

City of Westland, Michigan

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

**City of Westland, Michigan
Financial Report
June 30, 2009**

MAYOR WILLIAM R. WILD

City Council

James Godbout, President

Cheryl Graunstadt, President Pro Tem

Bill Johnson

Michael Kehrer

Charles W. Pickering

Dewey Reeves

Robert Stottlemeyer

City Administration

Budget Director

Building

CATV/Community Relations

City Assessor

City Clerk

Community Development Programs

Construction Maintenance Superintendent

Controller

Economic Development Director

Deputy Mayor

Finance

Fire Chief

Law

Parks and Recreation

Personnel

Police Chief

Public Service

Planning

Senior Resources Director

Water and Sewer Superintendent

Debra A. Szajko

Roger Shifflett

Craig Welkenbach

James H. Elrod

Eileen DeHart

Joanne Inglis

Brian Harnos

William Gabriel

Lori Fodale

Jade Smith

Steven J. Smith

Michael J. Reddy

Angelo A. Plakas

Robert Kosowski

Keith Madden

James Ridener

Kevin L. Buford

Bruce Thompson

Barbara Marcum

Don Rohraff

City of Westland, Michigan

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Independent Auditor's Report

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

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

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

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

As discussed in Note 17, the City implemented GASB Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, during the year. As a result, the government-wide statements and Enterprise Funds now report the cost of retiree health care as those benefits are earned by the employees. The City has also implemented GASB No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, during the year. Implementing this statement caused an additional liability and expense to be reported in the governmental activities related to the remediation of pollution at one of the City's parks.

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

The management's discussion and analysis, pension system schedule of funding progress, and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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

In accordance with *Government Auditing Standards*, we have issued a report dated November 6, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 6, 2009

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, 2009. Please read it in conjunction with the City's financial statements.

Financial Highlights

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

- State-shared revenues from the State of Michigan, our second largest revenue, declined \$341,781 from the previous fiscal year. This represents the seventh year out of the last eight that the revenues have decreased. Another key revenue source, court revenues, decreased over \$600,000 from the previous fiscal year.
- The total net assets related to the City's governmental activities decreased by approximately \$33.1 million. In addition, fund balances for the governmental funds increased by approximately \$1.5 million during the year. The General Fund unreserved, undesignated fund balance decreased by \$812,000. The most significant difference between the change in fund balances and the decrease in net assets relates to the capitalization and depreciation of capital assets in the government-wide statement of net assets.

Using this Annual Report

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

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

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The City of Westland as a Whole

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

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 20,499,630	\$ 17,571,290	\$ 5,927,801	\$ 5,933,886	\$ 26,427,431	\$ 23,505,176
Noncurrent assets	254,156,160	281,496,733	76,912,610	78,623,629	331,068,770	360,120,362
Total assets	274,655,790	299,068,023	82,840,411	84,557,515	357,496,201	383,625,538
Liabilities						
Current liabilities	9,662,822	8,375,208	2,605,918	3,066,703	12,268,740	11,441,911
Long-term liabilities	23,707,532	16,275,184	4,002,422	3,700,000	27,709,954	19,975,184
Total liabilities	33,370,354	24,650,392	6,608,340	6,766,703	39,978,694	31,417,095
Net Assets						
Invested in capital assets - Net of related debt	243,372,500	269,980,375	72,637,610	73,083,629	316,010,110	343,064,004
Restricted	10,553,881	9,950,103	575,000	960,000	11,128,881	10,910,103
Unrestricted (deficit)	(12,640,945)	(5,512,847)	3,019,461	3,747,183	(9,621,484)	(1,765,664)
Total net assets	<u>\$ 241,285,436</u>	<u>\$ 274,417,631</u>	<u>\$ 76,232,071</u>	<u>\$ 77,790,812</u>	<u>\$ 317,517,507</u>	<u>\$ 352,208,443</u>

The City's combined net assets decreased 9.8 percent from a year ago - decreasing from \$352,208,443 to \$317,517,507. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2009, depreciation expense was approximately \$31,400,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$12,640,945 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees, which will be paid from future revenue sources. This accrual is approximately \$10,200,000.

