corporate securities (pension) | 118,260 | CCC | S&P |
| Corporate securities (pension) | 623,946 | NR | S&P |
| Foreign bonds (pension) | 1,324,294 | A | S&P |
| Foreign bonds (pension) | 906,293 | AAA | S&P |
| Foreign bonds (pension) | 92,000 | BB | S&P |
| Foreign bonds (pension) | 673,503 | BBB | S&P |
| U.S. government agency securities (pension) | 21,501 | BBB | S&P |
| U.S. government agency securities (pension) | 4,397,790 | NR | S&P |

Concentration of Credit Risk

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 4 - Receivables

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

| | General Fund | Major Roads Fund | Local Roads Fund | Nonmajor | | Business-type Activities | Total Primary Government | Component Units |
|-----------------------------------|---------------------|-------------------|-------------------|---------------------|-------------------------|--------------------------|--------------------------|-------------------|
| | | | | Governmental Funds | Governmental Activities | | | |
| Property taxes receivable | \$ 2,629,642 | \$ - | \$ - | \$ 346,242 | \$ 2,975,884 | \$ 1,122,716 | \$ 4,098,600 | \$ - |
| Special assessments | 141,662 | - | 229,817 | - | 371,479 | - | 371,479 | - |
| Customer receivables | - | - | 1,069 | - | 1,069 | 8,028,182 | 8,029,251 | - |
| Interest and other | - | - | - | 851,398 | 851,398 | 1,299 | 852,697 | 255,710 |
| Due from other governmental units | 3,143,054 | 520,841 | 187,276 | 289,474 | 4,140,645 | - | 4,140,645 | 19,049 |
| Total receivables | \$ 5,914,358 | \$ 520,841 | \$ 418,162 | \$ 1,487,114 | \$ 8,340,475 | \$ 9,152,197 | \$ 17,492,672 | \$ 274,759 |

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 | \$ 765,996 | \$ - | \$ 765,996 |
| General Fund - City services | 47,482 | - | 47,482 |
| General Fund - Housing development | 131,317 | - | 131,317 |
| Local Roads Fund - Special assessment revenue | 229,817 | - | 229,817 |
| Other nonmajor governmental funds - E-911 wireless revenue | 351,000 | - | 351,000 |
| Other nonmajor governmental funds - Federal grant revenue | - | 96,956 | 96,956 |
| Total | \$ 1,525,612 | \$ 96,956 | \$ 1,622,568 |

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets

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

| | Balance July 1, 2009 | Additions | Disposals and Adjustments | Balance June 30, 2010 |
|--|-------------------------|-----------------|------------------------------|--------------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated - Land | \$ 2,340,379 | \$ - | \$ - | \$ 2,340,379 |
| Capital assets being depreciated: | | | | |
| Roads and sidewalks | 758,625,228 | 732,029 | - | 759,357,257 |
| Buildings and improvements | 18,055,608 | - | - | 18,055,608 |
| Other tools and equipment | 26,795,662 | 1,156,341 | 924,817 | 27,027,186 |
| Subtotal | 803,476,498 | 1,888,370 | 924,817 | 804,440,051 |
| Accumulated depreciation: | | | | |
| Roads and sidewalks | 528,619,405 | 10,620,096 | - | 539,239,501 |
| Buildings and improvements | 4,818,689 | 421,564 | - | 5,240,253 |
| Other tools and equipment | 18,335,587 | 1,866,143 | 924,817 | 19,276,913 |
| Subtotal | 551,773,681 | 12,907,803 | 924,817 | 563,756,667 |
| Net capital assets being depreciated | 251,702,817 | (11,019,433) | - | 240,683,384 |
| Net capital assets | \$ 254,043,196 | \$ (11,019,433) | \$ - | \$ 243,023,763 |
| Business-type Activities | | | | |
| Capital assets not being depreciated - Construction in progress | \$ - | \$ 1,206,681 | \$ - | \$ 1,206,681 |
| Capital assets being depreciated - Water and sewer distribution systems | 106,293,913 | 45,341 | - | 106,339,254 |
| Accumulated depreciation - Water and sewer distribution systems | 29,956,303 | 1,544,780 | - | 31,501,083 |
| Net capital assets | \$ 76,337,610 | \$ (292,758) | \$ - | \$ 76,044,852 |
| Component Units | | | | |
| Capital assets not being depreciated - Land | \$ 90,000 | \$ - | \$ - | \$ 90,000 |
| Capital assets being depreciated: | | | | |
| DDA improvements | 1,991,493 | 350,000 | - | 2,341,493 |
| TIFA improvements | 370,293 | 21,665 | - | 391,958 |
| Subtotal | 2,361,786 | 371,665 | - | 2,733,451 |
| Accumulated depreciation: | | | | |
| DDA improvements | 357,080 | 117,075 | - | 474,155 |
| TIFA improvements | 23,069 | 24,152 | - | 47,221 |
| Subtotal | 380,149 | 141,227 | - | 521,376 |
| Net capital assets being depreciated | 1,981,637 | 230,438 | - | 2,212,075 |
| Net capital assets | \$ 2,071,637 | \$ 230,438 | \$ - | \$ 2,302,075 |

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Capital Assets (Continued)

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

Governmental activities:

| | |
|--|----------------------|
| General government | \$ 767,681 |
| Public safety | 383,167 |
| Public works | 10,775,365 |
| Recreation and culture | 159,484 |
| Internal Service Fund depreciation is charged to the various functions based on their usage of the asset | <u>822,106</u> |
| Total governmental activities | <u>\$ 12,907,803</u> |
| Business-type activities - Enterprise Fund - Water and Sewer | <u>\$ 1,544,780</u> |

Note 6 - Restricted Assets

Restricted assets at June 30, 2010 consist of \$415,000 of cash in the Water and Sewer Fund for the following purposes:

| | <u>Business-type Activities</u> |
|---|-------------------------------------|
| Bond reserve for 1998 Water and Sewer Revenue Bonds | \$ 247,500 |
| Bond reserve for 2006 Water and Sewer Revenue Bonds | <u>167,500</u> |
| Total restricted assets | <u>\$ 415,000</u> |

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Interfund Balances and Operating Transfers

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

| Receivable Fund | Payable Fund | Amount |
|--------------------------------------|--|--------------|
| General Fund | Major Roads Fund | \$ 95,785 |
| | Local Roads Fund | 423,288 |
| | Water and Sewer Fund | 2,206,624 |
| | Other nonmajor governmental funds | 287,682 |
| | Total General Fund - Interfund receivable | 3,013,379 |
| Local Roads Fund | Major Roads Fund | 163,011 |
| Other nonmajor governmental funds | General Fund | 34,711 |
| Water and Sewer Fund | Internal Service Funds | 14,700 |
| Other proprietary funds | General Fund | 1,603,582 |
| | Water and Sewer Fund | 414,889 |
| | Total other proprietary funds | 2,018,471 |
| | Total interfund activity | \$ 5,244,272 |

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

The composition of operating transfers is as follows:

| Operating Transfer Out | Operating Transfer In | Amount |
|-----------------------------|--------------------------------|--------------|
| General Fund | Other governmental funds (1) | \$ 358,801 |
| Major Roads Fund | Local Roads Fund (2) | 781,424 |
| | Other governmental funds (1) | 829,700 |
| | Total Major Roads Fund | 1,611,124 |
| Other governmental funds | General Fund (3) | 1,211,077 |
| | Other governmental funds (3) | 406,174 |
| | Total other governmental funds | 1,617,251 |
| | Total operating transfers | \$ 3,587,176 |

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Interfund Balances and Operating Transfers (Continued)

- (1) Transfer for debt service
- (2) Transfer for local road construction and maintenance
- (3) 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 City.

