

City of Westland, Michigan

Financial Report with Supplemental Information June 30, 2011

City of Westland, Michigan
Financial Report
June 30, 2011

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
Budget Director
CATV/Community Relations
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/Building
Senior Resources Director
Water and Sewer Superintendent

Jade Smith
Jessica Letourneau
Craig Welkenbach
James Elrod
Eileen DeHart
Joanne Inglis
Daniel Bourdeau
William Gabriel
Lori Fodale
Steven J. Smith
Michael J. Reddy
Jim Fausone
Robert Kosowski
Cindy King
Greg Angelosanto
Kevin L. Buford
Bruce Thompson
Barbara Marcum
Ben McCusker

City of Westland, Michigan

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Independent Auditor's Report

To 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, 2011, 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. The financial statements of the District Court Funds of District No. 18 were not audited in accordance with *Government Auditing Standards*. 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, 2011 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, 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 City Council
City of Westland, Michigan

As explained in Note 1, the financial statements include investments valued at approximately \$47,000,000 (representing approximately 33 percent of net assets) whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment managers, periodic appraisal, real estate advisors, general partners, or other means.

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 also issued our report dated December 15, 2011 on our consideration of the City of Westland, Michigan'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 of internal control over financial reporting and compliance and the results of that 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 read in conjunction with this report in considering the results of our audit.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note 17. As a result of this required implementation, the Cable, E-911, and Metro Act - Broadband Funds are now included as a part of the General Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB No. 54.

Plante & Moran, PLLC

December 15, 2011

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, 2011 and should be read 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 fiscal year ended June 30, 2011:

- Tax revenue, our largest revenue source, declined by over \$2,000,000 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 slightly from the previous fiscal year. This represents the eighth year out of the last nine that the revenue has decreased.
- Court revenue decreased nearly \$894,000 from the previous year. This was partially due to the local economy.
- The total net assets related to the City's governmental activities decreased by approximately \$13.9 million. In addition, fund balances for the governmental funds increased by approximately \$2.1 million during the year. The General Fund unassigned fund balance increased by approximately \$1,165,000. The most significant difference between the change in fund balance classifications due to GASB No. 54 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 current fiscal 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	
	2011	2010	2011	2010	2011	2010
Assets						
Current assets	\$ 22,911,194	\$ 19,944,740	\$ 12,721,251	\$ 10,185,832	\$ 35,632,445	\$ 30,130,572
Noncurrent assets	<u>232,858,691</u>	<u>243,120,412</u>	<u>77,998,857</u>	<u>76,459,852</u>	<u>310,857,548</u>	<u>319,580,264</u>
Total assets	255,769,885	263,065,152	90,720,108	86,645,684	346,489,993	349,710,836
Liabilities						
Current liabilities	11,882,735	11,686,016	7,203,220	7,607,731	19,085,955	19,293,747
Long-term liabilities	<u>34,651,298</u>	<u>28,228,413</u>	<u>6,840,060</u>	<u>4,436,742</u>	<u>41,491,358</u>	<u>32,665,155</u>
Total liabilities	<u>46,534,033</u>	<u>39,914,429</u>	<u>14,043,280</u>	<u>12,044,473</u>	<u>60,577,313</u>	<u>51,958,902</u>
Net Assets						
Invested in capital assets -						
Net of related debt	224,381,458	233,843,213	72,035,498	72,273,519	296,416,956	306,116,732
Restricted	12,307,183	10,710,319	367,500	415,000	12,674,683	11,125,319
Unrestricted (deficit)	<u>(27,452,789)</u>	<u>(21,402,809)</u>	<u>4,273,830</u>	<u>1,912,692</u>	<u>(23,178,959)</u>	<u>(19,490,117)</u>
Total net assets	<u>\$ 209,235,852</u>	<u>\$ 223,150,723</u>	<u>\$ 76,676,828</u>	<u>\$ 74,601,211</u>	<u>\$ 285,912,680</u>	<u>\$ 297,751,934</u>

The City's combined net assets decreased 4.0 percent from a year ago - decreasing from \$297,751,934 to \$285,912,680. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2011, depreciation expense was approximately \$14,300,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - are currently at a deficit of \$27,452,789 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 \$30,200,000.

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	
	2011	2010	2011	2010	2011	2010
Net Assets - Beginning of year	\$ 223,150,723	\$ 241,285,436	\$ 74,601,211	\$ 76,232,071	\$ 297,751,934	\$ 317,517,507
Revenue						
Program revenue:						
Charges for services	18,887,565	20,237,154	22,867,069	18,813,198	41,754,634	39,050,352
Operating grants and contributions	7,584,991	7,388,189	-	-	7,584,991	7,388,189
Capital grants and contributions	737,495	829,258	106,212	383,671	843,707	1,212,929
General revenue:						
Property taxes	24,209,238	26,544,114	-	-	24,209,238	26,544,114
State-shared revenue	7,216,219	7,202,961	-	-	7,216,219	7,202,961
Refund of captured property taxes	2,710,242	2,785,724	-	-	2,710,242	2,785,724
Interest	71,303	104,918	5,547	10,363	76,850	115,281
Transfers and other revenue	99,048	513,345	-	-	99,048	513,345
Total revenue	61,516,101	65,605,663	22,978,828	19,207,232	84,494,929	84,812,895
Program Expenses						
General government	13,726,242	15,211,858	-	-	13,726,242	15,211,858
Public safety	35,789,378	38,460,716	-	-	35,789,378	38,460,716
Public works	18,892,250	19,812,000	-	-	18,892,250	19,812,000
Community and economic development	1,663,718	2,809,322	-	-	1,663,718	2,809,322
Cultural and recreation	5,022,673	7,072,301	-	-	5,022,673	7,072,301
Interest on long-term debt	336,711	374,179	-	-	336,711	374,179
Water and sewer	-	-	20,903,211	20,838,092	20,903,211	20,838,092
Total program expenses	75,430,972	83,740,376	20,903,211	20,838,092	96,334,183	104,578,468
Change in Net Assets	(13,914,871)	(18,134,713)	2,075,617	(1,630,860)	(11,839,254)	(19,765,573)
Net Assets - End of year	\$ 209,235,852	\$ 223,150,723	\$ 76,676,828	\$ 74,601,211	\$ 285,912,680	\$ 297,751,934

Governmental Activities

The City's total governmental revenue decreased by approximately \$4,100,000. The decrease, which represents approximately 6.2 percent, was primarily due to a decrease in tax revenue, based on the taxable value reduction in the City of Westland.

Expenses decreased by approximately \$8,300,000 during the year. The decrease was primarily due to the early retirement incentive offered. When employees retired, their positions were not filled. This program saved money in the police, fire, and department of public service budgets. There was also \$100,000 designated for computer system improvement for the City's comprehensive financial system.

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 April 1, 2010, the City Council added a fixed charge of \$5.00 per bill and increased water and sewer rates by 13.03 percent and 9.38 percent, respectively. On March 1, 2011, the City Council raised the fixed cost to \$14.45 per bill and raised water and sewer rates by 3.17 and 8.58 percent, respectively.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The 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 2011 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 \$25.1 million in 2011. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, personnel, and the mayor's office), sanitation, and recreation. General Fund expenditures decreased by approximately \$5,200,000. A primary reason for a 9.7 percent decrease was the reduction in insurance costs. Both the medical and general liability insurance costs were reduced during the year. The medical cost reduction was due to moving City personnel into a lower-cost health plan. Also, the City achieved savings on the medical insurance by moving to a self-insured arrangement with Blue Cross/Blue Shield. The general liability insurance was reduced significantly through the elimination of using internal service funds to account for the general liability and workers' compensation insurance and also there were significant savings through attrition as employees retired and their positions were not filled. The remaining employees were reallocated as needed. The City closely monitored all of its spending in all other areas, including capital outlay, conferences, seminars, and all other services.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

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. Several of the amendments were to record additional grant money awarded to the police, fire, and youth assistance departments. In March, the City Council approved a budget amendment that adjusted revenue and expenditure line items to reflect changes reported in the quarterly report. Another budget amendment recorded the transferring of cable operations into the General Fund. There were a few departments that went over budget, which included city hall and grounds, assessment, law, and motor pool. Despite these exceptions, the City still maintained total expenditures of \$4,394,457 below the amended budget.

The General Fund fund balance increased from \$8,416,119 to \$9,835,561.

As of June 30, 2011, the City had a total of approximately \$309.9 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 eight patrol vehicles using a combination of grant money and money received from the sale of higher mileage patrol vehicles. In addition, the fire department was able to purchase new equipment using a combination of grant and General Fund money. The Water and Sewer Fund purchased a vactor truck to help maintain the sewer lines.

Debt service makes up approximately 2.4 percent of the total expenditures of the governmental funds. Bonded debt and other long-term obligations were reduced by approximately \$1.3 million in the governmental activities. This was accomplished by making the required debt payments and reducing the balance in the employee compensated absences through the attrition process. There were additional low-interest state revolving funds obtained during the year to help maintain the water and sewer infrastructure.

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.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2012 takes into consideration a continued cautious economic climate. The taxable values of both residential and commercial property are expected to decline again for the tax year 2012; this has been a trend over the last several years. These reductions 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 redefine the way the statutory revenue is distributed. The City will comply with all three components of the State of Michigan requirements for receiving the Economic Vitality Incentive Program (EVIP) funds. This will allow the City to receive over \$1.1 million in statutory state-shared revenue that the State had previously eliminated. Building activity has increased slightly with the MJR theatre project leading the way. The City Council has adopted the "hard cap" option in accordance with Public Act 152, which limits the amount the City will pay for healthcare coverage for its employees. These changes will help with the budget, but throughout the year, the City will need to monitor the budget very closely and make adjustments as necessary.

As discussed above, the fiscal year ended June 30, 2011 budget anticipates that the water and sewer costs will increase. The City Council has approved increases over the last several years and the City will bring any further recommendations to the City Council as necessary.

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, 2011

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 13,297,888	\$ 1,814,446	\$ 15,112,334	\$ 1,193,395
Investments (Note 3)	103,523	-	103,523	301,037
Receivables - Net (Note 4)	7,407,725	10,630,819	18,038,544	257,475
Internal balances	2,082,534	(2,082,534)	-	-
Inventories	10,588	247,000	257,588	-
Prepaid costs and other assets	8,936	28,986	37,922	6,000
Restricted assets (Note 6)	-	367,500	367,500	-
Investment in joint ventures (Note 11)	(79,855)	-	(79,855)	-
Land held for resale	653,047	-	653,047	-
Capital assets - Net (Note 5):				
Not being depreciated	3,042,710	2,576,864	5,619,574	90,000
Depreciable - Net	229,242,789	75,054,493	304,297,282	2,070,847
Total assets	255,769,885	88,637,574	344,407,459	3,918,754
Liabilities				
Accounts payable	3,056,435	3,570,338	6,626,773	59,140
Due to other governmental units	-	-	-	19,049
Deposits	-	484,256	484,256	-
Accrued and other liabilities	5,244,088	259,301	5,503,389	330,145
Deferred revenue (Note 4)	96,958	-	96,958	-
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	2,283,216	198,177	2,481,393	-
Current portion of long-term debt (Note 8)	1,202,038	608,614	1,810,652	-
Due in more than one year:				
Compensated absences (Note 8)	6,423,707	-	6,423,707	-
Net other postemployment benefits liability (Note 16)	21,525,588	1,852,815	23,378,403	-
Long-term debt - Net of current portion (Note 8)	6,702,003	4,987,245	11,689,248	51,671
Total liabilities	46,534,033	11,960,746	58,494,779	460,005
Net Assets				
Invested in capital assets - Net of related debt	224,381,458	72,035,498	296,416,956	2,109,176
Restricted for:				
Retirement system	4,498,000	-	4,498,000	-
Sanitation	2,674,000	-	2,674,000	-
Road improvements	2,231,480	-	2,231,480	-
Library operations	1,614,045	-	1,614,045	-
Other (Note 13)	1,289,658	367,500	1,657,158	-
Unrestricted (deficit)	(27,452,789)	4,273,830	(23,178,959)	1,349,573
Total net assets	\$ 209,235,852	\$ 76,676,828	\$ 285,912,680	\$ 3,458,749