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	
	2009	2008	2009	2008	2009	2008
Net Assets - Beginning of year	\$ 274,417,631	\$ 301,345,321	\$ 77,790,812	\$ 79,311,242	\$ 352,208,443	\$ 380,656,563
Revenue						
Program revenue:						
Charges for services	19,513,973	19,268,756	17,795,807	17,330,012	37,309,780	36,598,768
Operating grants and contributions	6,080,594	6,578,648	24,749	75,857	6,105,343	6,654,505
Capital grants and contributions	470,847	166,658	176,265	146,163	647,112	312,821
General revenue:						
Property taxes	27,724,257	28,275,580	-	-	27,724,257	28,275,580
State-shared revenue	8,114,487	8,545,568	-	-	8,114,487	8,545,568
Refund of captured property taxes	2,895,693	2,739,237	-	-	2,895,693	2,739,237
Interest	1,372,477	1,207,791	16,398	70,577	1,388,875	1,278,368
Transfers and other revenue	-	(391,432)	-	391,432	-	-
Total revenue	66,172,328	66,390,806	18,013,219	18,014,041	84,185,547	84,404,847
Program Expenses						
General government	16,182,920	13,108,668	-	-	16,182,920	13,108,668
Public safety	39,059,893	35,391,665	-	-	39,059,893	35,391,665
Public works	34,750,705	35,325,287	-	-	34,750,705	35,325,287
Community and economic development	2,462,614	2,396,444	-	-	2,462,614	2,396,444
Cultural and recreation	6,362,066	6,641,166	-	-	6,362,066	6,641,166
Miscellaneous	104,711	63,064	-	-	104,711	63,064
Interest on long-term debt	381,614	392,202	-	-	381,614	392,202
Water and sewer	-	-	19,571,960	19,534,471	19,571,960	19,534,471
Total program expenses	99,304,523	93,318,496	19,571,960	19,534,471	118,876,483	112,852,967
Change in Net Assets	(33,132,195)	(26,927,690)	(1,558,741)	(1,520,430)	(34,690,936)	(28,448,120)
Net Assets - End of year	\$ 241,285,436	\$ 274,417,631	\$ 76,232,071	\$ 77,790,812	\$ 317,517,507	\$ 352,208,443

Governmental Activities

The City's total governmental revenues decreased by approximately \$218,000. The decrease, which represents approximately less than 1 percent, was primarily due to the decrease in property taxes (Drain millage expiring) and the reduction in state-shared revenues.

Expenses increased by approximately \$5,900,000 during the year. The increase was due to the implementation of GASB 45. There was also \$250,000 designated for restoration of Central City Park.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. Usage of the water system declined slightly from usage in the prior year. Effective July 1, 2008, the City Council increased the water rate by 14.4 percent and the existing sewer rate by 4.76 percent to pass on the increases from the City of Detroit and Wayne County. Effective July 1, 2009, the City Council increased water and sewer rates by 10.43 percent and 13.03 percent, respectively.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as major and local road maintenance and debt service. The City's major funds for 2009 include the General Fund, the Major Roads Fund, the Local Roads Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$27.7 million in 2009. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, and the mayor's office), sanitation, and recreation. General Fund expenditures increased by approximately \$210,000. A primary reason for a less than 1 percent increase was through attrition. Positions were not filled as people retired. This was accomplished by reallocating the available workforce into other areas of importance. The City closely monitored all of its spending in all other areas, including capital outlay, conferences and seminars, and any nonessential services.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events that occurred during the year. The most significant change to the original budget in the General Fund was due to the implementation of the recycling program. A budget amendment was also necessary to account for additional police grants that were received during the year. These grants help the police department obtain equipment and training. Another budget amendment was required for the hiring of a Management Information Systems Director for the City's computer system. In the previous year, that service was contracted out. City departments overall stayed below budget, with a few exceptions. The exceptions are the department of law, general government, and motorpool. Despite these exceptions, the City still maintained total expenditures \$3,251,965 below the amended budget.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The General Fund fund balance (reserved and unreserved) increased from \$7,241,832 to \$9,197,017.

As of June 30, 2009, the City had a total of approximately \$330.3 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 six patrol vehicles and one armored tactical vehicle. In addition, the police department was able to purchase new equipment using grant money. The Downtown Development Authority purchased a sizeable play structure for Tatten Park.