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

Long-term debt activity can be summarized as follows:

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|-------------------------|---------------------------------|----------------------|------------|--------------|----------------|------------------------|
| Governmental Activities | | | | | | | |
| General obligation bonds: | | | | | | | |
| 1997 Michigan Transportation Fund Bonds | 4.000% | \$250,000 | \$ 750,000 | \$ - | \$ 250,000 | \$ 500,000 | \$ 250,000 |
| 1998 Michigan Transportation Fund Bonds | 4.375% - 4.500% | \$250,000 - \$400,000 | 1,600,000 | - | 250,000 | 1,350,000 | 250,000 |
| 2005 Building Authority Refunding Bonds | 3.500% - 5.000% | \$255,000 - \$500,000 | 3,730,000 | - | 135,000 | 3,595,000 | 260,000 |
| 2004 Michigan Transportation Fund Bonds | 3.000% - 4.000% | \$200,000 - \$300,000 | 2,600,000 | - | 150,000 | 2,450,000 | 200,000 |
| 1999 Building Authority Refunding Bonds | - | - | 125,000 | - | 125,000 | - | - |
| HUD Section 108 loans | - | - | 70,000 | - | 70,000 | - | - |
| Installment purchase agreement: | | | | | | | |
| Police communications equipment 2009 recycle containers | | \$97,317 - | 41,306 | - | 41,306 | - | - |
| | 5.980% | \$146,135 | 1,054,326 | - | 91,826 | 962,500 | 97,317 |
| Other equipment | 4.900%- 5.600% | \$37,933 - \$245,292 | 700,064 | - | 377,014 | 323,050 | 245,292 |
| Total governmental bonds | | | 10,670,696 | - | 1,490,146 | 9,180,550 | 1,302,609 |
| Compensated absences | | | 10,236,742 | - | 1,518,330 | 8,718,412 | 2,527,698 |
| Total governmental activities | | | \$ 20,907,438 | \$ - | \$ 3,008,476 | \$ 17,898,962 | \$ 3,830,307 |
| Business-type Activities | | | | | | | |
| Revenue bonds: | | | | | | | |
| 1998 Water and Sewer Revenue Bonds | 4.500% | \$200,000 - \$250,000 | \$ 1,925,000 | \$ - | \$ 200,000 | \$ 1,725,000 | \$ 200,000 |
| 2006 Water and Sewer Revenue Bonds | 3.875% - 3.900% | \$275,000 - \$300,000 | 1,775,000 | - | 100,000 | 1,675,000 | 275,000 |
| General obligation bonds: | | | | | | | |
| 2010 State Revolving Fund Loan | 2.500% | \$6,968 - \$40,000 | - | 217,843 | - | 217,843 | 6,968 |
| 2010 Strategic Water Quality Initiatives Loan | 2.500% | \$5,883 - \$180,000 | - | 153,490 | - | 153,490 | - |
| Total business-type bonds | | | 3,700,000 | 371,333 | 300,000 | 3,771,333 | 481,968 |
| Compensated absences | | | 197,455 | - | 36,111 | 161,344 | 161,344 |
| Total business-type activities | | | \$ 3,897,455 | \$ 371,333 | \$ 336,111 | \$ 3,932,677 | \$ 643,312 |

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 8 - Long-term Debt (Continued)

| | Interest Rate Ranges | Principal Maturity Ranges | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--|----------------------|---------------------------|-------------------|------------|------------|----------------|---------------------|
| Component Unit Activities | | | | | | | |
| General obligation bonds: | | | | | | | |
| 2003 Local Development Finance Authority Bonds | - | - | \$ 75,000 | \$ - | \$ 75,000 | \$ - | \$ - |
| 2003 Downtown Development Authority Bonds | - | - | 550,000 | - | 550,000 | - | - |
| 2010 Downtown Development Authority Installment Purchase Agreement | 6.92% | \$100,000 | - | 100,000 | - | 100,000 | 48,329 |
| Total component units | | | \$ 625,000 | \$ 100,000 | \$ 625,000 | \$ 100,000 | \$ 48,329 |

Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

| Years Ending June 30 | Governmental Activities | | | Business-type Activities | | | Component Unit Activities | | |
|----------------------|-------------------------|--------------|---------------|--------------------------|------------|--------------|---------------------------|-----------|------------|
| | Principal | Interest | Total | Principal | Interest | Total | Principal | Interest | Total |
| 2011 | \$ 1,302,609 | \$ 379,591 | \$ 1,682,200 | \$ 481,968 | \$ 145,628 | \$ 627,596 | \$ 48,329 | \$ 6,916 | \$ 55,245 |
| 2012 | 1,196,069 | 321,342 | 1,517,411 | 484,168 | 127,747 | 611,915 | 51,671 | 3,573 | 55,244 |
| 2013 | 1,109,129 | 270,869 | 1,379,998 | 490,051 | 107,791 | 597,842 | - | - | - |
| 2014 | 1,070,840 | 220,910 | 1,291,750 | 490,318 | 87,759 | 578,077 | - | - | - |
| 2015 | 752,768 | 179,733 | 932,501 | 490,586 | 67,652 | 558,238 | - | - | - |
| 2016-2020 | 3,749,135 | 368,928 | 4,118,063 | 1,110,303 | 90,614 | 1,200,917 | - | - | - |
| 2021-2025 | - | - | - | 95,353 | 5,346 | 100,699 | - | - | - |
| 2026-2030 | - | - | - | 109,600 | - | 109,600 | - | - | - |
| 2031-2035 | - | - | - | 18,986 | - | 18,986 | - | - | - |
| Total | \$ 9,180,550 | \$ 1,741,373 | \$ 10,921,923 | \$ 3,771,333 | \$ 632,537 | \$ 4,403,870 | \$ 100,000 | \$ 10,489 | \$ 110,489 |

Total interest incurred related to governmental and business-type activities for the year approximated \$409,000 and \$172,000, respectively. Total interest incurred related to component units for the year approximated \$6,000.

Future Revenue 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 revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$3,995,163. During the current year, the annual debt requirement of \$455,419 was paid out of system reserves as the system operated at a loss for the year.

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

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. In the current year, the City became self-insured for medical claims. The City also 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.

The City estimates the liability for general liability claims, workers' compensation claims, and health insurance 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 for the general liability and workers' compensation claims are recorded in the General Liability Self-insurance and Workers' Compensation Self-insurance Funds, respectively. The estimate for the health claims is included in the government-wide statement of net assets allocated between governmental and business-type activities. Changes in the estimated liabilities for the years ended June 30, 2010 and 2009 were as follows:

| | General Liability | | Workers' Compensation | | Health Insurance Claims | |
|---|-------------------|--------------|-----------------------|------------|-------------------------|------|
| | 2010 | 2009 | 2010 | 2009 | 2010 | 2009 |
| Estimated liability - Beginning of year | \$ 1,105,460 | \$ 1,105,460 | \$ 716,739 | \$ 787,801 | \$ - | \$ - |
| Estimated claims incurred, including changes in estimates | 1,254,041 | 1,303,808 | 1,167,517 | 757,162 | 477,500 | - |
| Claim payments | (1,237,383) | (1,303,808) | (1,052,429) | (828,224) | - | - |
| Estimated liability - End of year | \$ 1,122,118 | \$ 1,105,460 | \$ 831,827 | \$ 716,739 | \$ 477,500 | \$ - |

Note 10 - Defined Benefit Pension Plan

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 full-time 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, 2009, the date of the most recent actuarial valuation, membership consisted of 177 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 175 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, 2010, the City's annual pension cost of \$3,829,140 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 | | |
|-------------------------------|---------------------------|--------------|--------------|
| | 2008 | 2009 | 2010 |
| Annual pension costs (APC) | \$ 5,085,329 | \$ 4,738,178 | \$ 3,829,140 |
| Percentage of APC contributed | 100.0 % | 100.0 % | 100.0 % |
| Net pension obligation | \$ - | \$ - | \$ - |

Funded Status and Funding Progress - As of June 30, 2009, the most recent actuarial valuation date, the plan was 100.9 percent funded. The actuarial accrued liability for benefits was \$154,005,127 and the actuarial value of assets was \$155,388,723, resulting in an overfunded actuarial accrued liability of \$1,383,596. The covered payroll (annual payroll to active employees covered by the plan) was \$12,951,032 and the ratio of the overfunded actuarial accrued liability to the covered payroll was 10.8 percent.

Note 10 - Defined Benefit Pension Plan (Continued)

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

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2008, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.50 investment rate of return, (b) projected salary increases of 4.00 percent per year to 8.00 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, 2010, the plan's legally required reserves have been fully funded as follows:

| | |
|--------------------------------------|------------|
| Reserve for employees' contributions | \$ 589,339 |
| Reserve for retired benefit payments | 81,602,067 |

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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended June 30, 2010, the City's annual pension cost of \$3,530,623 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial calculation at December 31, 2007, 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 unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 28 years.

Three-year Trend Information

| | Fiscal Year Ended June 30 | | |
|---|---------------------------------------|---------------|---------------|
| | 2008 | 2009 | 2010 |
| General Employees' Retirement System: | | | |
| Annual pension costs (APC) | \$ 3,733,896 | \$ 3,744,570 | \$ 3,530,623 |
| Percentage of APC contributed | 100% | 100% | 100% |
| Net pension obligation | \$ - | \$ - | \$ - |
| | Actuarial Valuation as of December 31 | | |
| | 2007 | 2008 | 2009 |
| Actuarial value of assets | \$ 55,371,148 | \$ 56,604,525 | \$ 56,913,144 |
| Actuarial accrued liability (AAL) (entry) | \$ 94,315,225 | \$ 98,730,066 | \$ 98,241,028 |
| Unfunded AAL (UAAL) | \$ 38,944,077 | \$ 42,125,541 | \$ 41,327,884 |
| Funded ratio | 58.71% | 57.33% | 57.93% |
| Covered payroll | \$ 10,622,098 | \$ 10,257,650 | \$ 9,960,227 |
| UAAL as a percentage of covered payroll | 367% | 411% | 415% |

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission with the City of Garden City, the City of Inkster, and the City of Wayne. The City appoints two members to the Nankin Transit Commission's governing board, which then approves the annual budget. The City recorded a long-term liability related to the joint venture of approximately \$55,000 in the government-wide statement of net assets.