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	\$ 13,726,242	\$ 7,853,719	\$ -	\$ -
Public safety	35,789,378	7,410,216	133,021	-
Public works	18,892,250	1,291,128	4,435,733	737,495
Community and economic development	1,663,718	-	2,757,259	-
Cultural and recreation	5,022,673	2,332,502	258,978	-
Interest on long-term debt	336,711	-	-	-
Total governmental activities	75,430,972	18,887,565	7,584,991	737,495
Business-type activities - Water and sewer	20,903,211	22,867,069	-	106,212
Total primary government	\$ 96,334,183	\$ 41,754,634	\$ 7,584,991	\$ 843,707
Component units	\$ 1,574,258	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Refund of captured property taxes				
State-shared revenue				
Interest and sundry				
Other income				
Total general revenue				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

Statement of Activities
Year Ended June 30, 2011

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,872,523)	\$ -	\$ (5,872,523)	\$ -
(28,246,141)	-	(28,246,141)	-
(12,427,894)	-	(12,427,894)	-
1,093,541	-	1,093,541	-
(2,431,193)	-	(2,431,193)	-
(336,711)	-	(336,711)	-
(48,220,921)	-	(48,220,921)	-
-	2,070,070	2,070,070	-
(48,220,921)	2,070,070	(46,150,851)	-
-	-	-	(1,574,258)
24,209,238	-	24,209,238	5,727,244
2,710,242	-	2,710,242	(4,868,130)
7,216,219	-	7,216,219	-
71,303	5,547	76,850	18,596
99,048	-	99,048	2,299
34,306,050	5,547	34,311,597	880,009
(13,914,871)	2,075,617	(11,839,254)	(694,249)
223,150,723	74,601,211	297,751,934	4,152,998
\$ 209,235,852	\$ 76,676,828	\$ 285,912,680	\$ 3,458,749

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2011

	General Fund	Major Roads Fund	Local Roads Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents (Note 3)	\$ 9,259,243	\$ 892,013	\$ 1,315,243	\$ 1,802,040	\$ 13,268,539
Investments (Note 3)	103,523	-	-	-	103,523
Receivables - Net (Note 4)	4,963,848	1,851,118	382,287	173,109	7,370,362
Due from other funds (Note 7)	2,665,298	1,005	-	108,381	2,774,684
Prepaid costs and other assets	-	8,936	-	-	8,936
Land held for resale	-	-	-	653,047	653,047
Total assets	\$16,991,912	\$ 2,753,072	\$ 1,697,530	\$ 2,736,577	\$24,179,091
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,371,380	\$ 1,493,195	\$ 99,936	\$ 34,699	\$ 2,999,210
Due to other funds	1,351,823	222,550	403,441	137,958	2,115,772
Accrued and other liabilities	2,837,062	-	-	39,072	2,876,134
Deferred revenue (Note 4)	1,596,086	-	195,027	197,896	1,989,009
Total liabilities	7,156,351	1,715,745	698,404	409,625	9,980,125
Fund Balances					
Nonspendable - Prepays	-	8,936	-	-	8,936
Restricted:					
Retirement system	4,498,000	-	-	-	4,498,000
Sanitation	2,674,000	-	-	-	2,674,000
Road improvements	-	1,028,391	999,126	-	2,027,517
Cable grant	127,858	-	-	-	127,858
Public safety - E-911	173,004	-	-	-	173,004
Public safety - Drug forfeiture	-	-	-	45,636	45,636
Public safety - Task Force Fund	-	-	-	74,003	74,003
Library operations	-	-	-	1,534,204	1,534,204
Community development	-	-	-	653,047	653,047
800 MHZ Fund	-	-	-	20,062	20,062
Assigned for computer system improvements	100,000	-	-	-	100,000
Unassigned	2,262,699	-	-	-	2,262,699
Total fund balances	9,835,561	1,037,327	999,126	2,326,952	14,198,966
Total liabilities and fund balances	\$16,991,912	\$ 2,753,072	\$ 1,697,530	\$ 2,736,577	\$24,179,091

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

City of Westland, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2011

Fund Balance Reported in Governmental Funds	\$ 14,198,966
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	229,942,725
Investments in joint ventures are included as part of governmental activities	(79,855)
Other long-term liabilities, such as incurred but not reported liabilities, do not present a claim on current financial resources and are not reported as fund liabilities	(648,191)
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	1,892,051
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(16,507,106)
Accrued interest on long-term liabilities is not reported in the funds	(26,066)
Net other postemployment benefit obligation is not recorded as a liability in the funds	(21,525,588)
Net pollution remediation liability is not recorded as a liability in the funds	(350,000)
Internal service funds are included as part of governmental activities	<u>2,338,916</u>
Net Assets of Governmental Activities	<u><u>\$ 209,235,852</u></u>

City of Westland, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2011

	General Fund	Major Roads Fund	Local Roads Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 22,691,414	\$ -	\$ -	\$ 1,517,824	\$ 24,209,238
Licenses and permits	1,093,939	-	-	-	1,093,939
Federal sources	281,555	-	-	2,757,259	3,038,814
State sources	7,254,181	3,226,991	1,160,605	116,824	11,758,601
Charges for services	6,597,133	-	-	-	6,597,133
Court fines and fees	3,794,013	-	-	-	3,794,013
Interest income	59,013	3,958	4,396	3,936	71,303
Other revenue:					
Special assessments	-	-	50,488	904,150	954,638
Local sources	2,436,007	126,668	-	404,601	2,967,276
Cable franchise fees	1,485,047	-	-	-	1,485,047
Refund of captured property taxes	2,526,150	-	-	184,092	2,710,242
Other income	2,621,729	48,086	555	189,072	2,859,442
Total revenue	50,840,181	3,405,703	1,216,044	6,077,758	61,539,686
Expenditures					
General government	10,799,255	-	-	214,585	11,013,840
Street lighting	3,289	-	-	1,360,756	1,364,045
Public safety	29,653,685	-	-	503,521	30,157,206
Highway, streets, and drains	-	1,795,736	1,684,357	-	3,480,093
Sanitation	4,231,175	-	-	-	4,231,175
Community and economic development	-	-	-	2,317,479	2,317,479
Cultural and recreation	3,580,496	-	-	1,917,231	5,497,727
Debt service	154,874	-	-	1,266,644	1,421,518
Total expenditures	48,422,774	1,795,736	1,684,357	7,580,216	59,483,083
Excess of Revenue Over (Under) Expenditures	2,417,407	1,609,967	(468,313)	(1,502,458)	2,056,603
Other Financing Sources (Uses)					
Transfers in (Note 7)	5,000	-	806,793	1,855,634	2,667,427
Transfers out (Note 7)	(1,002,965)	(1,659,462)	-	(5,000)	(2,667,427)
Total other financing (uses) sources	(997,965)	(1,659,462)	806,793	1,850,634	-
Net Change in Fund Balances	1,419,442	(49,495)	338,480	348,176	2,056,603
Fund Balances - Beginning of year (as restated) (Note 17)	8,416,119	1,086,822	660,646	1,978,776	12,142,363
Fund Balances - End of year	\$ 9,835,561	\$ 1,037,327	\$ 999,126	\$ 2,326,952	\$ 14,198,966

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	2,056,603
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		(9,948,272)
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		401,229
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end		(34,790)
Changes in liabilities incurred but not reported are not recorded in the governmental funds		(203,317)
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)		1,057,317
Change in accrued interest on long-term debt is not recorded in the governmental funds		26,540
Change in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities		11,489
Changes to investment in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities		(176,504)
Change in pollution remediation liability is not recorded in the governmental funds		765,000
Change in other postemployment benefit liability is not recorded in the governmental funds		(7,365,830)
Internal service funds are also included as governmental activities		(504,336)
Change in Net Assets of Governmental Activities	\$	<u>(13,914,871)</u>

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2011

	Enterprise Fund - Water and Sewer	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,814,446	\$ 29,349
Receivables - Net	10,630,819	37,363
Due from other funds (Note 7)	-	1,435,421
Inventories	247,000	10,588
Prepaid costs and other assets	28,986	-
Total current assets	12,721,251	1,512,721
Noncurrent assets:		
Restricted assets (Note 6)	367,500	-
Capital assets - Net (Note 5)	77,631,357	2,342,774
Total noncurrent assets	77,998,857	2,342,774
Total assets	90,720,108	3,855,495
Liabilities		
Current liabilities:		
Accounts payable	3,570,338	57,225
Due to other funds	2,082,534	11,799
Escrow deposits and other	484,256	-
Accrued and other liabilities	259,301	1,317,421
Compensated absences	198,177	26,276
Current portion of long-term debt	608,614	43,902
Total current liabilities	7,203,220	1,456,623
Noncurrent liabilities:		
Net other postemployment benefits liability (Note 16)	1,852,815	-
Long-term debt - Net of current portion	4,987,245	59,956
Total noncurrent liabilities	6,840,060	59,956
Total liabilities	14,043,280	1,516,579
Net Assets		
Investment in capital assets - Net of related debt	72,035,498	2,238,916
Restricted (Note 13)	367,500	-
Unrestricted	4,273,830	100,000
Total net assets	\$ 76,676,828	\$ 2,338,916

City of Westland, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Enterprise Fund - Water and Sewer	Internal Service Funds
Operating Revenue		
Water and sewer	\$ 21,693,173	\$ -
Penalties	1,059,901	-
Other	113,995	-
Charges for services	-	2,928,958
	22,867,069	2,928,958
Total operating revenue		
Operating Expenses		
Cost of water	4,606,165	-
Cost of sewage disposal	7,225,581	-
Sundry	148,184	-
Wage and fringe benefits	3,568,903	169,581
Contracted services	3,105,168	8,738
Operating supplies	243,011	529,510
Repairs and maintenance	238,645	498,871
Rent, insurance claims, and other	31,910	1,686,447
Depreciation	1,610,700	581,831
	20,778,267	3,474,978
Total operating expenses		
Operating Income (Loss)	2,088,802	(546,020)
Nonoperating Revenue (Expenses)		
Interest income	5,547	4,554
Interest expense	(124,944)	(16,431)
Gain on sale of assets	-	53,561
	(119,397)	41,684
Total nonoperating (expenses) revenue		
Income (Loss) - Before contributions	1,969,405	(504,336)
Capital Contributions - Lines donated by developers	106,212	-
	2,075,617	(504,336)
Change in Net Assets		
Net Assets - Beginning of year	74,601,211	2,843,252
Net Assets - End of year	\$ 76,676,828	\$ 2,338,916

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Fund - Water and Sewer	Internal Service Funds	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 21,388,447	\$ -	\$ 21,388,447
Payments to suppliers	(16,121,824)	(985,913)	(17,107,737)
Payments to employees	(2,834,649)	(177,897)	(3,012,546)
Internal activity - Payments from other funds	-	3,070,577	3,070,577
Claims paid	-	(1,496,962)	(1,496,962)
Other payments	(509,042)	-	(509,042)
	1,922,932	409,805	2,332,737
Net cash provided by operating activities			
Cash Flows from Noncapital Financing Activities -			
Operating transfers and interfund loans	(15,237)	-	(15,237)
Cash Flows from Capital and Related Financing Activities			
Proceeds from issuance of long-term debt	2,374,106	20,130	2,394,236
Collection of customer assessments and fees	106,212	-	106,212
Proceeds from sales of assets	-	53,561	53,561
Purchase of capital assets	(2,766,545)	(222,499)	(2,989,044)
Principal and interest paid on long-term debt	(637,691)	(255,753)	(893,444)
	(923,918)	(404,561)	(1,328,479)
Net cash used in capital and related financing activities			
Cash Flows from Investing Activities -			
Interest received on investments and other assets	5,547	4,554	10,101
	989,324	9,798	999,122
Net Increase in Cash and Cash Equivalents			
Cash and Cash Equivalents - Beginning of year	1,192,622	19,551	1,212,173
Cash and Cash Equivalents - End of year	\$ 2,181,946	\$ 29,349	\$ 2,211,295
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 1,814,446	\$ 29,349	\$ 1,843,795
Restricted assets (Note 6)	367,500	-	367,500
	\$ 2,181,946	\$ 29,349	\$ 2,211,295
Total cash and cash equivalents			
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 2,088,802	\$ (546,020)	\$ 1,542,782
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,610,700	581,831	2,192,531
Changes in assets and liabilities:			
Receivables	(1,478,622)	(37,363)	(1,515,985)
Due from other funds	-	583,050	583,050
Inventory	(34,673)	-	(34,673)
Other assets	-	32,827	32,827
Accounts payable	(356,462)	18,756	(337,706)
Accrued and other liabilities	1,032,889	(651,035)	381,854
Due to other funds	(509,042)	(2,901)	(511,943)
Transfer of capital assets	(430,660)	430,660	-
	\$ 1,922,932	\$ 409,805	\$ 2,332,737
Net cash provided by operating activities			