Debt service makes up approximately 1.4 percent of the total expenditures of the governmental funds. Bonded debt and other long-term obligations were reduced by approximately \$1.3 million. New obligations and debt were issued in the amount of \$1.65 million.

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

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2010 takes into consideration a continued cautious economic climate. The state-shared revenues will be monitored closely as the state of Michigan continues to see reduced revenue. With the continued slump in the housing market, the state equalized values and taxable values of houses will likely decrease for next year. The impact on the values will affect the budget in a negative way. Building activity has been slowed because of the economic situation. As a result, the City will need to continue to watch the budget very closely and make adjustments as necessary.

As discussed above, the fiscal year ending June 30, 2010 budget anticipates that the water and sewer costs will increase. As a result, the water and sewer rates were raised 10.43 percent and 13.03 percent, respectively, effective July 1, 2009.

Contacting the City's Management

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

City of Westland, Michigan

Statement of Net Assets June 30, 2009

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 10,325,401	\$ 381,289	\$ 10,706,690	\$ 1,694,594
Investments (Note 3)	920,897	-	920,897	252,561
Receivables (Note 4)	5,750,690	7,899,119	13,649,809	373,543
Internal balances	2,590,433	(2,590,433)	-	-
Inventories	10,588	208,840	219,428	-
Prepaid costs and other assets	901,621	28,986	930,607	6,095
Restricted assets (Note 6)	-	575,000	575,000	293,927
Investment in joint ventures (Note 11)	112,964	-	112,964	-
Capital assets - Net (Note 5):				
Not being depreciated	2,340,379	-	2,340,379	-
Depreciable - Net	<u>251,702,817</u>	<u>76,337,610</u>	<u>328,040,427</u>	<u>2,071,637</u>
Total assets	274,655,790	82,840,411	357,496,201	4,692,357
Liabilities				
Accounts payable	2,713,740	1,743,141	4,456,881	94,945
Accrued and other liabilities	2,923,364	365,322	3,288,686	4,406
Deferred revenue (Note 4)	96,956	-	96,956	-
Compensated absences (Note 8):				
Due within one year	2,438,616	197,455	2,636,071	-
Due in more than one year	7,798,126	-	7,798,126	-
Long-term debt (Note 8):				
Due within one year	1,490,146	300,000	1,790,146	625,000
Due in more than one year	9,180,550	3,400,000	12,580,550	-
Net other postemployment benefits liability/ Due in more than one year (Note 17)	<u>6,728,856</u>	<u>602,422</u>	<u>7,331,278</u>	<u>-</u>
Total liabilities	<u>33,370,354</u>	<u>6,608,340</u>	<u>39,978,694</u>	<u>724,351</u>
Net Assets				
Invested in capital assets - Net of related debt	243,372,500	72,637,610	316,010,110	1,815,564
Restricted:				
Road improvements	1,914,670	-	1,914,670	-
Library operations	1,587,982	-	1,587,982	-
Other (Note 13)	7,051,229	575,000	7,626,229	-
Unrestricted	<u>(12,640,945)</u>	<u>3,019,461</u>	<u>(9,621,484)</u>	<u>2,152,442</u>
Total net assets	<u>\$ 241,285,436</u>	<u>\$ 76,232,071</u>	<u>\$ 317,517,507</u>	<u>\$ 3,968,006</u>

City of Westland, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government - Governmental activities:				
General government	\$ 16,182,920	\$ 7,657,870	\$ 6,876	\$ -
Public safety	39,059,893	8,191,080	35,471	139,941
Public works	34,750,705	1,139,013	4,602,749	330,906
Community and economic development	2,462,614	-	1,363,181	-
Cultural and recreation	6,362,066	2,526,010	72,317	-
Miscellaneous	104,711	-	-	-
Interest on long-term debt	381,614	-	-	-
Total primary government - Governmental activities	99,304,523	19,513,973	6,080,594	470,847
Business-type activities - Water and sewer	19,571,960	17,795,807	24,749	176,265
Total primary government	<u>\$ 118,876,483</u>	<u>\$ 37,309,780</u>	<u>\$ 6,105,343</u>	<u>\$ 647,112</u>
Component units	<u>\$ 2,334,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2009