Note 11 - Joint Ventures (Continued)

The City also participates in the Central Wayne County Sanitation Authority with the City of Dearborn Heights, the City of Garden City, the City of Inkster, and the City of Wayne. The City appoints one member to the Central Wayne County Sanitation Authority's board, which then approves the annual budget. The City recorded a long-term asset related to the joint venture of approximately \$152,000 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. 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.

Note 12 - Contingent Liabilities

Environmental Cleanup - Central City Park has been closed due to environmental contamination since 2007. As of the report date, the park is not owned or controlled by the City; however, it is expected to be deeded to the City by the County in the near future. Over the past few years, the City has been working with the County and hired engineers to create a remediation plan. Subsequent to year end, the City and Wayne County have come to a shared agreement that will require a financial contribution by the City of Westland of approximately \$1,115,000. This liability is recorded on the government-wide statements.

Sanitation System Overflow - On June 5, 2010, the City experienced a 100-year rain event. As a result, the City's sanitation system lines backed up and approximately 500 residents filed claims for flood damage. The City was served on September 7, 2010 with a class action lawsuit for those claims. The City believes that it has governmental immunity from these claims and that no sewer defect in the system exists that would eliminate that protection. As such, no estimated liability has been recorded related to this suit.

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 13 - Restricted Net Assets

In addition to net assets restricted for retirement system, sanitation, road improvements, and library operations, net assets have been restricted for the following purposes:

| | Total Governmental Activities | Total Business- type Activities |
|--|-------------------------------------|------------------------------------|
| Public safety - E911 | \$ 434,682 | \$ - |
| Public safety - Drug forfeiture | 296,628 | - |
| 800 MHZ Fund | 91,318 | - |
| Task Force Fund | 67,990 | - |
| Restricted Cable Commission projects | 127,711 | - |
| Revenue bonds | - | 415,000 |
| Metro Act Fund - Right-of-way improvements | 9,865 | - |
| Total | <u>\$ 1,028,194</u> | <u>\$ 415,000</u> |

Note 14 - Commitments

The City has entered into several construction and maintenance contracts totaling \$3,776,857. As of June 30, 2010, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 15 - Acquisition of Assets

Upon repayment of all liabilities associated with the Elderly Housing Corporation facility, the assets of the corporation are to revert back to the City. The mortgage was paid off in November 2008. The City must file a petition to initiate the transfer of the building, which has not occurred as of June 30, 2010.

Note 16 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to eligible employees and their spouses. This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements.

Funding Policy - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis).

City of Westland, Michigan

Notes to Financial Statements June 30, 2010

Note 16 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2008. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

| | |
|--|-----------------------------|
| Annual required contribution (recommended) | \$ 12,115,852 |
| Interest on the prior year's net OPEB obligation | <u>329,908</u> |
| Total annual OPEB cost | 12,445,760 |
| Amounts contributed - Payments of current premiums | <u>(4,469,903)</u> |
| Increase in net OPEB obligation | 7,975,857 |
| OPEB obligation - Beginning of year | <u>7,331,278</u> |
| OPEB obligation - End of year | <u><u>\$ 15,307,135</u></u> |

| Fiscal Year Ended | Annual OPEB Costs | Percentage OPEB Costs Contributed | Net OPEB Obligation |
|-------------------|----------------------|---|------------------------|
| 6/30/09 | \$ 12,115,852 | 39.5% | \$ 7,331,278 |
| 6/30/10 | 12,445,760 | 35.9% | 15,307,135 |

The funding progress of the plan as of the most recent valuation date is as follows:

| Actuarial Valuation Date | Actuarial Value of Assets | Actuarial Accrued Liability (AAL) | Unfunded AAL (UAAL) | Funded Ratio | Annual Covered Payroll | UAAL as a Percentage of Covered Payroll |
|-----------------------------|------------------------------|---|------------------------|-----------------|---------------------------|---|
| 6/30/08 | \$ - | \$ 181,861,454 | \$ 181,861,454 | - | \$ 20,474,568 | 888.0 |

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

Note 16 - Other Postemployment Benefits (Continued)

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

In the June 30, 2008 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 11 years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2010 was 30 years.

Required Supplemental Information

City of Westland, Michigan

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

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|----------------------------------|-----------------|----------------|---------------|---------------------------------|
| Revenue | | | | |
| Property taxes | \$ 23,842,835 | \$ 23,955,302 | \$ 24,706,066 | \$ 750,764 |
| Licenses and permits | 1,336,400 | 1,066,100 | 1,026,802 | (39,298) |
| Federal sources | 40,000 | - | 20,000 | 20,000 |
| State sources | 8,236,369 | 7,119,000 | 7,241,906 | 122,906 |
| Charges for services | 7,329,322 | 6,986,922 | 6,826,815 | (160,107) |
| Court fines and fees | 4,510,048 | 4,654,600 | 4,687,840 | 33,240 |
| Interest income | 400,000 | 75,000 | 41,916 | (33,084) |
| Miscellaneous | 11,718,397 | 12,838,880 | 9,221,460 | (3,617,420) |
| Total revenue | 57,413,371 | 56,695,804 | 53,772,805 | (2,922,999) |
| Appropriations | | | | |
| General government: | | | | |
| Legislative | 113,549 | 109,632 | 102,378 | 7,254 |
| Executive | 622,705 | 602,075 | 570,895 | 31,180 |
| Computer information systems | 394,696 | 387,515 | 427,162 | (39,647) |
| Law | 565,000 | 690,000 | 684,223 | 5,777 |
| Finance | 1,411,053 | 1,351,800 | 1,307,317 | 44,483 |
| Assessment | 403,991 | 395,272 | 381,369 | 13,903 |
| Board of Review | 2,520 | 2,520 | 3,047 | (527) |
| City Clerk | 508,029 | 492,793 | 487,838 | 4,955 |
| Elections | 299,124 | 293,861 | 293,341 | 520 |
| City hall and grounds | 198,210 | 209,310 | 233,250 | (23,940) |
| Motorpool | 1,143,954 | 1,213,905 | 1,213,906 | (1) |
| Personnel | 258,331 | 247,407 | 243,012 | 4,395 |
| Housing | 503,798 | 530,400 | 538,719 | (8,319) |
| Insurance and bonds | 2,475,000 | 2,230,000 | 1,776,130 | 453,870 |
| General government | 3,451,092 | 3,202,153 | 3,494,549 | (292,396) |
| Community development | 467,022 | 467,022 | 433,200 | 33,822 |
| Total general government | 12,818,074 | 12,425,665 | 12,190,336 | 235,329 |
| Public safety: | | | | |
| Police | 15,357,163 | 15,700,486 | 15,633,393 | 67,093 |
| Joint dispatch | 1,389,750 | 1,339,000 | 1,321,459 | 17,541 |
| Fire | 11,853,336 | 11,848,475 | 12,047,400 | (198,925) |
| Police and fire retirement board | 700,000 | 700,000 | 273,122 | 426,878 |
| Building | 1,398,165 | 1,342,050 | 1,352,128 | (10,078) |
| District Court | 3,918,666 | 3,522,586 | 3,438,712 | 83,874 |
| Total public safety | 34,617,080 | 34,452,597 | 34,066,214 | 386,383 |
| Highway maintenance | 3,590,844 | 2,523,925 | 3,087,313 | (563,388) |
| Sanitation | 5,009,255 | 4,634,433 | 4,274,731 | 359,702 |

City of Westland, Michigan

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

| | <u>Original Budget</u> | <u>Amended Budget</u> | <u>Actual</u> | <u>Variance with Amended Budget</u> |
|--|----------------------------|-----------------------------|----------------------------|---|
| Appropriations (Continued) | | | | |
| Cultural and recreation: | | | | |
| Parks and recreation | \$ 1,914,107 | \$ 1,616,560 | \$ 1,628,750 | \$ (12,190) |
| Youth assistance program | 242,845 | 244,965 | 228,440 | 16,525 |
| Ice arena | 358,950 | 358,950 | 315,321 | 43,629 |
| Senior resources | 465,266 | 465,266 | 438,100 | 27,166 |
| Golf course | 300,218 | 300,218 | 314,022 | (13,804) |
| Total cultural and recreation | <u>3,281,386</u> | <u>2,985,959</u> | <u>2,924,633</u> | <u>61,326</u> |
| Debt service | <u>-</u> | <u>161,000</u> | <u>154,875</u> | <u>6,125</u> |
| Total appropriations | <u>59,316,639</u> | <u>57,183,579</u> | <u>56,698,102</u> | <u>485,477</u> |
| Excess of Expenditures Over Revenue | (1,903,268) | (487,775) | (2,925,297) | (2,437,522) |
| Other Financing Sources (Uses) | | | | |
| Proceeds from sale of capital assets | - | 436,000 | 405,180 | (30,820) |
| Transfers in | 614,077 | 937,077 | 1,211,077 | 274,000 |
| Transfers out | <u>-</u> | <u>(82,258)</u> | <u>(358,801)</u> | <u>(276,543)</u> |
| Total other financing sources | <u>614,077</u> | <u>1,290,819</u> | <u>1,257,456</u> | <u>33,363</u> |
| Net Change in Fund Balance | (1,289,191) | 803,044 | (1,667,841) | (2,470,885) |
| Fund Balance - July 1, 2009 | <u>9,197,017</u> | <u>9,197,017</u> | <u>9,197,017</u> | <u>-</u> |
| Fund Balance - June 30, 2010 | <u>\$ 7,907,826</u> | <u>\$ 10,000,061</u> | <u>\$ 7,529,176</u> | <u>\$ (2,470,885)</u> |