Noncash Activities - During the year ended June 30, 2011, the Motorpool Fund transferred \$430,660 of capital assets, net of depreciation, to the Water and Sewer Fund. In addition, developers donated \$106,212 of water and sewer lines to the City.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2011

	Pension Trust Fund - Police and Fire Retirement	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 2,900,428
Investments (Note 3):		
U.S. government securities	9,567,554	-
Common stock	69,404,583	-
Corporate bonds	14,679,622	-
Real estate	7,063,657	-
Mutual funds	43,685,614	-
Securities lending - Mutual funds	16,278,205	-
Securities lending - Commercial paper	374,244	-
Accrued interest and other assets	312,486	-
	161,365,965	<u>\$ 2,900,428</u>
Liabilities		
Accounts payable	900,832	\$ -
Due to other governmental units	-	1,159,525
Accrued and other liabilities	-	1,740,903
Obligations under securities lending agreements	16,809,174	-
	17,710,006	<u>\$ 2,900,428</u>
Net Assets - Held in trust for pension benefits and other purposes	<u>\$ 143,655,959</u>	

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2011

Additions

Investment income (loss):	
Interest and dividends	\$ 2,750,276
Net increase in fair value of investments	16,840,154
Investment-related expenses	<u>(710,618)</u>
Net investment income	18,879,812
Employer contributions - Pension	4,137,201
Employee contributions and service credits	<u>26,261</u>
Total additions	23,043,274

Deductions - Benefit payments 10,546,614

Net Increase 12,496,660

Net Assets Held in Trust for Pension and Other Employee Benefits -
Beginning of year 131,159,299

Net Assets Held in Trust for Pension and Other Employee Benefits -
End of year \$ 143,655,959

City of Westland, Michigan

Component Units Statement of Net Assets June 30, 2011

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 380,085	\$ 4,589	\$ 501,003	\$ 307,718	\$ 1,193,395
Investments (Note 3)	-	-	-	301,037	301,037
Interest and other	-	-	-	237,756	237,756
Due from other governmental units	-	-	19,719	-	19,719
Prepaid costs and other assets	6,000	-	-	-	6,000
Capital assets - Net (Note 5)	1,840,263	-	-	320,584	2,160,847
Total assets	2,226,348	4,589	520,722	1,167,095	3,918,754
Liabilities					
Accounts payable	4,270	-	670	54,200	59,140
Due to other governmental units	-	-	-	19,049	19,049
Accrued liabilities and other	40,950	-	-	289,195	330,145
Long-term debt - Due within one year (Note 8)	51,671	-	-	-	51,671
Total liabilities	96,891	-	670	362,444	460,005
Net Assets					
Invested in capital assets - Net of related debt	1,788,592	-	-	320,584	2,109,176
Unrestricted	340,865	4,589	520,052	484,067	1,349,573
Total net assets	\$ 2,129,457	\$ 4,589	\$ 520,052	\$ 804,651	\$ 3,458,749

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	\$ 556,945	\$ -	\$ -
Economic Development Corporation - Operations	271	-	-
Local Development Finance Authority - Operations	484,686	-	-
Tax Increment Finance Authority - Operations	<u>532,356</u>	<u>-</u>	<u>-</u>
Total component units	<u>\$ 1,574,258</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:			
			Property taxes
			Property tax refunds
			Interest income
			Other 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, 2011**

Net (Expense) Revenue and Changes in Net Assets				
Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
\$ (556,945)	\$ -	\$ -	\$ -	\$ (556,945)
-	(271)	-	-	(271)
-	-	(484,686)	-	(484,686)
-	-	-	(532,356)	(532,356)
(556,945)	(271)	(484,686)	(532,356)	(1,574,258)
1,509,505	-	133,962	4,083,777	5,727,244
(1,019,665)	-	-	(3,848,465)	(4,868,130)
841	22	1,374	16,359	18,596
2,299	-	-	-	2,299
492,980	22	135,336	251,671	880,009
(63,965)	(249)	(349,350)	(280,685)	(694,249)
2,193,422	4,838	869,402	1,085,336	4,152,998
\$ 2,129,457	\$ 4,589	\$ 520,052	\$ 804,651	\$ 3,458,749

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 - 2005 Refunding 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. The Local Development Finance Authority does not issue its own financial statements.
- 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. The Economic Development Corporation does not issue its own financial statements.

Note 1 - 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. The Downtown Development Authority does not issue its own financial statements.
- 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, 2011. The Brownfield Redevelopment Authority does not issue its own financial statements.

Government-wide and Fund Financial Statements

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

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

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

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.

Methods Used to Value Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the plan's management. Approximately 33 percent of the plan's assets are not publicly traded and, therefore, do not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

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.

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.

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

The City reports the following major governmental funds:

Note I - Summary of Significant Accounting Policies (Continued)

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.

The City reports the following major proprietary funds:

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 internal service and fiduciary activities:

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 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.

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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

When an expense is incurred for purposes for which both restricted and unrestricted net assets or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the City's policy to spend funds in this order: committed, assigned, and unassigned.

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.

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.

Note I - Summary of Significant Accounting Policies (Continued)

The 2010 taxable valuation of the City totaled approximately \$1.98 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, 4.5000 mills for the Police and Fire Pension Fund, and 2.0000 mills for sanitation. The ad valorem taxes levied raised approximately \$12.8 million for City operations, approximately \$1.9 million for operation of the library, approximately \$8.9 million for the Police and Fire Pension Fund, and approximately \$3.9 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.

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 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 on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The City implemented GASB No. 54 during the year.

In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

- Committed: Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- Assigned: Intent to spend resources on specific purposes expressed by the City Council
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted 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 period. Actual results could differ from those estimates.

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, 2010	\$ (2,608,202)
Current year permit revenue	957,508
Related expenses	<u>961,936</u>
Current year shortfall	<u>(4,428)</u>
Cumulative shortfall at June 30, 2011	<u>\$ (2,612,630)</u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The 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.

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the City of Westland's Police and Fire Employees' Retirement System (the "System") (see Note 10) lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2011, only United States currency was received as collateral. The City then converts that cash received as collateral into other investments.

The System does not impose a limit on the amount of loans made on its behalf by the custodial bank. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. Moreover, there were no losses during the fiscal year resulting from a default of the borrowers or custodial bank.

Note 3 - Deposits and Investments (Continued)

The City of Westland's Police and Fire Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pools as of June 30, 2011 was one day because the loans are terminable on demand; their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2011, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of the underlying securities on loan for the System as of June 30, 2011 was \$16,809,174 and \$16,481,284, respectively.

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 \$16,291,753 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 \$746,587 of bank deposits that were uninsured and uncollateralized.

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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk

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

At year end, the average maturities of investments are as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
Pension funds:		
U.S. Treasury	\$ 4,422,352	12.51
U.S. government agency securities	5,145,202	24.65
Corporate securities	14,679,622	13.31
Component units - U.S. Treasury securities	538,794	3.70

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary government -			
Comerica J Fund	\$ 1,266,470	NR	
Fiduciary funds:			
Corporate securities (pension)	2,124,690	A	S&P
Corporate securities (pension)	826,158	AA	S&P
Corporate securities (pension)	1,783,223	AAA	S&P
Corporate securities (pension)	1,067,576	B	S&P
Corporate securities (pension)	2,445,053	BB	S&P
Corporate securities (pension)	5,620,991	BBB	S&P
Corporate securities (pension)	77,213	CCC	S&P
Corporate securities (pension)	734,718	NR	S&P
Foreign bonds (pension)	339,471	A	S&P
Foreign bonds (pension)	533,822	BBB	S&P
U.S. government agency securities (pension)	25,125	BBB	S&P
U.S. government agency securities (pension)	9,542,430	NR	S&P

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 3 - Deposits and Investments (Continued)

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.

Note 4 - Receivables

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

	General Fund	Major Roads Fund	Local Roads Fund	Nonmajor Funds	Internal Service Funds	Total Governmental Activities	Business-type Activities	Total Primary Government	Component Units
Receivables:									
Property taxes receivable	\$ 798,914	\$ -	\$ -	\$ 80,817	\$ -	\$ 879,731	\$ 826,461	\$ 1,706,192	\$ -
Special assessments	-	-	195,027	-	-	195,027	-	195,027	-
Customer receivables	-	-	-	-	37,363	37,363	9,803,059	9,840,422	-
Interest	237,527	-	-	-	-	237,527	1,299	238,826	237,756
Other receivables	400,126	-	-	-	-	400,126	-	400,126	-
Due from other governmental units	<u>3,527,281</u>	<u>1,851,118</u>	<u>187,260</u>	<u>92,292</u>	<u>-</u>	<u>5,657,951</u>	<u>-</u>	<u>5,657,951</u>	<u>19,719</u>
Total receivables	<u>\$ 4,963,848</u>	<u>\$ 1,851,118</u>	<u>\$ 382,287</u>	<u>\$ 173,109</u>	<u>\$ 37,363</u>	<u>\$ 7,407,725</u>	<u>\$ 10,630,819</u>	<u>\$ 18,038,544</u>	<u>\$ 257,475</u>

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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 4 - Receivables (Continued)

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	\$ 798,914	\$ -	\$ 798,914
General Fund - Youth assistance	372,828	-	372,828
General Fund - City services	50,393	-	50,393
General Fund - Federal grant revenue	199,000	-	199,000
General Fund - E-911 wireless revenue	174,951	-	174,951
Local Roads Fund - Special assessment revenue	195,027	-	195,027
Other nonmajor governmental funds - 800 Mhz revenue	21,097	-	21,097
Other nonmajor governmental funds - Library personal property tax	79,841	-	79,841
Other nonmajor governmental funds - Federal grant revenue	-	96,958	96,958
Total	<u>\$ 1,892,051</u>	<u>\$ 96,958</u>	<u>\$ 1,989,009</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets

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

	Balance July 1, 2010	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2011
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,340,379	\$ -	\$ -	\$ -	\$ 2,340,379
Construction in progress	-	-	702,331	-	702,331
Subtotal	2,340,379	-	702,331	-	3,042,710
Capital assets being depreciated:					
Roads and sidewalks	759,357,257	-	359,424	4,264,600	755,452,081
Buildings and improvements	18,055,608	-	-	-	18,055,608
Other tools and equipment	27,027,186	(1,608,032)	1,287,245	1,514,170	25,192,229
Subtotal	804,440,051	(1,608,032)	1,646,669	5,778,770	798,699,918
Accumulated depreciation:					
Roads and sidewalks	539,239,238	-	10,648,928	4,264,600	545,623,566
Buildings and improvements	5,240,253	-	421,564	-	5,661,817
Other tools and equipment	19,276,913	(1,177,368)	1,586,371	1,514,170	18,171,746
Subtotal	563,756,404	(1,177,368)	12,656,863	5,778,770	569,457,129
Net capital assets being depreciated	240,683,647	(430,664)	(11,010,194)	-	229,242,789
Net capital assets	<u>\$ 243,024,026</u>	<u>\$ (430,664)</u>	<u>\$ (10,307,863)</u>	<u>\$ -</u>	<u>\$ 232,285,499</u>
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ 1,206,681	\$ (790,068)	\$ 2,160,251	\$ -	\$ 2,576,864
Capital assets being depreciated -					
Water and sewer distribution systems	106,339,255	2,398,097	606,292	-	109,343,644
Accumulated depreciation -					
Water and sewer distribution systems	31,501,084	1,177,367	1,610,700	-	34,289,151
Net capital assets	<u>\$ 76,044,852</u>	<u>\$ 430,662</u>	<u>\$ 1,155,843</u>	<u>\$ -</u>	<u>\$ 77,631,357</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets (Continued)

	Balance July 1, 2010	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2011
Component Units					
Capital assets not being depreciated -					
Land	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
Capital assets being depreciated:					
DDA improvements	2,341,493	-	-	-	2,341,493
TIFA improvements	391,958	-	-	-	391,958
Subtotal	2,733,451	-	-	-	2,733,451
Accumulated depreciation:					
DDA improvements	474,155	-	117,076	-	591,231
TIFA improvements	47,221	-	24,152	-	71,373
Subtotal	521,376	-	141,228	-	662,604
Net capital assets being depreciated	2,212,075	-	(141,228)	-	2,070,847
Net capital assets	<u>\$ 2,302,075</u>	<u>\$ -</u>	<u>\$ (141,228)</u>	<u>\$ -</u>	<u>\$ 2,160,847</u>

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

Governmental activities:

General government	\$ 679,521
Public safety	339,939
Public works	10,804,460
Recreation and culture	251,112
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>581,831</u>
Total governmental activities	<u>\$ 12,656,863</u>