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,518,174)	\$ -	\$ (8,518,174)	\$ -
(30,693,401)	-	(30,693,401)	-
(28,678,037)	-	(28,678,037)	-
(1,099,433)	-	(1,099,433)	-
(3,763,739)	-	(3,763,739)	-
(104,711)	-	(104,711)	-
(381,614)	-	(381,614)	-
(73,239,109)	-	(73,239,109)	-
-	(1,575,139)	(1,575,139)	-
(73,239,109)	(1,575,139)	(74,814,248)	-
-	-	-	(2,334,935)
27,724,257	-	27,724,257	6,642,510
8,114,487	-	8,114,487	-
2,895,693	-	2,895,693	(4,383,828)
1,372,477	16,398	1,388,875	86,432
40,106,914	16,398	40,123,312	2,345,114
(33,132,195)	(1,558,741)	(34,690,936)	10,179
274,417,631	77,790,812	352,208,443	3,957,827
\$ 241,285,436	\$ 76,232,071	\$ 317,517,507	\$ 3,968,006

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2009

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Roads Fund	Local Roads Fund		
Assets					
Cash and cash equivalents (Note 3)	\$ 6,381,221	\$ 902,553	\$ 960,584	\$ 2,046,291	\$ 10,290,649
Investments (Note 3)	-	313,522	-	607,375	920,897
Receivables - Net (Note 4)	725,683	-	274,607	739,314	1,739,604
Prepaid costs and other assets	874,302	14,893	-	12,426	901,621
Due from other funds (Note 7)	3,777,403	-	-	-	3,777,403
Due from other governmental units	3,069,225	608,293	187,888	145,680	4,011,086
Total assets	<u>\$ 14,827,834</u>	<u>\$ 1,839,261</u>	<u>\$ 1,423,079</u>	<u>\$ 3,551,086</u>	<u>\$ 21,641,260</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 2,518,632	\$ 37,571	\$ -	\$ 108,528	\$ 2,664,731
Accrued and other liabilities	608,069	-	-	100,347	708,416
Due to other funds	1,808,781	664,384	645,715	163,979	3,282,859
Deferred revenue (Note 4)	695,335	-	274,607	240,021	1,209,963
Total liabilities	5,630,817	701,955	920,322	612,875	7,865,969
Fund Balances					
Reserved for:					
Retirement system	1,698,000	-	-	-	1,698,000
Sanitation	4,003,000	-	-	-	4,003,000
Other purposes	874,302	14,893	-	127,637	1,016,832
Unreserved - Reported in General Fund:					
Designated for subsequent year's expenditures	1,250,000	-	-	-	1,250,000
Undesignated	1,371,715	-	-	-	1,371,715
Special Revenue Funds:					
Undesignated	-	840,864	401,757	2,552,213	3,794,834
Designated	-	281,549	101,000	245,000	627,549
Debt Service Funds	-	-	-	13,361	13,361
Total fund balances	<u>9,197,017</u>	<u>1,137,306</u>	<u>502,757</u>	<u>2,938,211</u>	<u>13,775,291</u>
Total liabilities and fund balances	<u>\$ 14,827,834</u>	<u>\$ 1,839,261</u>	<u>\$ 1,423,079</u>	<u>\$ 3,551,086</u>	

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	250,590,056
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	1,113,007
Accrued interest on long-term liabilities is not reported in the funds	(86,746)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(20,207,374)
Investments in joint ventures are included as part of governmental activities	112,964
Net pollution remediation liability is not recorded as a liability in the funds	(250,000)
Net other postemployment benefits obligation is not recorded as a liability in the funds	(6,728,856)
Internal Service Funds are included as governmental activities	2,967,094
Net assets of governmental activities	<u>\$ 241,285,436</u>