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2010

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|-------------------------------------|-------------------|-------------------|---------------------|------------------------------------|
| Sources | | | | |
| State sources | \$ 3,200,000 | \$ 3,200,000 | \$ 3,180,109 | \$ (19,891) |
| Interest income | 5,000 | 5,000 | 3,146 | (1,854) |
| Local sources | 106,710 | 106,710 | 194,979 | 88,269 |
| Total sources | 3,311,710 | 3,311,710 | 3,378,234 | 66,524 |
| Uses - Public works | | | | |
| Construction | 300,000 | 300,000 | 445,009 | (145,009) |
| Maintenance | 600,000 | 600,000 | 673,956 | (73,956) |
| Snow removal | 265,000 | 265,000 | 223,544 | 41,456 |
| Traffic | 60,000 | 60,000 | 135,785 | (75,785) |
| Administration | 320,000 | 320,000 | 318,011 | 1,989 |
| Professional services | 18,000 | 18,000 | 21,289 | (3,289) |
| Total uses | 1,563,000 | 1,563,000 | 1,817,594 | (254,594) |
| Other Financing Uses - | | | | |
| Transfers to other funds | (2,030,259) | (2,030,259) | (1,611,124) | 419,135 |
| Net Change in Fund Balance | (281,549) | (281,549) | (50,484) | 231,065 |
| Fund Balance - July 1, 2009 | 1,137,306 | 1,137,306 | 1,137,306 | - |
| Fund Balance - June 30, 2010 | \$ 855,757 | \$ 855,757 | \$ 1,086,822 | \$ 231,065 |

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2010

| | Original Budget | Amended Budget | Actual | Variance with Amended Budget |
|--------------------------------------|-------------------|-------------------|-------------------|------------------------------------|
| Sources | | | | |
| State sources | \$ 1,150,000 | \$ 1,150,000 | \$ 1,143,429 | \$ (6,571) |
| Interest income | 1,000 | 1,000 | 5 | (995) |
| Special assessments and other income | 40,000 | 40,000 | 62,848 | 22,848 |
| Total sources | 1,191,000 | 1,191,000 | 1,206,282 | 15,282 |
| Uses - Public works | | | | |
| Construction | 200,000 | 200,000 | 11,544 | 188,456 |
| Maintenance | 1,750,000 | 1,750,000 | 1,339,819 | 410,181 |
| Snow removal | 275,000 | 275,000 | 134,567 | 140,433 |
| Traffic | 140,000 | 140,000 | 213,225 | (73,225) |
| Administration | 115,000 | 115,000 | 114,343 | 657 |
| Professional services | 12,000 | 12,000 | 16,319 | (4,319) |
| Total uses | 2,492,000 | 2,492,000 | 1,829,817 | 662,183 |
| Subtotal | (1,301,000) | (1,301,000) | (623,535) | 677,465 |
| Other Financing Sources - | | | | |
| Transfers from other funds | 1,200,000 | 1,200,000 | 781,424 | (418,576) |
| Net Change in Fund Balance | (101,000) | (101,000) | 157,889 | 258,889 |
| Fund Balance - July 1, 2009 | 502,757 | 502,757 | 502,757 | - |
| Fund Balance - June 30, 2010 | <u>\$ 401,757</u> | <u>\$ 401,757</u> | <u>\$ 660,646</u> | <u>\$ 258,889</u> |

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/ Unfunded AAL (UAAL) (b-a) | Funded Ratio (Percent) (a/b) | Covered Payroll (c) | AAL (UAAL) as a Percentage of Covered Payroll |
|-----------------------------|--|--|--|------------------------------------|---------------------------|---|
| 6/30/04 | \$ 123,800 | \$ 121,700 | \$ (2,100) | 101.7 | \$ 11,400 | (18.4) |
| 6/30/05 | 125,200 | 126,400 | 1,200 | 99.1 | 11,300 | 10.6 |
| 6/30/06 | 128,700 | 134,600 | 5,900 | 95.6 | 12,600 | 46.8 |
| 6/30/07 | 140,800 | 141,200 | 400 | 99.7 | 12,700 | 3.1 |
| 6/30/08 | 152,600 | 147,000 | (5,600) | 103.8 | 12,900 | (43.4) |
| 6/30/09 | 155,400 | 154,000 | (1,400) | 100.9 | 13,000 | (10.8) |

Schedule of Employer Contributions

| Fiscal Year Ended | Actuarial Valuation Date | Annual Required Contribution * | Percentage Contributed |
|----------------------|--------------------------|--------------------------------------|---------------------------|
| 6/30/05 | 6/30/04 | \$ 3,287,050 | 100 |
| 6/30/06 | 6/30/05 | 4,069,216 | 100 |
| 6/30/07 | 6/30/06 | 4,281,154 | 100 |
| 6/30/08 | 6/30/07 | 5,085,329 | 100 |
| 6/30/09 | 6/30/08 | 4,738,178 | 100 |
| 6/30/10 | 6/30/09 | 3,829,140 | 100 |

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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2009, the latest actuarial valuation, is as follows:

| | |
|---------------------------------|--|
| Actuarial cost method | Entry age actuarial |
| Amortization method | Level percent of payroll |
| Amortization period (perpetual) | 20 years |
| Asset valuation method | Five-year smoothed market |
| Actuarial assumptions: | |
| Investment rate of return | 7.5% |
| Projected salary increases | 4.0%-8.0% |
| *Includes inflation at | 4.0% |
| Cost of living adjustments | One-time adjustment of 5% after six years of retirement |

Other Supplemental Information

City of Westland, Michigan

| | Personnel Services | | Supplies | |
|----------------------------------|--------------------|------------|----------|----------|
| | Budget | Actual | Budget | Actual |
| General Government | | | | |
| Legislative | \$ 95,800 | \$ 96,688 | \$ 4,582 | \$ 2,197 |
| City clerk | 479,048 | 477,488 | 8,545 | 3,607 |
| Executive | 582,400 | 554,429 | 8,675 | 4,425 |
| Elections | 134,400 | 132,908 | 17,497 | 44,237 |
| Assessment | 385,317 | 377,950 | 4,400 | 2,242 |
| Computer Information Systems | 157,960 | 155,590 | 8,570 | 6,501 |
| General - Law | - | - | - | - |
| General - Civil service | 1,092 | 336 | 750 | - |
| Police and fire civil service | - | - | - | - |
| Finance | 1,102,800 | 1,085,814 | 50,000 | 76,461 |
| Board of Review | 2,520 | 3,047 | - | - |
| City Hall and grounds | - | - | 19,800 | 20,525 |
| General government | 2,315,000 | 2,425,551 | 35,000 | 20,446 |
| Planning | 208,900 | 204,573 | 1,740 | 1,072 |
| Planning Commission | 8,100 | 5,880 | 100 | 42 |
| Zoning Board of Appeals | 8,935 | 6,645 | 125 | 154 |
| Economic development | 265,161 | 264,173 | 1,800 | 962 |
| Community development programs | 398,155 | 386,771 | 6,450 | 5,058 |
| Housing development | 530,400 | 538,719 | - | - |
| Insurance and bonds | 30,000 | 28,824 | - | - |
| Personnel | 235,857 | 233,958 | 3,200 | 1,307 |
| | | | | |
| Total general government | 6,941,845 | 6,979,344 | 171,234 | 189,236 |
| Public Safety | | | | |
| District Court | 2,955,136 | 2,897,766 | 89,000 | 93,369 |
| Police | 14,523,100 | 14,711,903 | 59,200 | 53,922 |
| Fire | 11,286,100 | 11,595,362 | 132,000 | 107,655 |
| Police and Fire Retirement Board | - | - | - | - |
| Joint dispatch | 1,333,500 | 1,320,255 | 4,000 | 1,204 |
| Building | 951,000 | 910,825 | 6,150 | 4,677 |
| | | | | |
| Total public safety | 31,048,836 | 31,436,111 | 290,350 | 260,827 |
| Highways and Streets | 2,088,700 | 2,066,747 | 307,800 | 294,618 |