Business-type activities - Enterprise Fund - Water and sewer \$ 1,610,700

Note 6 - Restricted Assets

Restricted assets at June 30, 2011 consist of \$367,500 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	\$ 227,500
Bond reserve for 2006 Water and Sewer Revenue Bonds	<u>140,000</u>
Total restricted assets	<u>\$ 367,500</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

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	\$ 222,550
	Local Roads Fund	402,436
	Water and Sewer Fund	1,694,681
	Other nonmajor governmental funds	345,631
	Total General Fund	2,665,298
Major Roads Fund	Local Roads Fund	1,055
Other nonmajor governmental funds	General Fund	108,831
Other proprietary funds	General Fund	992,269
	Other nonmajor governmental funds	43,500
	Water and Sewer Fund	399,652
	Total other proprietary funds	1,435,421
	Total interfund activity	<u>\$ 4,210,605</u>

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 7 - Interfund Balances and Operating Transfers (Continued)

The composition of operating transfers is as follows:

<u>Operating Transfer Out</u>	<u>Operating Transfer In</u>	<u>Amount</u>
General Fund	Other governmental funds (1) (3)	\$ 1,002,965
Major Roads Fund	Local Roads Fund (2) Other governmental funds (1)	806,793 <u>852,669</u>
	Total Major Roads Fund	1,659,462
Other governmental funds	General Fund (3)	<u>5,000</u>
	Total operating transfers	<u>\$ 2,667,427</u>

(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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 8 - Long-term Debt (Continued)

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	\$ 500,000	\$ -	\$ 250,000	\$ 250,000	\$ 250,000
1998 Michigan Transportation Fund Bonds	4.375%- 4.500%	\$300,000- \$400,000	1,350,000	-	250,000	1,100,000	300,000
2004 Michigan Transportation Fund	3.000%- 4.000%	\$250,000- \$300,000	2,450,000	-	200,000	2,250,000	250,000
2005 Building Authority Refunding Bonds	4.000% - 5.000%	\$255,000 - \$500,000	3,595,000	-	260,000	3,335,000	255,000
Installment purchase agreement:							
2009 recycle containers	5.980%	\$103,136- \$146,135	962,500	-	97,317	865,183	103,136
Other equipment	4.900%- 5.600%	\$43,902- \$46,150	323,050	28,999	248,191	103,858	43,902
Total governmental bonds			9,180,550	28,999	1,305,508	7,904,041	1,202,038
Compensated absences			8,718,412	-	11,489	8,706,923	2,283,216
Total governmental activities			<u>\$ 17,898,962</u>	<u>\$ 28,999</u>	<u>\$ 1,316,997</u>	<u>\$ 16,610,964</u>	<u>\$ 3,485,254</u>
Business-type Activities							
Revenue bonds:							
1998 Water and Sewer Revenue Bonds	3.875% - 3.900%	\$200,000 - \$300,000	\$ 1,725,000	\$ -	\$ 200,000	\$ 1,525,000	\$ 200,000
2006 Water and Sewer Revenue Bonds	3.875%- 3.900%	\$275,000- \$300,000	1,675,000	-	275,000	1,400,000	275,000
General obligation bonds:							
2010 State Revolving Fund Loan	2.500%	\$21,143- \$40,000	217,843	287,453	19,000	486,296	21,143
2010 Strategic Water Quality Initiatives Loan	2.500%	\$71,909- \$180,000	153,490	1,722,677	-	1,876,167	71,909
Installment purchase agreement:							
Other equipment	4.800%	\$40,562- \$133,907	-	363,976	55,580	308,396	40,562
Compensated absences			161,344	36,833	-	198,177	198,177
Total business-type activities			<u>\$ 3,932,677</u>	<u>\$ 2,410,939</u>	<u>\$ 549,580</u>	<u>\$ 5,794,036</u>	<u>\$ 806,791</u>
Component Unit Activities							
General obligation bonds:							
2010 Downtown Development Authority Installment Purchase Agreement	6.92%	\$51,671	\$ 100,000	\$ -	\$ 48,329	\$ 51,671	\$ 51,671

Note 8 - Long-term Debt (Continued)

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
2012	\$ 1,202,038	\$ 322,900	\$ 1,524,938	\$ 608,614	\$ 180,620	\$ 789,234	\$ 51,671	\$ 3,573	\$ 55,244
2013	1,115,454	272,071	1,387,525	613,857	155,092	768,949	-	-	-
2014	1,077,543	221,734	1,299,277	619,197	130,957	750,154	-	-	-
2015	759,871	180,157	940,028	621,370	106,570	727,940	-	-	-
2016	810,109	368,928	1,179,037	761,766	82,077	843,843	-	-	-
2017-2021	2,939,026	224,937	3,163,963	1,057,353	149,960	1,207,313	-	-	-
2022-2026	-	-	-	632,144	42,907	675,051	-	-	-
2027-2031	-	-	-	681,558	-	681,558	-	-	-
Total	\$ 7,904,041	\$ 1,590,727	\$ 9,494,768	\$ 5,595,859	\$ 848,183	\$ 6,444,042	\$ 51,671	\$ 3,573	\$ 55,244

Total interest incurred related to governmental and business-type activities for the year approximated \$353,000 and \$124,000, respectively. Total interest incurred related to component units for the year approximated \$7,000.

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 \$3,377,419. During the current year, net revenue of the system was \$2,189,405 compared to the annual debt requirements of \$617,744.

Note 9 - Risk Management

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

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

Note 9 - Risk Management (Continued)

The City estimates the liability for general liability claims, 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. The estimate for the general liability claims is recorded in the General Liability Self-insurance Fund. The estimates for the workers' compensation and health claims are 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, 2011 and 2010 were as follows:

	General Liability		Workers' Compensation		Health Insurance Claims	
	2011	2010	2011	2010	2011	2010
Estimated liability - Beginning of year	\$ 1,122,118	\$ 1,105,460	\$ 831,827	\$ 716,739	\$ 477,500	\$ -
Estimated claims incurred, including changes in estimates	1,679,872	1,254,041	25,804	1,167,517	4,701,157	477,500
Claim payments	(1,490,764)	(1,237,383)	(240,631)	(1,052,429)	(5,095,433)	-
Estimated liability - End of year	<u>\$ 1,311,226</u>	<u>\$ 1,122,118</u>	<u>\$ 617,000</u>	<u>\$ 831,827</u>	<u>\$ 83,224</u>	<u>\$ 477,500</u>

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, 2010, the date of the most recent actuarial valuation, membership consisted of 204 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 143 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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 10 - Defined Benefit Pension Plan (Continued)

Annual Pension Costs - For the year ended June 30, 2011, the City's annual pension cost of \$4,137,201 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		
	2009	2010	2011
Annual pension costs (APC)	\$ 4,738,178	\$ 3,829,140	\$ 4,137,201
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

Funded Status and Funding Progress - As of June 30, 2010, the most recent actuarial valuation date, the plan was 92.7 percent funded. The actuarial accrued liability for benefits was \$168,863,574 and the actuarial value of assets was \$156,459,851, resulting in an underfunded actuarial accrued liability of \$12,403,723. The covered payroll (annual payroll to active employees covered by the plan) was \$10,939,952 and the ratio of the underfunded actuarial accrued liability to the covered payroll was 112.7 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of 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, 2010, 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, 2011, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 633,203
Reserve for retired benefit payments	105,409,576

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 10 - Defined Benefit Pension Plan (Continued)

Municipal Employees' Retirement System of Michigan

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

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

Annual Pension Costs - For the year ended June 30, 2011, the City's annual pension cost of \$3,550,609 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, 2008, 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 27 years.

Three-year Trend Information

	Fiscal Years Ended June 30		
	2009	2010	2011
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 3,744,570	\$ 3,530,623	\$ 3,550,609
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2008	2009	2010
Actuarial value of assets	\$ 56,604,525	\$ 56,913,144	\$ 57,465,343
Actuarial accrued liability (AAL) (entry)	\$ 98,730,066	\$ 98,241,028	\$ 104,515,192
Unfunded AAL (UAAL)	\$ 42,125,541	\$ 41,327,884	\$ 47,049,849
Funded ratio	57 %	58 %	55 %
Covered payroll	\$ 10,257,650	\$ 9,960,227	\$ 7,969,308
UAAL as a percentage of covered payroll	411 %	415 %	590 %

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 \$76,000 in the government-wide statement of net assets.

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 liability related to the joint venture of approximately \$4,000 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. During a previous year, the City and County came to a shared agreement and remediation plan. According to the agreement, the City paid the County \$765,000 in the current year and then will reimburse the County an additional \$350,000, in total, over the next five years, beginning November 2012. The \$350,000 is recorded on the government-wide statements. According to the contract, the City of Westland shall be responsible for any additional costs that are incurred during the remediation process that are above the County's contribution of \$1,500,000. As of the report date, the remediation is underway and it is the City's belief that additional costs, if any, will not be material.

Environmental Remediation - The City is required to remove the underground gas storage tanks at the Department of Public Works. It is likely that there will be environmental remediation associated with the area after the removal; however, the extent of the liability is unknown at this time. The City does not believe that the remediation costs will be material.

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 12 - Contingent Liabilities (Continued)

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. On May 25, 2011, the City experienced another 100-year rain event. As a result, the City's sanitation system lines backed up again and approximately 270 homes were affected. As of the report date, no litigation has been filed against the City related to the May 25, 2011 event. The City believes that it has governmental immunity from these claims as there was no sewer system defect that would eliminate this immunity. As such, no estimated liability has been recorded related to the system overflows.

Open Litigation - Several other claims have been filed against the City; however, litigation for those claims is still in the very early stages and the outcome cannot be determined at this time. The City is vigorously defending its position and does not believe any of these cases will result in a material liability. No liability has been recorded related to this litigation at this time.

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
Restricted Cable Commission projects	\$ 127,858	\$ -
Public safety - E-911	347,955	-
Public safety - Drug forfeiture	45,636	-
Public safety - Task Force Fund	74,003	-
800 MHZ Fund	41,159	-
Community development	653,047	-
Revenue bonds	-	367,500
	<u>\$ 1,289,658</u>	<u>\$ 367,500</u>
Total		

Note 14 - Commitments

The City has entered into several construction and maintenance contracts totaling \$2,079,616. As of June 30, 2011, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

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. A transfer of the facility to the City has not occurred as of June 30, 2011.

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).

Funding Progress - For the year ended June 30, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2011. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal 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)	\$ 12,714,042
Interest on the prior year's net OPEB obligation	688,821
Less adjustment to the annual required contribution	<u>(633,436)</u>
Total annual OPEB cost	12,769,427
Amounts contributed - Payments of current premiums	(4,698,159)
Advance funding	<u>-</u>
Increase in net OPEB obligation	8,071,268
OPEB obligation - Beginning of year	<u>15,307,135</u>
OPEB obligation - End of year	<u>\$ 23,378,403</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 16 - Other Postemployment Benefits (Continued)

<u>Fiscal Year Ended</u>	<u>Annual OPEB Costs</u>	<u>Percentage OPEB Costs Contributed</u>	<u>Net OPEB Obligation</u>
6/30/09	\$ 12,115,852	39.5 %	\$ 7,331,278
6/30/10	12,445,760	35.9 %	15,307,135
6/30/11	12,769,427	36.8 %	23,378,403

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

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
6/30/08	\$ -	\$181,861,454	\$181,861,454	-	\$ 20,474,568	888.2
6/30/11	-	216,389,936	216,389,936	-	15,986,830	1,353.6

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.

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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2011

Note 16 - Other Postemployment Benefits (Continued)

In the June 30, 2011 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 9 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, 2011 was 30 years.