City of Westland, Michigan

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

	Major Funds				Total Governmental Funds
	General Fund	Major Roads Fund	Local Roads Fund	Other Nonmajor Governmental Funds	
Revenues					
Property taxes	\$ 25,783,246	\$ -	\$ -	\$ 1,921,781	\$ 27,705,027
Licenses and permits	1,341,973	-	-	-	1,341,973
Federal sources	35,471	117,274	-	1,363,181	1,515,926
State sources	8,160,729	3,236,376	1,163,486	56,123	12,616,714
Local sources	1,405,479	-	-	1,256,893	2,662,372
Charges for services	7,050,654	85,722	-	1,366,586	8,502,962
Court fines and fees	4,185,069	-	-	-	4,185,069
Special assessments	-	-	95,824	908,294	1,004,118
Refund of captured property taxes	2,678,403	-	-	217,290	2,895,693
Interest and other	4,965,563	7,946	36	169,296	5,142,841
Total revenues	55,606,587	3,447,318	1,259,346	7,259,444	67,572,695
Expenditures					
General government	11,396,656	-	-	-	11,396,656
Public safety	34,618,047	-	-	151,096	34,769,143
Highways, streets, and drains	-	2,233,431	2,198,636	-	4,432,067
Street lighting	-	-	-	1,101,503	1,101,503
Sanitation	5,207,804	-	-	-	5,207,804
Community and economic development	-	-	-	1,603,161	1,603,161
Cultural and recreation	2,986,707	-	-	3,170,472	6,157,179
Debt service	-	-	-	1,113,175	1,113,175
Motorpool contribution and other	1,255,782	-	-	55,125	1,310,907
Total expenditures	55,464,996	2,233,431	2,198,636	7,194,532	67,091,595
Excess of Revenues Over (Under) Expenditures	141,591	1,213,887	(939,290)	64,912	481,100
Other Financing Sources (Uses)					
Proceeds from issuance of long-term debt	1,054,326	-	-	-	1,054,326
Operating transfers in (Note 7)	1,022,190	-	816,114	1,364,167	3,202,471
Operating transfers out (Note 7)	(262,922)	(1,545,395)	-	(1,394,154)	(3,202,471)
Total other financing sources (uses)	1,813,594	(1,545,395)	816,114	(29,987)	1,054,326
Net Change in Fund Balances	1,955,185	(331,508)	(123,176)	34,925	1,535,426
Fund Balances - July 1, 2008	7,241,832	1,468,814	625,933	2,903,286	12,239,865
Fund Balances - June 30, 2009	\$ 9,197,017	\$ 1,137,306	\$ 502,757	\$ 2,938,211	\$ 13,775,291

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, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ 1,535,426
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	(26,054,000)
Delinquent personal property tax revenues are recorded in the statement of activities when the taxes are assessed; they are not reported in the funds until collected or collectible within 60 days of year end	19,233
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	(25,642)
Proceeds from the issuance of long-term debt are not reported as financing sources on the statement of activities	(1,054,326)
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)	843,630
Change in accrued interest on long-term debt is not recorded in the governmental funds	(5,063)
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(450,156)
Changes to investment in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities	(617,310)
Change in pollution remediation liability not recorded in the governmental funds	(250,000)
Change in other postemployment benefit liability is not recorded in the governmental funds	(6,728,856)
Internal Service Funds are also included as governmental activities	<u>(345,131)</u>
Change in Net Assets of Governmental Activities	<u>\$ (33,132,195)</u>

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2009

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 381,289	\$ 34,752
Receivables - Net	7,899,119	-
Due from other funds (Note 7)	-	2,095,889
Inventories	208,840	10,588
Prepaid costs and other assets	28,986	-
Total current assets	8,518,234	2,141,229
Noncurrent assets:		
Restricted assets (Note 6)	575,000	-
Capital assets - Net (Note 5)	76,337,610	3,453,140
Total noncurrent assets	76,912,610	3,453,140
Total assets	85,430,844	5,594,369
Liabilities		
Current liabilities:		
Accounts payable	1,743,141	49,009
Accrued and other liabilities	210,663	1,878,202
Due to other funds	2,590,433	-
Escrow deposits	154,659	-
Current portion of long-term debt	497,455	377,014
Total current liabilities	5,196,351	2,304,225
Noncurrent liabilities:		
Net other postemployment benefits liability (Note 17)	602,422	-
Long-term debt - Net of current portion	3,400,000	323,050
Total noncurrent liabilities	4,002,422	323,050
Total liabilities	9,198,773	2,627,275
Net Assets		
Investment in capital assets - Net of related debt	72,637,610	2,753,076
Restricted (Note 13)	575,000	-
Unrestricted	3,019,461	214,018
Total net assets	\$ 76,232,071	\$ 2,967,094