* 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, 2010

| Services and Charges | | Capital Outlay | | Debt Service | | Total* | |
|----------------------|------------------|----------------|---------------|---------------|---------------|-------------------|-------------------|
| Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual |
| \$ 9,250 | \$ 3,493 | \$ - | \$ - | \$ - | \$ - | \$ 109,632 | \$ 102,378 |
| 5,200 | 6,743 | - | - | - | - | 492,793 | 487,838 |
| 11,000 | 12,041 | - | - | - | - | 602,075 | 570,895 |
| 141,964 | 116,196 | - | - | - | - | 293,861 | 293,341 |
| 5,555 | 1,177 | - | - | - | - | 395,272 | 381,369 |
| 186,485 | 207,170 | 34,500 | 57,901 | - | - | 387,515 | 427,162 |
| 690,000 | 684,223 | - | - | - | - | 690,000 | 684,223 |
| 3,250 | - | - | - | - | - | 5,092 | 336 |
| 27,750 | 30,895 | - | - | - | - | 27,750 | 30,895 |
| 199,000 | 145,042 | - | - | - | - | 1,351,800 | 1,307,317 |
| - | - | - | - | - | - | 2,520 | 3,047 |
| 189,510 | 212,725 | - | - | - | - | 209,310 | 233,250 |
| 314,800 | 528,430 | - | - | - | - | 2,664,800 | 2,974,427 |
| 5,050 | 2,478 | - | - | - | - | 215,690 | 208,123 |
| 1,000 | 963 | - | - | - | - | 9,200 | 6,885 |
| 600 | - | - | - | - | - | 9,660 | 6,799 |
| 3,000 | 1,949 | - | - | - | - | 269,961 | 267,084 |
| 62,417 | 41,371 | - | - | - | - | 467,022 | 433,200 |
| - | - | - | - | - | - | 530,400 | 538,719 |
| 2,200,000 | 1,959,623 | - | - | - | - | 2,230,000 | 1,988,447 |
| 8,350 | 7,747 | - | - | - | - | 247,407 | 243,012 |
| 4,064,181 | 3,962,266 | 34,500 | 57,901 | - | - | 11,211,760 | 11,188,747 |
| 478,450 | 447,577 | - | - | - | - | 3,522,586 | 3,438,712 |
| 920,600 | 823,404 | 153,421 | - | 44,165 | 44,164 | 15,700,486 | 15,633,393 |
| 391,375 | 305,376 | 39,000 | 39,007 | - | - | 11,848,475 | 12,047,400 |
| 700,000 | 273,122 | - | - | - | - | 700,000 | 273,122 |
| 1,000 | - | 500 | - | - | - | 1,339,000 | 1,321,459 |
| 384,900 | 436,626 | - | - | - | - | 1,342,050 | 1,352,128 |
| 2,876,325 | 2,286,105 | 192,921 | 39,007 | 44,165 | 44,164 | 34,452,597 | 34,066,214 |
| 127,425 | 725,948 | - | - | - | - | 2,523,925 | 3,087,313 |

City of Westland, Michigan

| | Personnel Services | | Supplies | |
|---|----------------------|----------------------|-------------------|-------------------|
| | Budget | Actual | Budget | Actual |
| Building Authority Debt - Tower - Operating transfer | \$ - | \$ - | \$ - | \$ - |
| Sanitation | 221,308 | 185,415 | 20,025 | 1,312 |
| Cultural and Recreation | | | | |
| Youth assistance | - | - | 2,875 | 1,642 |
| Senior resource department | 319,308 | 317,316 | 52,280 | 37,819 |
| Parks and recreation | 1,278,200 | 1,250,199 | 92,400 | 74,425 |
| Golf course | - | - | 13,500 | 23,744 |
| Historical committee | - | - | 1,160 | 479 |
| Ice arena | - | - | 27,750 | 18,315 |
| Total cultural and recreation | 1,597,508 | 1,567,515 | 189,965 | 156,424 |
| Debt Service | - | - | - | - |
| Sundry - Motorpool contribution | 1,213,905 | 1,213,906 | - | - |
| Total expenditures and other operating transfers | <u>\$ 43,112,102</u> | <u>\$ 43,449,038</u> | <u>\$ 979,374</u> | <u>\$ 902,417</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, 2010

| Services and Charges | | Capital Outlay | | Debt Service | | Total* | |
|----------------------|----------------------|-------------------|------------------|-------------------|-------------------|----------------------|----------------------|
| Budget | Actual | Budget | Actual | Budget | Actual | Budget | Actual |
| \$ - | \$ - | \$ - | \$ - | \$ 296,080 | \$ 293,757 | \$ 296,080 | \$ 293,757 |
| 4,393,100 | 4,088,004 | - | - | - | - | 4,634,433 | 4,274,731 |
| 242,090 | 226,798 | - | - | - | - | 244,965 | 228,440 |
| 93,678 | 82,965 | - | - | - | - | 465,266 | 438,100 |
| 232,600 | 294,260 | - | - | - | - | 1,603,200 | 1,618,884 |
| 286,718 | 290,278 | - | - | - | - | 300,218 | 314,022 |
| 12,200 | 9,388 | - | - | - | - | 13,360 | 9,867 |
| 331,200 | 297,006 | - | - | - | - | 358,950 | 315,321 |
| 1,198,486 | 1,200,695 | - | - | - | - | 2,985,959 | 2,924,634 |
| - | - | - | - | 161,000 | 154,875 | 161,000 | 154,875 |
| - | - | - | - | - | - | 1,213,905 | 1,213,906 |
| \$ 12,659,517 | \$ 12,263,018 | \$ 227,421 | \$ 96,908 | \$ 501,245 | \$ 492,796 | \$ 57,479,659 | \$ 57,204,177 |

City of Westland, Michigan

| | Special Revenue Funds | | | | | |
|--|---|--------------------|-------------------|-----------------------|--------------------|---------------------|
| | Community Development Block Grant | Street Lighting | Cable T.V. | Public Improvement | Drug Forfeiture | Library |
| Assets | | | | | | |
| Cash and cash equivalents | \$ (8,982) | \$ 5,057 | \$ 439,825 | \$ - | \$ 269,445 | \$ 1,324,619 |
| Investments | - | - | 100,000 | - | - | - |
| Receivables - Net | 267,218 | 77,569 | 359,883 | - | 34,910 | 268,673 |
| Due from other funds | - | - | - | - | - | - |
| Total assets | <u>\$ 258,236</u> | <u>\$ 82,626</u> | <u>\$ 899,708</u> | <u>\$ -</u> | <u>\$ 304,355</u> | <u>\$ 1,593,292</u> |
| Liabilities and Fund Balances | | | | | | |
| Liabilities | | | | | | |
| Accounts payable | \$ 25,431 | \$ - | \$ 3,211 | \$ - | \$ 5,689 | \$ 40,119 |
| Due to other funds | 135,849 | 82,626 | 3,101 | - | 2,038 | 1,704 |
| Accrued and other liabilities | - | - | 100,000 | - | - | 28,629 |
| Deferred revenue | 96,956 | - | - | - | - | - |
| Total liabilities | 258,236 | 82,626 | 106,312 | - | 7,727 | 70,452 |
| Fund Balances | | | | | | |
| Reserved for cable grant | - | - | 127,711 | - | - | - |
| Unreserved - Reported in Special Revenue Funds: | | | | | | |
| Designated for next year's expenditures | - | - | - | - | 199,900 | - |
| Undesignated | - | - | 665,685 | - | 96,728 | 1,522,840 |
| Total fund balances | - | - | 793,396 | - | 296,628 | 1,522,840 |
| Total liabilities and fund balances | <u>\$ 258,236</u> | <u>\$ 82,626</u> | <u>\$ 899,708</u> | <u>\$ -</u> | <u>\$ 304,355</u> | <u>\$ 1,593,292</u> |

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

| Special Revenue Funds | | | | Debt Service Funds | | | | | Total Nonmajor Governmental Funds |
|-----------------------|-------------------|------------------|--------------------------|---|---|----------------------|--|---------------------|--|
| Task Force | E-911 | 800 MHZ | Metro Act - Broadband | Motor Vehicle Highway Debt - Newburgh | Building Authority Debt - 2005 Refunding | County Drain Debt | Building Authority Debt - Court Expansion | | |
| \$ 70,062 | \$ 36,365 | \$ 34,351 | \$ 11,903 | \$ - | \$ - | \$ - | \$ - | \$ 2,182,645 | |
| - | - | - | - | - | - | - | - | 100,000 | |
| - | 456,605 | 22,256 | - | - | - | - | - | 1,487,114 | |
| - | - | 34,711 | - | - | - | - | - | 34,711 | |
| \$ 70,062 | \$ 492,970 | \$ 91,318 | \$ 11,903 | \$ - | \$ - | \$ - | \$ - | \$ 3,804,470 | |
| \$ 34 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 74,484 | |
| 2,038 | 58,288 | - | 2,038 | - | - | - | - | 287,682 | |
| - | - | - | - | - | - | - | - | 128,629 | |
| - | 351,000 | - | - | - | - | - | - | 447,956 | |
| 2,072 | 409,288 | - | 2,038 | - | - | - | - | 938,751 | |
| - | - | - | - | - | - | - | - | 127,711 | |
| 2,900 | 83,682 | 44,900 | 2,900 | - | - | - | - | 334,282 | |
| 65,090 | - | 46,418 | 6,965 | - | - | - | - | 2,403,726 | |
| 67,990 | 83,682 | 91,318 | 9,865 | - | - | - | - | 2,865,719 | |
| \$ 70,062 | \$ 492,970 | \$ 91,318 | \$ 11,903 | \$ - | \$ - | \$ - | \$ - | \$ 3,804,470 | |