Note 17 - Accounting and Reporting Change

During the year, the City adopted GASB 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. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, beginning fund balance was restated as follows:

	General Fund	E-911 Fund	Metro Act - Broadband Fund	Cable T.V. Fund
Fund balance - June 30, 2010 - As previously reported	\$ 7,529,176	\$ 83,682	\$ 9,865	\$ 793,396
Reclassifications under GASB No. 54	<u>886,943</u>	<u>(83,682)</u>	<u>(9,865)</u>	<u>(793,396)</u>
Fund balance - June 30, 2010 - As restated	<u>\$ 8,416,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 18 - Upcoming Accounting Pronouncements

In November 2010, the GASB issued Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. This statement addresses financial reporting related to service concession arrangements which are a type of public-private or public-public partnership. An SCA is an arrangement between a transferor (a government) and an operator (whether a government or nongovernment) in which the transferor conveys to an operator the right and relation obligation to provide services through the use of infrastructure or another public asset in exchange for significant consideration and the operator collects and is compensated by fees from third parties. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

Note 18 - Upcoming Accounting Pronouncements (Continued)

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement 14 and Statement 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2012-2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 22,678,143	\$ 22,928,143	\$ 22,691,414	\$ (236,729)
Licenses and permits	1,153,500	1,153,500	1,093,939	(59,561)
Federal sources	151,220	621,121	281,555	(339,566)
State sources	6,914,000	7,255,000	7,254,181	(819)
Charges for services	6,678,510	6,303,510	6,597,133	293,623
Court fines and fees	4,600,000	3,900,000	3,794,013	(105,987)
Interest income	100,000	100,000	55,077	(44,923)
Other	9,897,927	10,492,968	9,952,674	(540,294)
Total revenue	52,173,300	52,754,242	51,719,986	(1,034,256)
Expenditures				
Current:				
General government:				
Legislative	108,850	108,850	99,284	9,566
Executive	619,013	619,013	602,496	16,517
Computer information systems	399,823	399,823	396,610	3,213
Law	500,000	650,000	716,251	(66,251)
Finance	1,340,175	1,340,175	1,336,160	4,015
Assessment	449,304	449,304	510,123	(60,819)
City clerk	736,524	736,524	714,923	21,601
City hall and grounds	194,679	194,679	222,888	(28,209)
Motorpool	662,910	762,910	1,094,771	(331,861)
Personnel	263,342	263,342	253,588	9,754
Housing	549,148	549,148	478,903	70,245
Insurance and bonds	1,995,000	1,745,000	948,832	796,168
General government	3,337,578	3,337,828	3,009,152	328,676
Community development	473,095	473,095	415,274	57,821
Total general government	11,629,441	11,629,691	10,799,255	830,436
Public safety:				
Police	14,319,821	14,673,242	13,625,053	1,048,189
Joint dispatch	1,398,910	1,398,910	1,349,873	49,037
Fire	11,399,783	11,545,383	10,164,667	1,380,716
Police and Fire Retirement Board	80,000	80,000	12,200	67,800
Building	1,079,370	1,009,370	1,012,452	(3,082)
District Court	3,486,457	3,530,331	3,486,046	44,285
Total public safety	31,764,341	32,237,236	29,650,291	2,586,945
Highway maintenance	1,960,520	1,875,520	1,785,573	89,947
Sanitation	4,794,799	4,794,799	4,231,175	563,624
Recreation and culture:				
Parks and recreation	2,072,959	2,322,959	2,171,582	151,377
Youth assistance program	237,845	525,858	426,105	99,753
Ice arena	323,920	323,920	289,905	34,015
Senior resources	429,400	429,400	397,275	32,125
Golf course	301,586	301,586	295,351	6,235
Total recreation and culture	3,365,710	3,903,723	3,580,218	323,505
Debt service	154,874	154,874	154,874	-
Total expenditures	53,669,685	54,595,843	50,201,386	4,394,457

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with <u>Amended Budget</u>
Excess of Revenue (Under) Over Expenditures	\$ (1,496,385)	\$ (1,841,601)	\$ 1,518,600	\$ 3,360,201
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	10,000	10,000	-	(10,000)
Transfers in	1,550,941	1,704,312	1,190,998	(513,314)
Transfers out	<u>(231,700)</u>	<u>(231,700)</u>	<u>(587,109)</u>	<u>(355,409)</u>
Total other financing sources	<u>1,329,241</u>	<u>1,482,612</u>	<u>603,889</u>	<u>(878,723)</u>
Net Change in Fund Balance	(167,144)	(358,989)	2,122,489	2,481,478
Fund Balance - Beginning of year	<u>7,529,176</u>	<u>7,529,176</u>	<u>7,529,176</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 7,362,032</u></u>	<u><u>\$ 7,170,187</u></u>	<u><u>\$ 9,651,665</u></u>	<u><u>\$ 2,481,478</u></u>

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 3,200,000	\$ 3,200,000	\$ 3,226,991	\$ 26,991
Interest income	1,000	1,000	3,958	2,958
Local sources	127,000	127,000	126,668	(332)
Miscellaneous	-	-	48,086	48,086
Total revenue	3,328,000	3,328,000	3,405,703	77,703
Expenditures - Current - Public works				
Construction	300,000	300,000	484,791	(184,791)
Maintenance	600,000	600,000	495,710	104,290
Snow removal	265,000	265,000	360,559	(95,559)
Traffic	70,000	70,000	110,787	(40,787)
Administration	320,000	320,000	322,699	(2,699)
Professional services	18,000	18,000	21,190	(3,190)
Total expenditures	1,573,000	1,573,000	1,795,736	(222,736)
Other Financing Uses - Transfers to other funds	(2,052,670)	(2,052,670)	(1,659,462)	393,208
Net Change in Fund Balance	(297,670)	(297,670)	(49,495)	248,175
Fund Balance - Beginning of year	1,086,822	1,086,822	1,086,822	-
Fund Balance - End of year	<u>\$ 789,152</u>	<u>\$ 789,152</u>	<u>\$ 1,037,327</u>	<u>\$ 248,175</u>

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State sources	\$ 1,125,000	\$ 1,125,000	\$ 1,160,605	\$ 35,605
Interest income	500	500	4,396	3,896
Special assessments and other income	35,000	35,000	51,043	16,043
Total revenue	1,160,500	1,160,500	1,216,044	55,544
Expenditures - Current - Public works				
Construction	200,000	200,000	121,004	78,996
Maintenance	1,750,000	1,750,000	1,058,164	691,836
Snow removal	275,000	275,000	269,228	5,772
Traffic	140,000	140,000	104,965	35,035
Administration	112,500	112,500	116,061	(3,561)
Professional services	12,000	12,000	14,935	(2,935)
Total expenditures	2,489,500	2,489,500	1,684,357	805,143
Other Financing Sources - Transfers from other funds	1,200,000	1,200,000	806,793	(393,207)
Net Change in Fund Balance	(129,000)	(129,000)	338,480	467,480
Fund Balance - Beginning of year	660,646	660,646	660,646	-
Fund Balance - End of year	<u>\$ 531,646</u>	<u>\$ 531,646</u>	<u>\$ 999,126</u>	<u>\$ 467,480</u>

City of Westland, Michigan

Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended June 30, 2011 (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial 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
6/30/05	\$ 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)
6/30/10	156,500	168,900	12,400	92.7	11,000	112.7

Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
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
6/30/11	6/30/10	4,137,201	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, 2010, 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

City of Westland, Michigan

Note to Required Supplemental Information Year Ended June 30, 2011

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. The City adopts each fund's budget individually, so budgeted amounts in the General Fund include only General Fund activity, not including the funds rolled into the Combining General Fund as a result of GASB No. 54. As a result, the revenue and expenditures of these funds are not included in the General Fund budget.

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.

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2011 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund:		
Amounts per operating statement	\$ 50,840,181	\$ 48,422,774
Reimbursements from other funds recorded as revenue	1,785,573	1,785,573
E-911 Fund	(697,081)	(3,394)
Metro Act - Broadband Fund	(204,915)	(3,289)
Cable TV Fund	(3,772)	(278)
	<u>\$ 51,719,986</u>	<u>\$ 50,201,386</u>
Amounts per budget statement		

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Law	\$ 650,000	\$ 716,251	\$ (66,251)
Assessment	449,304	510,123	(60,819)
City hall and grounds	194,679	222,888	(28,209)
Motorpool	762,910	1,094,771	(331,861)
Major Roads Fund	1,573,000	1,795,736	(222,736)

Other Supplemental Information

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
General Government				
Legislative	\$ 96,318	\$ 95,147	\$ 4,432	\$ 1,729
City clerk	567,053	550,765	22,137	21,983
Executive	601,538	589,122	6,996	1,951
Assessment	439,849	506,581	4,400	2,489
Computer information systems	171,728	167,231	42,310	35,420
General - Law	-	-	-	-
General - Civil service	-	-	-	-
Police and fire civil service	-	-	-	-
Finance	1,077,875	1,060,744	55,074	59,886
Board of Review	-	-	-	-
City hall and grounds	-	-	19,800	14,531
General government	2,632,500	1,963,108	50,000	32,128
Engineering	-	-	-	-
General maintenance	-	-	-	-
Planning	205,914	198,687	2,840	827
Planning Commission	-	-	-	-
Zoning Board of Appeals	-	-	-	-
Economic development	275,039	242,187	2,300	1,246
Community development programs	403,483	352,969	16,450	16,692
Housing development	549,148	478,903	-	-
Insurance and bonds	70,000	5,657	-	-
Personnel	253,242	245,691	3,500	1,622
Total general government	7,343,687	6,456,792	230,239	190,504
Public Safety				
District Court	2,999,631	2,982,156	89,000	88,766
Police	13,739,551	13,091,510	59,200	54,367
Fire	10,870,317	9,666,907	129,857	106,711
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,394,460	1,385,979	4,000	2,944
Building	672,405	687,958	5,500	2,557
Total public safety	29,676,364	27,814,510	287,557	255,345
Highways and Streets	1,337,420	1,305,906	273,000	279,885

* The "totals" 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, 2011

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 8,100	\$ 2,408	\$ -	\$ -	\$ -	\$ -	\$ 108,850	\$ 99,284
147,334	142,175	-	-	-	-	736,524	714,923
10,479	11,423	-	-	-	-	619,013	602,496
5,055	1,053	-	-	-	-	449,304	510,123
151,285	154,888	34,500	39,071	-	-	399,823	396,610
650,000	716,251	-	-	-	-	650,000	716,251
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
207,226	215,530	-	-	-	-	1,340,175	1,336,160
-	-	-	-	-	-	-	-
174,879	208,357	-	-	-	-	194,679	222,888
305,135	335,478	50,000	-	-	-	3,037,635	2,330,714
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,850	3,304	-	-	-	-	214,604	202,818
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,250	2,406	-	-	-	-	280,589	245,839
53,162	45,613	-	-	-	-	473,095	415,274
-	-	-	-	-	-	549,148	478,903
1,675,000	943,175	-	-	-	-	1,745,000	948,832
6,600	6,275	-	-	-	-	263,342	253,588
3,403,355	2,788,336	84,500	39,071	-	-	11,061,781	9,474,703
441,700	415,124	-	-	-	-	3,530,331	3,486,046
1,031,070	1,064,895	243,421	199,920	-	-	15,073,242	14,410,692
545,209	391,049	-	-	-	-	11,545,383	10,164,667
80,000	12,200	-	-	-	-	80,000	12,200
350	-	100	92	-	-	1,398,910	1,389,015
331,465	321,937	-	-	-	-	1,009,370	1,012,452
2,429,794	2,205,205	243,521	200,012	-	-	32,637,236	30,475,072
265,100	199,782	-	-	-	-	1,875,520	1,785,573

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
Building Authority Debt - Tower - Operating transfer	\$ -	\$ -	\$ -	\$ -
Sanitation	146,246	149,048	2,400	21
Cultural and Recreation				
Youth assistance	-	-	17,771	3,398
Senior resource department	256,511	268,747	53,280	41,139
Parks and recreation	995,268	936,787	108,800	95,316
Golf course	-	-	12,400	21,767
Cable	-	-	435,525	426,803
Historical committee	-	-	1,160	1,110
Ice arena	-	-	26,594	26,129
Total cultural and recreation	1,251,779	1,205,534	655,530	615,662
Debt Service	-	-	-	-
Sundry - Motorpool contribution	762,910	1,094,771	-	-
Total expenditures and other operating transfers	\$ 40,518,406	\$ 38,026,561	\$ 1,448,726	\$ 1,341,417

* The "totals" 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, 2011

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 231,700	\$ 476,474	\$ 231,700	\$ 476,474
4,646,153	4,082,106	-	-	-	-	4,794,799	4,231,175
508,087	422,707	-	-	-	-	525,858	426,105
119,609	87,389	-	-	-	-	429,400	397,275
334,580	274,772	402,000	402,000	-	-	1,840,648	1,708,875
289,186	273,584	-	-	-	-	301,586	295,351
33,426	22,809	-	-	-	-	468,951	449,612
12,200	11,985	-	-	-	-	13,360	13,095
297,326	263,776	-	-	-	-	323,920	289,905
1,594,414	1,357,022	402,000	402,000	-	-	3,903,723	3,580,218
-	-	-	-	154,874	154,874	154,874	154,874
-	-	-	-	-	-	762,910	1,094,771
\$ 12,338,816	\$ 10,632,451	\$ 730,021	\$ 641,083	\$ 386,574	\$ 631,348	\$ 55,422,543	\$ 51,272,860