City of Westland, Michigan

| Special Revenue Funds | | | | | | |
|--|---|--------------------|-------------------|-----------------------|--------------------|---------------------|
| | Community Development Block Grant | Street Lighting | Cable T.V. | Public Improvement | Drug Forfeiture | Library |
| Revenue | | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,838,048 |
| Federal sources | 3,319,067 | - | - | - | - | - |
| Interest income | 40 | 3 | 189 | 13 | 52 | 3,467 |
| Other revenue: | | | | | | |
| Special assessments | - | 915,285 | - | - | - | - |
| Local sources | - | - | - | - | 864,498 | - |
| Cable franchise fees | - | - | 1,402,725 | - | - | - |
| Refund of captured property taxes | - | - | - | - | - | 207,027 |
| Other income | 23,278 | - | 904 | - | - | 199,050 |
| Total revenue | <u>3,342,385</u> | <u>915,288</u> | <u>1,403,818</u> | <u>13</u> | <u>864,550</u> | <u>2,247,592</u> |
| Expenditures | | | | | | |
| Street lighting | - | 1,289,848 | - | 30,375 | - | - |
| Public safety | - | - | - | - | 285,616 | - |
| Public works | - | - | - | - | - | - |
| Community and economic development | 3,341,483 | - | - | - | - | - |
| Cultural and recreation | - | - | 1,023,608 | - | - | 2,107,734 |
| Debt service | - | - | - | - | - | - |
| Total expenditures | <u>3,341,483</u> | <u>1,289,848</u> | <u>1,023,608</u> | <u>30,375</u> | <u>285,616</u> | <u>2,107,734</u> |
| Excess of Revenue Over (Under) Expenditures | 902 | (374,560) | 380,210 | (30,362) | 578,934 | 139,858 |
| Other Financing Sources (Uses) | | | | | | |
| Transfers in | (902) | 303,505 | - | 2,441 | - | - |
| Transfers out | - | - | (177,077) | - | (600,000) | (205,000) |
| Total other financing sources (uses) | <u>(902)</u> | <u>303,505</u> | <u>(177,077)</u> | <u>2,441</u> | <u>(600,000)</u> | <u>(205,000)</u> |
| Net Change in Fund Balances | - | (71,055) | 203,133 | (27,921) | (21,066) | (65,142) |
| Fund Balances - Beginning of year | - | 71,055 | 590,263 | 27,921 | 317,694 | 1,587,982 |
| Fund Balances - End of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 793,396</u> | <u>\$ -</u> | <u>\$ 296,628</u> | <u>\$ 1,522,840</u> |

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

| Special Revenue Funds | | | | Debt Service Funds | | | | | |
|-----------------------|------------------|------------------|--------------------------|---|---|----------------------|--|--|--|
| Task Force | E-911 | 800 MHZ | Metro Act - Broadband | Motor Vehicle Highway Debt - Newburgh | Building Authority Debt - 2005 Refunding | County Drain Debt | Building Authority Debt - Court Expansion | Total Nonmajor Governmental Funds | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 1,838,048 | |
| - | - | - | - | - | - | - | - | 3,319,067 | |
| 25 | 3 | 4 | - | - | - | 2 | - | 3,798 | |
| - | - | - | - | - | - | - | - | 915,285 | |
| 13,620 | 293,385 | 144,299 | 222,645 | - | - | - | - | 1,538,447 | |
| - | - | - | - | - | - | - | - | 1,402,725 | |
| - | - | - | - | - | - | - | - | 207,027 | |
| - | - | 79,323 | - | - | - | - | - | 302,555 | |
| 13,645 | 293,388 | 223,626 | 222,645 | - | - | 2 | - | 9,526,952 | |
| - | - | - | 4,438 | - | - | - | - | 1,324,661 | |
| 6,978 | 5,064 | - | - | - | - | - | - | 297,658 | |
| - | - | 214,820 | - | - | - | - | - | 214,820 | |
| - | - | - | - | - | - | - | - | 3,341,483 | |
| - | - | - | - | - | - | - | - | 3,131,342 | |
| - | - | - | - | 829,700 | 295,578 | 13,363 | 128,263 | 1,266,904 | |
| 6,978 | 5,064 | 214,820 | 4,438 | 829,700 | 295,578 | 13,363 | 128,263 | 9,576,868 | |
| 6,667 | 288,324 | 8,806 | 218,207 | (829,700) | (295,578) | (13,361) | (128,263) | (49,916) | |
| - | - | 36,090 | - | 829,700 | 295,578 | - | 128,263 | 1,594,675 | |
| - | (391,174) | (4,000) | (240,000) | - | - | - | - | (1,617,251) | |
| - | (391,174) | 32,090 | (240,000) | 829,700 | 295,578 | - | 128,263 | (22,576) | |
| 6,667 | (102,850) | 40,896 | (21,793) | - | - | (13,361) | - | (72,492) | |
| 61,323 | 186,532 | 50,422 | 31,658 | - | - | 13,361 | - | 2,938,211 | |
| \$ 67,990 | \$ 83,682 | \$ 91,318 | \$ 9,865 | \$ - | \$ - | \$ - | \$ - | \$ 2,865,719 | |

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2010

| | Motorpool | Workers' Compensation | General Liability | Total |
|---|---------------------|--------------------------|----------------------|---------------------|
| Assets | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 19,551 | \$ - | \$ - | \$ 19,551 |
| Due from other funds | 97,353 | 831,827 | 1,089,291 | 2,018,471 |
| Inventory | 10,588 | - | - | 10,588 |
| Prepaid costs and other assets | - | - | 32,827 | 32,827 |
| Total current assets | 127,492 | 831,827 | 1,122,118 | 2,081,437 |
| Noncurrent assets - Equipment | 3,132,766 | - | - | 3,132,766 |
| Total assets | 3,260,258 | 831,827 | 1,122,118 | 5,214,203 |
| Liabilities | | | | |
| Current liabilities: | | | | |
| Accounts payable | 38,469 | - | - | 38,469 |
| Due to other funds | 14,700 | - | - | 14,700 |
| Accrued and other liabilities | 40,787 | 831,827 | 1,122,118 | 1,994,732 |
| Current portion of long-term debt | 245,292 | - | - | 245,292 |
| Total current liabilities | 339,248 | 831,827 | 1,122,118 | 2,293,193 |
| Noncurrent liabilities - Long-term debt | 77,758 | - | - | 77,758 |
| Total liabilities | 417,006 | 831,827 | 1,122,118 | 2,370,951 |
| Net Assets | | | | |
| Invested in capital assets | 2,809,716 | - | - | 2,809,716 |
| Unrestricted | 33,536 | - | - | 33,536 |
| Total net assets | \$ 2,843,252 | \$ - | \$ - | \$ 2,843,252 |

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2010

| | Motorpool | Workers' Compensation | General Liability | Total |
|---|----------------------------|--------------------------|----------------------|----------------------------|
| Operating Revenue - | | | | |
| Charges to other funds | \$ 1,771,125 | \$ 1,058,029 | \$ 1,027,995 | \$ 3,857,149 |
| Operating Expenses | | | | |
| Wages and fringe benefits | 400,317 | - | - | 400,317 |
| Contracted services | 8,070 | 5,600 | - | 13,670 |
| Operating supplies | 406,704 | - | - | 406,704 |
| Repairs and maintenance | 318,652 | - | - | 318,652 |
| Rent, insurance, claims, and other | 21,313 | 1,052,429 | 1,237,383 | 2,311,125 |
| Depreciation | 822,106 | - | - | 822,106 |
| Total operating expenses | <u>1,977,162</u> | <u>1,058,029</u> | <u>1,237,383</u> | <u>4,272,574</u> |
| Operating Loss | (206,037) | - | (209,388) | (415,425) |
| Nonoperating Revenue (Expense) | | | | |
| Investment income | - | - | 89 | 89 |
| Interest expense | <u>(34,634)</u> | <u>-</u> | <u>-</u> | <u>(34,634)</u> |
| Loss - Before contributions | (240,671) | - | (209,299) | (449,970) |
| Capital Contributions - Capital grants | <u>326,128</u> | <u>-</u> | <u>-</u> | <u>326,128</u> |
| Change in Net Assets | 85,457 | - | (209,299) | (123,842) |
| Net Assets - Beginning of year | <u>2,757,795</u> | <u>-</u> | <u>209,299</u> | <u>2,967,094</u> |
| Net Assets - End of year | <u><u>\$ 2,843,252</u></u> | <u><u>\$ -</u></u> | <u><u>\$ -</u></u> | <u><u>\$ 2,843,252</u></u> |

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2010

| | Motorpool | Workers' Compensation | General Liability | Total |
|--|-------------------|--------------------------|----------------------|-------------------|
| Cash Flows from Operating Activities | | | | |
| Payments to suppliers | \$ (789,578) | \$ (5,600) | \$ (8,528) | \$ (803,706) |
| Payments to employees | (415,533) | - | - | (415,533) |
| Internal activity - Payments from other funds | 1,777,162 | 871,879 | 1,220,636 | 3,869,677 |
| Claims paid | - | (866,279) | (1,212,197) | (2,078,476) |
| | <u>572,051</u> | <u>-</u> | <u>(89)</u> | <u>571,962</u> |
| Net cash provided by (used in) operating activities | | | | |
| Cash Flows from Capital and Related Financing Activities | | | | |
| Purchase of capital assets | (175,604) | - | - | (175,604) |
| Principal and interest paid on long-term debt | (411,648) | - | - | (411,648) |
| | <u>(587,252)</u> | <u>-</u> | <u>-</u> | <u>(587,252)</u> |
| Net cash used in capital and related financing activities | | | | |
| Cash Flows from Investing Activities - | | | | |
| Interest received on investments and other assets | - | - | 89 | 89 |
| | <u>-</u> | <u>-</u> | <u>89</u> | <u>89</u> |
| Net Decrease in Cash and Cash Equivalents | | | | |
| | (15,201) | - | - | (15,201) |
| Cash and Cash Equivalents - Beginning of year | | | | |
| | 34,752 | - | - | 34,752 |
| | <u>34,752</u> | <u>-</u> | <u>-</u> | <u>34,752</u> |
| Cash and Cash Equivalents - End of year | | | | |
| | <u>\$ 19,551</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 19,551</u> |
| Reconciliation of Operating Loss to Net Cash from Operating Activities | | | | |
| Operating loss | \$ (206,037) | \$ - | \$ (209,388) | \$ (415,425) |
| Adjustments to reconcile operating loss to net cash from operating activities: | | | | |
| Depreciation | 822,106 | - | - | 822,106 |
| Changes in assets and liabilities: | | | | |
| Due from other funds | (8,663) | (115,088) | 201,169 | 77,418 |
| Other assets | - | - | (8,528) | (8,528) |
| Accounts payable | (34,839) | - | - | (34,839) |
| Due to other funds | 14,700 | - | - | 14,700 |
| Accrued and other liabilities | (15,216) | 115,088 | 16,658 | 116,530 |
| | <u>(15,216)</u> | <u>115,088</u> | <u>16,658</u> | <u>116,530</u> |
| | <u>\$ 572,051</u> | <u>\$ -</u> | <u>\$ (89)</u> | <u>\$ 571,962</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, 2010

| | Trust and Agency | Undistributed Tax Collection | District Court | Total |
|---|---------------------|------------------------------------|-------------------|---------------------|
| Assets - Cash and cash equivalents | \$ 1,523,880 | \$ 1,207,506 | \$ 253,983 | \$ 2,985,369 |
| Liabilities | | | | |
| Due to other governmental units | \$ - | \$ 1,207,506 | \$ 102,809 | \$ 1,310,315 |
| Accrued and other liabilities | 1,523,880 | - | 151,174 | 1,675,054 |
| Total liabilities | \$ 1,523,880 | \$ 1,207,506 | \$ 253,983 | \$ 2,985,369 |

City of Westland, Michigan

**Report to the City Council
June 30, 2010**

November 23, 2010

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 (the "City") for the year ended June 30, 2010 and have issued our report thereon dated November 23, 2010. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under SAS 115

Section II - Communications Required Under SAS 114

Section III - Other Recommendations

Section IV - Legislative and Informational Items

Section I includes any deficiencies we observed in the government's accounting principles or internal controls that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the government's accounting policies and internal controls.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the mayor and members of the City Council.

Section III presents recommendations related to internal controls and procedures noted during our current year audit. These comments are offered in the interest of helping the government in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

Section IV contains updated legislative and informational items that we believe will be of interest to you.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit, especially Steve Smith and his department. Their assistance and professionalism are invaluable.

This report 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.

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

November 23, 2010

We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

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

Section I - Communications Required Under SAS 115

In planning and performing our audit of the financial statements of the City of Westland as of and for the year ended June 30, 2010, 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 was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control 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 and correct misstatements on a timely basis.

A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

We consider the following deficiency in the government's internal control to be a material weakness:

- 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 findings in both the Community Development Block Grant Program and the Capitalization Grants for Clean Water State Revolving Fund 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 23, 2010

Section II - Communications Required Under SAS 114

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 1, 2010, 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. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform 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, Michigan. Such considerations were 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.

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, Michigan'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 23, 2010 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.

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the City of Westland, Michigan, 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 August 24, 2010.

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

November 23, 2010

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, Michigan 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 2010.

We noted no transactions entered into by the government 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), net other postemployment benefits obligation, incurred but not reported claims of workers' compensation, general liability and health insurance, and the liability related to potential environmental remediation.

Difficulties Encountered in Performing the Audit

Due to the vacancy in the budget director position during the year, at the beginning of the audit, the City's year-end adjustments to the accounting records were not yet complete. The City provided many necessary journal entries to close the year during the course of the audit. In addition, as the Police and Fire Pension Fund has invested some funds in other than publically traded companies, valuation of those investments is more difficult.

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.

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

November 23, 2010

Material adjustments were required to the following accounting cycles:

- **Accounts Payable** - For additional invoices received after the start of the audit; for checks written but not issued prior to year end
- **Capital Assets** - For adjustments to depreciation expense
- **Accrued Liabilities** - To accrue sick and vacation pay outs to employees who retired prior to year end

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 Representations

We have requested certain representations from management that are included in the management representation letter dated November 23, 2010.

Management 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 government'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.

Section III - 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:

- During the fiscal year ended June 30, 2010, the City's General Fund fund balance decreased approximately \$1,700,000 due to an accrual of approximately \$1,700,000 for the accumulated compensated absence (sick and vacation) balances owed to those employees that retired prior to year end. As the payout of these amounts was completed post June 30, the budget did not anticipate this expenditure in the 2010 fiscal year. However, accounting rules dictate that this cost needs to be reflected in the year that the retirement is effective, which was the 2010 fiscal year in most cases.

Of the total General Fund fund balance of approximately \$7,529,000, approximately \$6,432,000 is either reserved for a legally restricted purpose (sanitation, police and fire retirement) or is budgeted to be spent in 2010-2011.

The remaining unreserved and undesignated fund balance in the General Fund is \$1,097,176, or 2.0 percent of the General Fund's budgeted expenditures for 2010-2011.

With further decreases to the City's taxable value expected for the next several years, it is imperative that the City do what it can to increase revenue and continue to control or reduce expenditures. It should be noted that the General Fund's expenditures were approximately \$273,000 under budget for fiscal year 2010.

We commend the City of Westland, Michigan for efforts already made to address this situation by updating the five-year General Fund forecast, exploring alternative staffing models, conducting a study of current health insurance arrangements to identify savings opportunities, developing a two-year budget for fiscal years 2011 and 2012, and offering early retirement incentives, etc. It is clear the City has been taking action to maintain the current level of service provided to its residents and needs to continue to focus on this important area.

We recommend that the City continue to pursue other cost cutting measures. An opportunity for additional savings may be found in the consolidation of similar services with other communities. The City already participates in several successful joint ventures including joint dispatch, the 800MHz tower, and others.

- Prior to the June 5, 2010 100-year rain event, the Water and Sewer Fund appeared to be rebounding. The fund would have ended the fiscal year with an increase in net assets of almost \$500,000 were it not for the cleanup efforts that resulted in unanticipated expenses of approximately \$2,100,000. On a cash basis, the Water and Sewer Fund ended the year in a positive fashion. However, the source of funds to pay for the cleanup costs has yet to be determined.

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

November 23, 2010

We encourage the City to continue monitoring the water and sewer system and make adjustments to the rate structure as necessary in order to reduce dependency on the General Fund and begin accumulating funds to pay for future system maintenance, improvements, and repairs.

- As of June 30, 2010, the City has a fund balance of approximately \$3,600,000 that is reserved for sanitation. This balance is the cumulative surplus of property taxes raised by the City's sanitation millage and other sanitation-related revenue in excess of expenditures to date. The 2010-2011 budget projects that approximately \$1,500,000 of this balance will be used to subsidize sanitation operations this year. With the further decrease to the City's taxable value expected and without any changes to the sanitation costs, the remaining reserved fund balance is projected to be used within three years. Options to mitigate this decrease should include focus on cost reductions and discussion of the millage rate over this special use.