City of Westland, Michigan

Special Revenue Funds						
	Community Development Block Grant	Street Lighting	Drug Forfeiture	Library	Task Force	800 MHZ
Assets						
Cash and cash equivalents	\$ 3,924	\$ 74,118	\$ 95,617	\$ 1,514,561	\$ 74,003	\$ 39,817
Receivables - Net	-	-	-	152,012	-	21,097
Due from other funds	108,381	-	-	-	-	-
Assets held for resale	653,047	-	-	-	-	-
Total assets	<u>\$ 765,352</u>	<u>\$ 74,118</u>	<u>\$ 95,617</u>	<u>\$ 1,666,573</u>	<u>\$ 74,003</u>	<u>\$ 60,914</u>
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ -	\$ 201	\$ 3,644	\$ 30,854	\$ -	\$ -
Due to other funds	-	73,917	43,500	786	-	19,755
Accrued and other liabilities	15,347	-	2,837	20,888	-	-
Deferred revenue	96,958	-	-	79,841	-	21,097
Total liabilities	112,305	74,118	49,981	132,369	-	40,852
Fund Balances - Restricted	653,047	-	45,636	1,534,204	74,003	20,062
Total liabilities and fund balances	<u>\$ 765,352</u>	<u>\$ 74,118</u>	<u>\$ 95,617</u>	<u>\$ 1,666,573</u>	<u>\$ 74,003</u>	<u>\$ 60,914</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

Debt Service Funds		
Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,802,040
-	-	173,109
-	-	108,381
-	-	653,047
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,736,577</u>
\$ -	\$ -	\$ 34,699
-	-	137,958
-	-	39,072
-	-	197,896
-	-	409,625
-	-	2,326,952
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,736,577</u>

City of Westland, Michigan

	Special Revenue Funds					
	Community Development Block Grant	Street Lighting	Drug Forfeiture	Library	Task Force	800 MHZ
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ 1,517,824	\$ -	\$ -
Federal sources	2,757,259	-	-	-	-	-
State sources	-	-	-	116,824	-	-
Interest income	40	433	1,094	2,122	106	141
Other revenue:						
Special assessments	-	904,150	-	-	-	-
Local sources	-	-	250,828	105,707	-	48,066
Refund of captured property taxes	-	-	-	184,092	-	-
Other income	102,592	-	-	2,026	6,514	77,940
Total revenue	2,859,891	904,583	251,922	1,928,595	6,620	126,147
Expenditures						
Current:						
General government	-	-	-	-	-	214,585
Street lighting	-	1,360,756	-	-	-	-
Public safety	-	-	502,914	-	607	-
Community and economic development	2,317,479	-	-	-	-	-
Cultural and recreation	-	-	-	1,917,231	-	-
Debt service	-	-	-	-	-	-
Total expenditures	2,317,479	1,360,756	502,914	1,917,231	607	214,585
Excess of Revenue Over (Under) Expenditures	542,412	(456,173)	(250,992)	11,364	6,013	(88,438)
Other Financing Sources (Uses)						
Transfers in	110,635	456,173	-	-	-	22,182
Transfers out	-	-	-	-	-	(5,000)
Total other financing sources	110,635	456,173	-	-	-	17,182
Net Change in Fund Balances	653,047	-	(250,992)	11,364	6,013	(71,256)
Fund Balances - Beginning of year	-	-	296,628	1,522,840	67,990	91,318
Fund Balances - End of year	\$ 653,047	\$ -	\$ 45,636	\$ 1,534,204	\$ 74,003	\$ 20,062

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011**

Debt Service Funds		
Motor Vehicle	Building Authority	Total Nonmajor Governmental Funds
Highway Debt - Newburgh	Debt - 2005 Refunding	
\$ -	\$ -	\$ 1,517,824
-	-	2,757,259
-	-	116,824
-	-	3,936
-	-	904,150
-	-	404,601
-	-	184,092
-	-	189,072
-	-	6,077,758
-	-	214,585
-	-	1,360,756
-	-	503,521
-	-	2,317,479
-	-	1,917,231
<u>852,669</u>	<u>413,975</u>	<u>1,266,644</u>
<u>852,669</u>	<u>413,975</u>	<u>7,580,216</u>
(852,669)	(413,975)	(1,502,458)
852,669	413,975	1,855,634
-	-	(5,000)
<u>852,669</u>	<u>413,975</u>	<u>1,850,634</u>
-	-	348,176
-	-	1,978,776
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,326,952</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2011

	Motorpool	Workers' Compensation	General Liability	Total
Assets				
Current assets:				
Cash and cash equivalents	\$ 29,349	\$ -	\$ -	\$ 29,349
Receivables - Net	37,363	-	-	37,363
Due from other funds	124,195	-	1,311,226	1,435,421
Inventories	10,588	-	-	10,588
	<u>201,495</u>	<u>-</u>	<u>1,311,226</u>	<u>1,512,721</u>
Total current assets	201,495	-	1,311,226	1,512,721
Noncurrent assets - Equipment	<u>2,342,774</u>	<u>-</u>	<u>-</u>	<u>2,342,774</u>
Total assets	2,544,269	-	1,311,226	3,855,495
Liabilities				
Current liabilities:				
Accounts payable	57,225	-	-	57,225
Due to other funds	11,799	-	-	11,799
Accrued and other liabilities	32,471	-	1,311,226	1,343,697
Current portion of long-term debt	<u>43,902</u>	<u>-</u>	<u>-</u>	<u>43,902</u>
Total current liabilities	145,397	-	1,311,226	1,456,623
Noncurrent liabilities - Long-term debt	<u>59,956</u>	<u>-</u>	<u>-</u>	<u>59,956</u>
Total liabilities	205,353	-	1,311,226	1,516,579
Net Assets				
Invested in capital assets	2,238,916	-	-	2,238,916
Unrestricted	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>100,000</u>
Total net assets	<u>\$ 2,338,916</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,338,916</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2011

	Motorpool	Workers' Compensation	General Liability	Total
Operating Revenue -				
Charges to other funds	\$ 1,246,809	\$ -	\$ 1,682,149	\$ 2,928,958
Operating Expenses				
Wages and fringe benefits	169,581	-	-	169,581
Contracted services	8,738	-	-	8,738
Operating supplies	529,510	-	-	529,510
Repairs and maintenance	498,871	-	-	498,871
Rent, insurance claims, and other	377	-	1,686,070	1,686,447
Depreciation	581,831	-	-	581,831
Total operating expenses	<u>1,788,908</u>	<u>-</u>	<u>1,686,070</u>	<u>3,474,978</u>
Operating Loss	(542,099)	-	(3,921)	(546,020)
Nonoperating Revenue (Expenses)				
Interest income	633	-	3,921	4,554
Interest expense	(16,431)	-	-	(16,431)
Gain on sale of assets	53,561	-	-	53,561
Change in Net Assets	(504,336)	-	-	(504,336)
Net Assets - Beginning of year	<u>2,843,252</u>	<u>-</u>	<u>-</u>	<u>2,843,252</u>
Net Assets - End of year	<u><u>\$ 2,338,916</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,338,916</u></u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2011

	Motorpool	Workers' Compensation	General Liability	Total
Cash Flows from Operating Activities				
Payments (to) from suppliers	\$ (1,018,740)	\$ -	\$ 32,827	\$ (985,913)
Payments to employees	(177,897)	-	-	(177,897)
Internal activity - Payments from other funds	1,610,363	-	1,460,214	3,070,577
Claims paid	-	-	(1,496,962)	(1,496,962)
	<u>413,726</u>	<u>-</u>	<u>(3,921)</u>	<u>409,805</u>
Net cash provided by (used in) operating activities				
Cash Flows from Capital and Related Financing Activities				
Proceeds from issuance of long-term debt	20,130	-	-	20,130
Proceeds from sales of assets	53,561	-	-	53,561
Purchase of capital assets	(222,499)	-	-	(222,499)
Principal and interest paid on long-term debt	(255,753)	-	-	(255,753)
	<u>(404,561)</u>	<u>-</u>	<u>-</u>	<u>(404,561)</u>
Net cash used in capital and related financing activities				
Cash Flows from Investing Activities -				
Interest received on investments and other assets	633	-	3,921	4,554
	<u>9,798</u>	<u>-</u>	<u>-</u>	<u>9,798</u>
Net Increase in Cash and Cash Equivalents				
Cash and Cash Equivalents - Beginning of year	19,551	-	-	19,551
	<u>\$ 29,349</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,349</u>
Cash and Cash Equivalents - End of year				
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (542,099)	\$ -	\$ (3,921)	\$ (546,020)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	581,831	-	-	581,831
Changes in assets and liabilities:				
Receivables	(37,363)	-	-	(37,363)
Due from other funds	(26,842)	831,827	(221,935)	583,050
Other assets	-	-	32,827	32,827
Accounts payable	18,756	-	-	18,756
Accrued and other liabilities	(8,316)	(831,827)	189,108	(651,035)
Due to other funds	(2,901)	-	-	(2,901)
Transfer of capital assets	430,660	-	-	430,660
	<u>\$ 413,726</u>	<u>\$ -</u>	<u>\$ (3,921)</u>	<u>\$ 409,805</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, 2011

	Agency Funds			
	Trust and Agency	Undistributed Tax Collection	District Court	Total
Assets - Cash and cash equivalents	\$ 1,613,838	\$ 1,080,302	\$ 206,288	\$ 2,900,428
Liabilities				
Due to other governmental units	\$ -	\$ 1,080,302	\$ 79,223	\$ 1,159,525
Accrued and other liabilities	1,613,838	-	127,065	1,740,903
Total liabilities	\$ 1,613,838	\$ 1,080,302	\$ 206,288	\$ 2,900,428

City of Westland, Michigan

**Federal Awards
Supplemental Information
June 30, 2011**

City of Westland, Michigan

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Independent Auditor's Report

To the City Council
City of Westland, Michigan

We have audited the 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2011. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the District Court Funds of District No. 18 were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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

Plante & Moran, PLLC

December 15, 2011

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

Independent Auditor's Report

To the City Council
City of Westland, Michigan

We have audited the 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, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 15, 2011. We have 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. The financial statements of the District Court Funds of District No. 18 were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

To the City Council
City of Westland, Michigan

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 deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (Findings 2011-1, 2011-2, 2011-3, and 2011-4.)

Compliance and Other Matters

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

We also noted certain matters that we have reported to the management of the City of Westland, Michigan in a separate letter dated December 15, 2011.

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

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

Plante & Moran, PLLC

December 15, 2011

Report on Compliance with Requirements That Could Have a Direct
and Material Effect on Each Major Program and on Internal Control Over
Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

To the City Council
City of Westland, Michigan

Compliance

We have audited the compliance of the City of Westland, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The major federal programs of the City of Westland, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Westland, Michigan's management. Our responsibility is to express an opinion on the City of Westland, Michigan's compliance based on our audit.

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

In our opinion, the City of Westland, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2011-5.

To the City Council
City of Westland, Michigan

Internal Control Over Compliance

The management of the City of Westland, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Westland, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency, as described in the accompanying schedule of findings and questioned costs as Finding 2011-5. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City of Westland, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Westland, Michigan's response and, accordingly, we express no opinion on it.