Other Items Noted During the Audit

- There is a significant delay (as much as a year) in time between the time a former employee receives unemployment compensation and when the City is billed for this cost by the State of Michigan. For example, the City was billed for 2009 unemployment costs in the summer of 2010. Due to staffing reductions late in the 2010 fiscal year, the billing in the summer of 2011 will be significantly higher. The City should be mindful of this when budgeting projected cash flow and should also investigate if any of this cost can be borne by the Road Funds which is where a significant staff reduction occurred.
- For years, the City has been self-insured for workers' compensation and general liability insurance. To account for this activity, the City has utilized two different Internal Service Funds. Over time, the majority of the related activity has been accounted for in other funds, primarily the General Fund and the Water and Sewer Fund, and the Internal Service Funds have just been used to account for the related liability for incurred but not reported (IBNR) claims and some other miscellaneous liabilities. The costs have been generally offset through interfund charges and interfund liabilities resulted to offset the IBNR liabilities.

As you know, the City has recently become self-insured for health insurance. As it was not required to do so, the City did not create a new internal service fund for this activity. The General Fund accounts for the current activity, applicable expenses are properly allocated to other funds, and any long-term liabilities are recorded in the full accrual statements.

In order to record these similar activities in a consistent manner, we suggest you consider closing the Workers' Compensation and General Liability Funds. The long-term liabilities currently recorded in these funds can also be recorded in the full accrual statements. A downside to doing this is that the General Fund will move to more of a "pay/reflect the expenditure as you go" basis as opposed to funding IBNRs. In addition to handling all funds on a consistent basis, an upside will be that this IBNR liability will be reflected on the City-wide statements and not on the General Fund.

- The City of Westland, Michigan receives drug forfeiture revenue from local, state, and federal sources. This seized revenue and the eventual expenditure are accounted for, in total, in a separate Special Revenue Fund. State and federal forfeitures have significant differences by which the seized funds can be used. 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. Although the City has not received federal forfeitures in the past few years, we recommend using separate revenue and expenditure accounts to identify each transaction 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.
- For several years, the Metro Act-Broadband Fund has been subsidizing the operations of the Street Lighting Fund as the street lighting assessment revenue has not been adequate to support the costs of the fund. This year, the required subsidy was more than the revenue available from the Metro Act-Broadband Fund. In order to avoid a deficit in the Street Lighting Fund, the General Fund was required to transfer an additional \$63,505 to the Street Lighting Fund. Given the difficulties being experienced by the General Fund, we recommend evaluating the operations of the Street Lighting Fund and adjust the street lighting assessment as necessary to prevent any further reliance on the General Fund.
- It was noted during the audit that the City uses Microsoft Excel to keep track of its capital asset records and compute depreciation. While this system works, it can be unnecessarily cumbersome. We recommend the City consider using a fixed assets software module which would help increase the efficiency and accuracy of capital assets calculations.
- It was also noted during the audit that the City uses Microsoft Excel to track the activity of compensated absences. Again, this system works; however, it can be cumbersome and susceptible to error. We recommend the City consider using a more sophisticated program which would help increase the efficiency and accuracy of accrued compensated absences.
- As additional procedures this year, we reviewed the internal controls of the library and DPW department. From our inquiry and limited procedures, the controls in place appear to be operating effectively, although further improvements are possible.
- Recently, the City attempted to develop COBRA rates for the vision/optical benefit plan offered to employees. In order to accurately calculate this, very time-intensive, manual research would have to be performed through the City's disbursement records as the information is not readily available. At this time, the City does not have the resources to allocate to this project. Instead, estimates have been used. It is possible a third-party administrator for the vision/optical plan would have the ability to capture this information in a database.

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

November 23, 2010

- In the prior year, GASB 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, was implemented. The City should note that a new actuarial valuation will be required before the beginning of the June 30, 2011 audit in order to properly value the annual required contribution as well as the applicable actuarial accrued liability.

Upcoming Reporting Changes

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

Section IV - Legislative and Informational Items

Revenue Sharing

Revenue sharing continues to be an area of great uncertainty for local communities across the state. Adding to the mix for 2010/2011 is the impact of the 2010 census on the constitutional portion of distributions, which is determined based on a community's population per the census, and the uncertainty behind sales tax collections. There are currently three different proposals for the State's FY 2011 revenue sharing among the legislative and executive branches of government. One common theme among the proposals, however, is the continued methodology that has been followed since early this decade in the modification of the revenue-sharing formula in an effort to keep revenue sharing in proportion to past distributions. In addition, all proposals attempt to minimize the impact of the 2010 census changes by adjusting the statutory distribution.

The governor's proposal, which appears to be drawing the most attention, would ensure that no local unit experiences a decline in revenue sharing, and for most communities, would hold them at the same level of revenue sharing as what was received during the State's 2010 fiscal year. In order to accomplish this, if a community were to have an increase in population (which would result in an increase to its constitutional distribution), an offsetting amount would be taken from its statutory revenue sharing to keep the total amount received the same as last year. If a community's population were to have decreased, thereby resulting in less constitutional revenue sharing, it would receive an increase in the statutory component. For local units that no longer are receiving statutory revenue sharing, an increase in population would actually result in an increase in the amount of revenue sharing being received.

We continue to recommend that local units of government be cautious when forecasting this revenue source for future years, even if an increase in population is anticipated. In addition, since the final population counts will not be released by the Census Bureau until April 2011, the October 2010 through April 2011 revenue-sharing payments will not reflect any census adjustments. Any adjustment to the total 2011 distribution for the census will be made on the June and August 2011 payments. Additional information on this can be found at the following link:

http://www.michigan.gov/treasury/0,1607,7-121-1751_2197---,00.html.

We will also continue to keep you apprised as we become aware of further developments at the state level.

Property Tax Developments

The unprecedented decline in property tax values continues to be the most significant challenge faced by local governments in many years. Many communities have seen two years of declines in overall taxable value and it is still very uncertain how long the declines will continue and how severe they will be. The impact on each community and over what period of time will vary. The one constant, however, is that all communities affected will need to evaluate how their current expenditure structure can be altered to address the revenue that has been lost.

One important factor to consider is that the impact of changes in value (both the declines and eventual recovery) is not immediately felt by the City due to the length of time that elapses between the assessment of property values and when the taxes are available for appropriation. The following table illustrates the time lag related to property tax valuations:

| Assessment date | 12/31/08 | 12/31/09 | 12/31/10 |
|------------------------|-----------------|-----------------|-----------------|
| Levy date | 7/1/09 | 7/1/10 | 7/1/11 |
| Budget year | 6/30/10 | 6/30/11 | 6/30/12 |

More importantly, though, is the fact that when the recovery of property tax revenue begins, it will be very slow due to the impact of Headlee and Proposal A which limit the growth in property taxes to the lower of inflation or 5 percent, unless the millages are increased. In essence, we are experiencing a permanent downward adjustment in the resources available to fund government services (of between 20 percent and 35 percent, depending on location).

In response, many communities are considering steps to adjust their expenditures commensurate to the new levels of property tax revenue, including:

- Five-year financial forecasts
- Consolidation or contracting of services
- Establishment of authorities and joint ventures
- Multi-year budgets
- “Worst-case scenario” financial modeling
- Analysis of current user fees

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

November 23, 2010

As noted previously, the City of Westland, Michigan has already implemented most of these tools and practices. It is clear that there is not a singular approach that will fit all communities - each municipality will need to find a balance between cost-cutting and revenue-generating ideas that will best suit its residents' needs. We are happy to offer our assistance with this process in whatever capacity is most beneficial to the City as you move forward.

Property Assessment Cap

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

| | |
|------|--------|
| 2010 | (.03)% |
| 2009 | 4.4% |
| 2008 | 2.3% |
| 2007 | 3.7% |
| 2006 | 3.3% |
| 2005 | 2.3% |
| 2004 | 2.3% |
| 2003 | 1.5% |
| 2002 | 3.2% |
| 2001 | 3.2% |
| 2000 | 1.9% |
| 1999 | 1.6% |
| 1998 | 2.7% |
| 1997 | 2.8% |
| 1996 | 2.8% |
| 1995 | 2.6% |
| 1994 | 3.0% |

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth on the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

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

November 23, 2010

For the year ended June 30, 2010, the City's Headlee maximum property tax rate for its operating levy was 6.4834 mills even though City Charter would allow the City to levy 8.0000 mills for operations. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated in several published studies and reports, due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation) will continue downward pressure on millage rates particularly given the significant gap that now exists between taxable value and state equalized value.

PCI Compliance Rules for Governments Accepting Credit Card Payments

The Payment Card Industry (PCI) is an industry group created by Visa, Discover, and other credit card issuers. To protect their cardholders from the increasing number of incidences of identity theft and security breaches, they have developed Data Security Standards (DSS) by which all organizations, including governmental entities, that accept, process, transmit, or store credit card data must comply.

These standards have been around for a number of years, but have been sporadically enforced. Due to increases in identity theft incidences in recent years, the card issuers have begun enforcing compliance by organizations starting July 1, 2010. The requirements of the PCI standards include the completion of an annual self-assessment questionnaire (SAQ) and a quarterly network security scan by an approved scanning vendor (ASV). Penalties for noncompliance include a hold on your ability to accept credit card payments, increased scrutiny for the next year, and significant monetary fines. We have already begun working with the City to assist with compliance.