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

Plante & Morse, PLLC

December 15, 2011

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development - CDBG Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grant	14.218	B-10-MC-26-0017	\$ 1,325,145
Neighborhood Stabilization Program	14.218	B-08-MN-26-0016	<u>510,410</u>
Subtotal CDBG Entitlement Grants Cluster			1,835,555
Home Investment Partnerships Program	14.239	M10-MC260218	394,924
Economic Development Initiative - Special Project, Neighborhood Initiative, and Miscellaneous Grants	14.251	N/A	<u>17,984</u>
Total U.S. Department of Housing and Urban Development Development			2,248,463
U.S. Department of Energy - ARRA - Energy Efficiency and Conservation Block Grant Award	81.128	M09-MC260218	658,947
U.S. Department of Transportation - Office of Highway Safety Cluster Programs:			
State and Community Highway Safety - Passed through the State of Michigan	20.600	PT-10-05 & PT-11-35	24,154
Alcohol Impaired Driving Countermeasures Incentive Grants I - Passed through the State of Michigan	20.601	AL-10-04 & AL-11-30	<u>20,048</u>
Total U.S. Department of Transportation Highway Safety Cluster			44,202
U.S. Department of Justice:			
JAG Program Cluster - Bureau of Justice Assistance:			
Edward Byrne Memorial Justice Assistance Grant Program - Passed through Wayne County, Michigan	16.738	N/A	3,407
Edward Byrne Memorial Justice Assistance Grant Program - Passed through Wayne County, Michigan	16.738	2008-DJ-BX-0109	9,721
Edward Byrne Memorial Justice Assistance Grant Program - Passed through Wayne County, Michigan	16.738	2009-DJ-BX-0788	4,407
Office of Justice Programs - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) - Program/Grants to Units of Local Government - Passed through Wayne County, Michigan	16.804	2009-SB-B9-1422	<u>133,021</u>
Subtotal JAG Program Cluster			150,556
Office of Community Oriented Policing Services - Public Safety Partnership and Community Policing Grants (B)	16.710	2010-CK-WX-0055	199,920
Office of Juvenile Justice and Delinquency Prevention - Missing Children's Assistance - Passed through the State of Michigan	16.543		<u>268</u>
Total U.S. Department of Justice			350,744
U.S. Department of Health and Human Services - Block Grants for Prevention and Treatment of Substance Abuse - Passed through the Southeast Michigan Community Alliance	93.959		37,538
U.S. Department of Homeland Security - Assistance to Firefighters Grant	97.044	EMW-2010-FO-06876	48,160
U.S. Department of Agriculture - Food Distribution	10.550	ERP-337.20	<u>57,178</u>
Total federal awards			<u>\$ 3,445,232</u>

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Westland, Michigan under programs of the federal government for the year ended June 30, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the City of Westland, Michigan, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the City of Westland, Michigan. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.218	\$ 208,915

Note 3 - Noncash Assistance

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

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended June 30, 2011 that is included on the schedule of expenditures of federal awards:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Description</u>	<u>Amount</u>
U.S. Department of Agriculture	10.550	Food Distribution	\$ 57,178

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unqualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant and Neighborhood Stabilization Program
14.239	HOME Investment Partnerships Program
81.128	ARRA - Energy Efficiency and Conservation Block Grant Program

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

Auditee qualified as low-risk auditee? Yes No

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-1	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to be ready for the auditors and to present the trial balance ready for audit in accordance with generally accepted accounting principles.</p> <p>Condition - Resulting from the City of Westland, Michigan's (the "City") financial statement audit for the year ended June 30, 2011, it was noted the City had difficulty closing its year-end books. The City was required to post several entries in order for its financial statements to be correctly stated.</p> <p>Context - Significant journal entries were required to be made to the City's funds after the audit commenced on August 29, 2011.</p> <p>Cause - As in prior years, the City had difficulties closing its books at year end. At the start of the audit, the accounting records contained several account balances that had not yet been adjusted to the appropriate amounts.</p> <p>Effect - As a result, certain transactions were not originally recorded in audit records or were recorded incorrectly prior to the audit process.</p> <p>Recommendation - The City should attempt to post all entries required to close out the books prior to the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will continue to improve year-end reporting prior to the audit.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-2	<p>Finding Type - Material weakness</p> <p>Criteria - Per generally accepted accounting principles, investments should be recorded at fair market value.</p> <p>Condition - The City of Westland Police and Fire Retirement System is invested in several alternative investments whose fair market values cannot be traced to any published indices. The fair market value is based on estimates and judgments from the investment's management.</p> <p>Context - When reviewing the fair market value of the alternative investments in the Police and Fire Retirement System, adjustments were required to be made by the City to properly reflect the fair market value as of year end.</p> <p>Cause - The audit team had difficulties in obtaining sufficient evidence to value the alternative investments in the Westland Police and Fire Retirement System. The audit team applied additional procedures in order to obtain proper audit evidence to support the recorded values.</p> <p>Effect - A material adjustment was suggested by the auditors in order for the City's financial statements to accurately reflect the fair market value of these investments.</p> <p>Recommendation - The City should evaluate the values of these alternative investments periodically and record the necessary adjustments before the commencement of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will make the necessary adjustment to record the fair market value of these investments before the commencement of the audit.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-3	<p>Finding Type - Material weakness</p> <p>Criteria - The City should have all expenses recorded in the proper period.</p> <p>Condition - Resulting from the City's financial statement audit for the year ended June 30, 2011, there was an instance noted where the City inadvertently omitted the recording of expenditures relating to the year under audit.</p> <p>Context - During audit testing, an invoice was noted related to services performed during the audit year but not received until after year end. These expenditures were not recorded in the proper period.</p> <p>Cause - For this particular invoice, the City staff person did not identify the proper period for the transaction.</p> <p>Effect - As a result, a material adjustment was required to properly state the accounts payable liability and the related expenditure.</p> <p>Recommendation - The City's staff should modify their review procedures to ensure transactions are identified and recorded in the proper period.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will increase its review process at the end of the year to ensure all expenditures are properly accounted for.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-4	<p>Finding Type - Material weakness</p> <p>Criteria - The City should provide auditors a complete schedule of federal awards that properly reflects the activity recorded in the general ledger accounts.</p> <p>Condition - The City was unable to provide an accurate schedule of expenditures of federal awards (SEFA) which reflected the activity recorded in the general ledger accounts.</p> <p>Context - An incomplete SEFA was presented at the beginning of the audit. During the performance of the A-133 single audit, it was noted that not all expenditures from federal sources were included on the SEFA. It was also noted that additional adjustments were recorded in the general ledger to reflect current year grant activity.</p> <p>Cause - There is a lack of review processes in the preparation of the SEFA and supporting schedules. The reconciliation between the general ledger and the SEFA was not complete.</p> <p>Effect - Adjustments were required to both the SEFA and general ledger in order to present a complete and accurate SEFA.</p> <p>Recommendation - We recommend that a review process of all federal activity be performed to ensure all amounts are included on the SEFA.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City agrees with this recommendation and will begin to perform a review process.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-5	<p>Program Name - Community Development Block Grant (CFDA No. 14.218)</p> <p>Pass-through Entity - None</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Criteria - Section 3 of the Housing and Urban Development Act of 1968 states that for those projects in which a combined amount of covered funding exceeds \$200,000, involves housing rehab, housing construction, or other public construction, that the prime recipient must submit HUD Form 60002 - Summary Report. This report is due the same time as the Consolidated Annual Performance Evaluation Report (CAPER).</p> <p>Condition - The City's activity during the year for the contract related to Central City Park exceeded the minimum requirements to file the HUD Form 60002. The City did not file the applicable form by the stated due date.</p> <p>Questioned Costs - None</p> <p>Context - The CAPER was filed timely; however, HUD Form 60002 report was not included in the submission, resulting in noncompliance.</p> <p>Cause and Effect - The City expended \$250,000 of community planning and development funding on the Central City Park project, which exceeded the \$200,000 minimum for filing HUD Form 60002. The City did file this form; however, it was after the stated due date.</p> <p>Recommendation - We recommend the City be conscious of all reporting requirements as set forth by governing agencies.</p> <p>Views of Responsible Officials and Planned Corrective Actions - HUD Form 60002 has since been submitted and all future reporting requirements will be evaluated.</p>

City of Westland, Michigan
Summary of Prior Year Single Audit Findings
June 30, 2011

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
Audit findings that have been fully corrected:					
2010	2010-2	The CDBG-R expenditures as well as the SRF forgiveness of debt were not accounted for separately in the accounting records or in the SEFA.	14.218, 14.253	None	The client did not expend any CDBG-R monies in the current year, therefore, there was no need for separation of ARRA and non-ARRA funded programs for this. The client did receive ARRA funding for the JAG program in the current year. Per review of the SEFA and GL, Plante & Moran, PLLC noted that these funds were separately tracked. Conclude finding was corrected and is not a repeat in current year.
Audit findings that were not corrected or were partially corrected:					
2010	2010-3	Although the community development department made the appropriate draws during the year, the accounting records did not properly reflect this activity at year end, requiring significant adjustments to the City's general ledger during the audit.	14.218	None	The client hired an employee at the end of last fiscal year who is charged with the accounting for grant revenue and expenses. This individual is in the process of getting acclimated with the system during the year. Conclude finding is repeated in the current year as a financial statement finding (see 2011-4).

City of Westland, Michigan

Report to the City Council

June 30, 2011

December 15, 2011

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") as of and for the year ended June 30, 2011 and have issued our report thereon dated December 15, 2011. 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 City's accounting principles or internal control 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 control.

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 control 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. 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

December 15, 2011

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". The signature is stylized with a large, looping "M" and "S".

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Brian J. Camiller". The signature is stylized with a large, looping "B" and "C".

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, 2011, 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 City's financial statements will not be prevented or detected and corrected on a timely basis.

We consider the following deficiencies in the government's internal control to be material weaknesses:

- During the year, the audit team had difficulties in obtaining sufficient evidence to verify the recorded value of the alternative investments in the Westland Police and Fire Retirement System. Due to the nature of the investments, audited financial statements for these investments as of June 30, 2011 were unavailable. For certain investments, the audit team applied additional procedures in order to obtain proper audit evidence in support of the recorded values. For some of these investments, adjustments were required to the value as recorded by the City. For two investments, the audit team was not able to verify the stated values. The City should be evaluating the values of these investments periodically, ensuring appropriate audit documentation is available, and recording the necessary adjustments before the commencement of the audit.
- During testing of the accounts payable cycle, an invoice was identified related to work performed for the City prior to June 30, 2011 but was not accrued by the City as of the end of the fiscal year. A material adjustment was required to properly state this liability. The City's staff should have identified this transaction and recorded it in the proper period.

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

December 15, 2011

- 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; however, there were instances when the auditors proposed necessary journal entries to ensure the financial statement presentation was in conformity with generally accepted accounting principles. These entries included adjustments to the market value of pension investments, the recording of accounts payable in the Major Roads Fund, and fund balance reclassifications, among others.
- At the beginning of the audit, the City was unable to provide an accurate schedule of expenditures of federal awards (SEFA) which reflected the complete federal grant activity of the City, partially due to additional necessary adjustments to the recorded grant activity in the general ledger. In order for the SEFA to be complete and accurate, adjustments were required to the general ledger and then to the SEFA itself.

In addition, during the compliance audit of the City's federal awards (A-133 or single audit), we identified a finding in the Community Development Block Grant Program that is considered to be a significant deficiency. 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

December 15, 2011

Section II - Communications Required Under SAS 114

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 15, 2011, 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 also 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 December 15, 2011 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 10, 2011.

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. As described in Note 17, the government changed accounting policies with the implementation of GASB No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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 valuation of the alternative investments in the Police and Fire Pension Fund.

Difficulties Encountered in Performing the Audit

We are required to inform those charged with governance of any serious difficulties encountered during the audit. The audit team had substantial difficulties obtaining sufficient evidence to value the alternative investments in the Westland Police and Fire Retirement System. We were unable to adequately corroborate the values of two pension system investments, ITS Capital and Intercontinental Real Estate Investment Fund III.

Also, the City's year-end adjustments to the accounting records were not yet complete at the start of the audit. The City provided many necessary journal entries to close the year during the course of the audit.

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

December 15, 2011

The following material misstatements detected as a result of audit procedures were corrected by management.

- **Accounts Payable** - In the Major Roads Fund, an adjustment was recorded for expenses incurred before year end.
- **Police and Fire Retirement System** - To adjust the values of alternative investments in the Police and Fire Retirement System, including Newbridge Capital, LLC

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 December 15, 2011.

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 City'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:

- Despite the troubled economy, the City's General Fund fund balance increased approximately \$1,419,000 during the fiscal year ended June 30, 2011; however, this by itself can be misleading. Included in that figure is approximately \$750,000 related to the closing of the workers' compensation internal service fund, which is a nonrecurring item. Also, the majority of the Cable Fund activity was transferred into the General Fund, which added approximately \$694,000 to the fund balance. Without these transactions, the General Fund surplus would have been roughly break-even.

Of the total General Fund fund balance of approximately \$9,835,000, approximately \$7,473,000 is legally restricted for a specific purpose (sanitation, police and fire retirement, cable grant, or public safety 911).

The remaining unassigned fund balance in the General Fund is \$2,262,699, or 4.2 percent of the General Fund's budgeted expenditures for 2011-2012.

With further decreases to the City's taxable value expected for the next several years and the decrease in state-shared revenue, it is imperative that the City do what it can to increase revenue and continue to control or reduce expenditures.

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, 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.

The Water and Sewer Fund's cash position continues to improve; however, there are still outstanding liabilities related to previous projects, including approximately \$1,700,000 payable to the General Fund, a reduction of \$512,000 from 2010. In addition, the accounts receivable balance due from customers continues to grow. As of June 30, this amounts to \$9,800,000 or 46 percent of operating revenue. The growing receivables increase the need for sustaining a cash balance sufficient for paying bills as they come due as well as unforeseen repairs and maintenance. We encourage the City to continue monitoring the water and sewer system and continue making 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, 2011, the City has a fund balance of approximately \$2,674,000 that is restricted for sanitation. This is \$917,000 less than in 2010, as sanitation-related expenditures exceeded revenue for the year. This restricted fund 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 2011-2012 budget projects that another \$1,200,000 of this balance will be used to subsidize sanitation operations during the current year. With the further decrease to the City's taxable value expected and without any changes to the sanitation costs, the remaining restricted fund balance is projected to be used during the 2013-2014 fiscal year. So far, increased revenue related to recycled material has extended this date. Options to mitigate this decrease should include focus on cost reductions and discussion of the millage rate over this special use. The City still has the ability to raise the sanitation millage by 0.4 mills, which would generate an additional \$645,000 at the City's current taxable value.
- As of June 30, 2011, the City has a fund balance of approximately \$4,498,000 that is restricted for the pension and retiree healthcare premiums of the police and fire departments. This is an increase of \$1,907,000 from the prior year. This balance is the cumulative surplus of property taxes raised by the City's dedicated Public Act 345 retirement millage. With the anticipated required increases to the City's contributions to the Police and Fire Retirement System, the City should monitor this surplus going forward and make adjustments to the system as deemed necessary.
- The City administration and City Council have worked well together over the last several years on taking necessary steps to balance the budget. This included strategic planning sessions with all the stakeholders involved. This may be a good time to revisit the strategic planning process. As part of that process, we recommend that the City develop a long-term plan for the assets of the City.

Other Items Noted During the Audit

- In the current year, the City implemented GASB No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The new statement replaced the old classifications of fund balance (designated, reserved, and unreserved) with five new components (nonspendable, restricted, committed, assigned, and unassigned). The City Council should consider the implications of the new classifications and review the City's fund balance.

In addition, GASB No. 54 dictated the City change the financial statement presentation of several funds - Cable TV, Metro Act - Broadband, and E-911. For the purposes of the financial statements, these funds have been consolidated with the General Fund as if the activity has always been recorded in the General Fund. The City had already begun the process of moving cable activity to the General Fund prior to this accounting change. The City may still continue budgeting the activity of Metro Act - Broadband and E-911 as separate funds, but these will no longer appear in the audited financial statements.

To the Honorable Mayor and
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- For many years, the City has been utilizing three different internal service funds for recording costs that are shared by various departments within the City - the Motorpool, Workers' Compensation, and General Liability Funds. The Workers' Compensation Fund was closed during the year ended June 30, 2011. The General Liability Fund will be closed during 2012. During the audit, the water and sewer assets recorded in the Motorpool Fund were transferred to the Water and Sewer Fund, leaving just the machinery and equipment used for governmental activities in the Motorpool Fund. At this point, all relevant activity of the Motorpool Fund could be recorded in the General Fund. The administrative charge assessed to the other applicable funds by the General Fund would then need to be adjusted accordingly so that those other funds pay their fair share of the Motorpool Fund-related expenses.
- For several years, the revenue received from the Metro Act 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. In 2010 and 2011, the required subsidy was more than the revenue available from the Metro Act. In order to avoid a deficit in the Street Lighting Fund, the General Fund has again made a transfer to the Street Lighting Fund. This year's transfer is an additional \$244,682. It has our understanding that the City has approved an increase to the street lighting assessment roll that will be effective for the 2012 fiscal year. We commend the City for taking this action.
- 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 asset 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.
- 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.
- There were a number of employees that were either newly hired or separated from the City during the year. We encourage the City to update the current process to ensure the appropriate actions are taken to adjust the employee's benefits, computer access, etc. in a timely manner upon a new person starting or an existing employee separating from the City.

Section IV - Legislative and Informational Items

Impact of Census Results on State-shared Revenue

The 2010 census data was released on March 22, 2011. Census results indicated an overall decline in population for the state of Michigan of 0.6 percent; however, the City's population declined from 86,483 in 2000 to 83,979 in 2010, or 2.9 percent. For the City of Westland, the impact of this population decline was a retroactive reduction of \$90,441 to revenue sharing in June 2011. Going forward, the City's constitutional revenue sharing should increase or decrease following the rate of inflation.

State Initiatives Impacting Local Units of Government

Governor Snyder has begun his tenure with several significant initiatives, and he is moving his agenda forward at a quick pace. One of these initiatives is to improve the transparency and efficiency of local units - cities, townships, villages, and counties. More specifically, his current local government initiatives include:

- Replace "statutory revenue sharing" with a newly named "Economic Vitality Incentive Program" (EVIP) that will be reduced by approximately 1/3 and require local units to compete for the remaining \$200 million by demonstrating best practices in the following areas:
 - Transparency - Provide more accessible financial information to citizens
 - Service sharing - Consolidation or collaboration with other units of government
 - Employee benefits - Slimmed-down pension and healthcare benefits
- Significantly strengthening the powers of emergency managers
- Changes to Act 312, police and fire arbitration
- Potential changes to the Urban Cooperation Act
- Potential elimination of personal property taxes

Each of these initiatives could have an impact on the City of Westland, Michigan and will be discussed in more detail below.

Accountability and Transparency

In order to "earn" the first 1/3 of the EVIP funding, each qualified local unit was required to produce a "citizen's guide" to its finances and a performance "dashboard" by October 1, 2011. The citizen's guide can be thought of as a simplified view of financial data, much like a Popular Annual Financial Report (PAFR). The performance dashboard shows comparisons of key metrics within your community over time.

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We are happy to report that the City of Westland, Michigan prepared and submitted its transparency tools before the October 1 deadline. These documents are available to view on the City's website.

Service-sharing and Consolidation

In order to "earn" the second 1/3 of the EVIP funding, the State is requiring local units to submit a report that identifies the existing cost-sharing or consolidation arrangements in which they are currently participating, with an estimate of the annual savings realized from these arrangements, as well as a plan for increasing the sharing of services with other governments, or consolidation of services, in the future. This report is due to the State by January 1, 2012. At this time, communities are required to certify that they have plans that they intend to implement, but actual new sharing agreements do not need to be in place by January 1, 2012.

Employee Compensation Best Practices

In order to "earn" the third and final 1/3 of the EVIP funding, the State is requiring local units to submit a written plan for adjusting employee compensation for new, modified, or extended employee contracts entered into after May 1, 2012. Such contracts would be subject to the following criteria:

- a) Placing all new hires in a defined contribution plan or a hybrid retirement plan that caps annual employer contributions at 10 percent of base salary
- b) Where applicable, a 1.5 percent multiplier should be used to determine employee pensions. A 2 percent multiplier should be used for employees who are not eligible for Social Security benefits.
- c) Implementing controls to avoid pension spiking such as using a three-year salary average that does not include more than a total of 240 hours of paid leave and overtime to determine benefit levels
- d) If health care is offered, all new hires must be on an 80/20 employer-to-employee healthcare premium split.

The local unit must certify it has this plan in place by May 1, 2012.

Other Legislative Developments

Employee Healthcare Contributions - Public Act 152

PA 152 of 2011, the "Publicly Funded Health Insurance Contribution Act", was signed into law by the governor in late September 2011. This new law requires all public employers to place hard caps on the amounts they contribute toward healthcare with an option to elect an 80 percent contribution cap rather than a hard cap. There is also an option for the local unit to opt out entirely.

PA 152 would limit annual costs for medical benefit plans to the following:

- \$5,500 for single coverage
- \$11,000 for individual and spousal coverage
- \$15,000 for family coverage

These limits would apply once contracts expire or by January 1, 2012 if there is no contract.

Alternatively, given a majority vote of its governing bodies, a public employer can opt out of the hard cap and into an 80 percent contribution cap. Under this option, public employers would pay no more than 80 percent of the total annual costs for all of the medical benefit plans they offer or contributed to for their employees and elected public officials. This option would require that publically elected officials would have to pay 20 percent or more of the total annual costs of that plan, but the employee's share of the costs could be allocated as the government sees fit.

This act does contain a complete opt-out provision. It would allow communities to opt out of these provisions entirely with a 2/3 vote of the governing body.

Failure to comply with the provisions in this act will result in a 10 percent reduction in each EVIP payment for the period of noncompliance. Opting out by a 2/3 vote of the governing body under the provisions of this act is not considered failure to comply.

The law, which applies to all public employers, will take effect on January 1, 2012. However, any collective bargaining agreement or other contract executed on or after September 15, 2011 would also have to comply.

Emergency Managers - Public Act 4

On March 16, 2011, PA 4, *Local Government and School District Fiscal Accountability Act*, was signed into law. This act repeals Public Act 72 of 1990, the previous *Local Government Fiscal Responsibility Act*. Under the new act, the state treasurer can conduct a preliminary review to determine the existence of a local government financial problem if one or more of 18 different "triggering events" occur. Some of these events are truly a sign of financial stress, such as incurring payless paydays or defaulting on a bond or note payment. Others are more subjective, including a blanket statement that the existence of "other facts or circumstances...as determined by the state treasurer" is sufficient to start the process.

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If a finding of probable financial stress is made, the governor shall appoint a review team. The team would conduct its review and report back to the governor and state treasurer within 60 days of its appointment. Depending on the severity of the findings during the review, the actions then taken could range from none to a declaration of a financial emergency, the local unit would be placed in receivership, and an emergency manager (EM) appointed in place of the existing governing body and chief administrative officer.

For communities that have some of the triggers but seem to have a plan to address them, there is an in-between step whereby a consent agreement is entered into and monitored.

Clearly, this legislation is causing great anxiety in terms of both the uncertainty as to how aggressive the State will be in implementing the legislation as well the broadness of the powers granted to an EM. Any new EMs would have the authority to reject, modify, or terminate the terms of an existing contract or collective bargaining agreement.

This legislation may ultimately change the tenor of future union negotiations, in that it gives the collective bargaining representatives a strong incentive to work with the local unit to avoid receivership by an EM.

Retro-pay Prohibition - Public Act 54 of 2011

Public Act 54 of 2011, which was signed by the governor on June 7, prohibits retroactive pay on an expired contract and calls for employees working under an expired agreement to bear the cost of any increased healthcare costs until a new contract is in effect. During that period, the public employer is authorized to make payroll deductions necessary to pay the increased cost of maintaining those benefits. This act was ordered to take effect immediately.

Senate Bill 34 - Elimination of the Personal Property Tax

On January 19, 2011, SB 34 was introduced. Very simply, this bill, if it becomes law, will amend PA 206 of 1893 and exempt all personal property from the collection of taxes. Altogether, this would reduce revenue for communities across the state by approximately \$770 million. Including the school districts, the lost revenue would be over \$1 billion. This bill does not provide any source of revenue to replace that which is lost.

Obviously, this would be devastating to many communities as personal property taxes are a significant component of a local unit's tax structure. The elimination of the personal property tax was not included in the State's 2012 budget; however, since that time, the topic has received much focus by the Legislature. The City of Westland, Michigan's personal property tax currently brings in approximately \$2,178,000 annually.

Changes to Act 312, Police and Fire Arbitration

Public Act 312 prohibited public police and fire department employees from the right to strike. Whenever contracts are not resolved, the employees or employer may initiate binding arbitration in lieu of striking. The arbitrator's decision is final and binding upon the parties involved.

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The governor called for reforming Act 312 of 1969, the Police and Fire Arbitration Act. In July 2011, Public Act 116 of 2011 was signed into law and contains the following provisions:

- A stronger consideration of a community's ability to pay
- Internal salary and benefit comparisons
- Reducing the timeframe of the process to no more than 180 days

Proposed Amendments to the Urban Cooperation Act and Related Statutes

Various House and Senate bills intend to amend the numerous statutes that govern local unit service sharing. These bills eliminate certain guarantees and provisions of collectively bargained agreements. The problem in trying to form new collaborative ventures is that the existing act includes a clause that prevents the immediate negotiation of new contracts. This stands in the way of even the consideration of mergers by many local units because the new entity is hampered by a multi-layer set of work rules, wages, and benefits which effectively eliminate the economic efficiencies that are the very reason to consolidate. Under the amended act, management and employees should be allowed to immediately begin the collective bargaining process for the new entity and complete this within an appropriate timeframe.

The bills are still a work in progress; however, passage in the fall is expected.