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

City of Westland, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2009

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenues		
Water and sewer	\$ 16,149,558	\$ -
Charges for services	646,390	4,063,356
Penalties	893,093	-
Federal sources	24,749	-
State sources	-	-
Rent	36,600	-
Other	70,166	-
	17,820,556	4,063,356
Total operating revenues		
Operating Expenses		
Cost of water	3,859,675	-
Cost of sewage disposal	5,801,004	-
Wages and fringe benefits	3,918,666	460,760
Contracted services	3,109,253	13,010
Operating supplies	345,360	508,566
Repairs and maintenance	161,641	313,375
Insurance, claims, and other	-	2,132,726
Depreciation	1,557,367	929,268
Sundry	89,428	-
Rentals	564,672	20,560
	19,407,066	4,378,265
Total operating expenses		
Operating Loss	(1,586,510)	(314,909)
Nonoperating Revenue (Expenses)		
Investment income	16,398	5,380
Interest expense	(164,894)	(50,727)
Gain on disposal of assets	-	15,125
	(148,496)	(30,222)
Total nonoperating expenses		
Loss - Before capital contributions	(1,735,006)	(345,131)
Capital Contributions	176,265	-
Change in Net Assets	(1,558,741)	(345,131)
Net Assets - July 1, 2008	77,790,812	3,312,225
Net Assets - June 30, 2009	\$ 76,232,071	\$ 2,967,094

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2009

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 17,393,454	\$ -	\$ 17,393,454
Payments to suppliers	(13,684,636)	(857,993)	(14,542,629)
Payments to employees	(3,331,469)	(475,811)	(3,807,280)
Internal activity - Payments from other funds	-	4,066,596	4,066,596
Claims paid	-	(2,132,032)	(2,132,032)
Other payments	254,451	-	254,451
	<u>631,800</u>	<u>600,760</u>	<u>1,232,560</u>
Net cash provided by operating activities	631,800	600,760	1,232,560
Cash Flows from Noncapital Financing Activities -			
Operating transfers and interfund loans	(29,210)	-	(29,210)
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments and fees	176,265	-	176,265
Principal and interest paid on long-term debt	(1,060,712)	(525,115)	(1,585,827)
Purchase of capital assets	(231,348)	(111,700)	(343,048)
Proceeds from sale of assets	-	15,125	15,125
	<u>(1,115,795)</u>	<u>(621,690)</u>	<u>(1,737,485)</u>
Net cash used in capital and related financing activities	(1,115,795)	(621,690)	(1,737,485)
Cash Flows from Investing Activities - Interest received on investments and other assets	<u>16,398</u>	<u>5,380</u>	<u>21,778</u>
Net Decrease in Cash and Cash Equivalents	(496,807)	(15,550)	(512,357)
Cash and Cash Equivalents - July 1, 2008	<u>1,453,096</u>	<u>50,302</u>	<u>1,503,398</u>
Cash and Cash Equivalents - June 30, 2009	<u><u>\$ 956,289</u></u>	<u><u>\$ 34,752</u></u>	<u><u>\$ 991,041</u></u>
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 381,289	\$ 34,752	\$ 416,041
Restricted assets (Note 6)	<u>575,000</u>	<u>-</u>	<u>575,000</u>
Total	<u><u>\$ 956,289</u></u>	<u><u>\$ 34,752</u></u>	<u><u>\$ 991,041</u></u>

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2009

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (1,586,510)	\$ (314,909)	\$ (1,901,419)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	1,557,367	929,268	2,486,635
Changes in assets and liabilities:			
Receivables	(365,753)	-	(365,753)
Due from other governmental units	27,878	-	27,878
Due from other funds	-	87,550	87,550
Inventory	58,838	-	58,838
Other assets	701	-	701
Restricted assets	-	-	-
Accounts payable	138,417	(1,788)	136,629
Accrued and other liabilities	599,038	(86,113)	512,925
Due to other funds	201,824	(13,248)	188,576
Net cash provided by operating activities	\$ 631,800	\$ 600,760	\$ 1,232,560

Noncash Activities - During the year ended June 30, 2009, there were no significant noncash transactions.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2009

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 2,962,755
Investments (Note 3):		
U.S. government securities	10,462,799	-
Corporate bonds	12,566,830	-
Common stock	50,510,505	-
Mutual funds	37,435,725	-
Real estate	5,539,409	-
Other	4,971,841	-
Accrued interest and other assets	282,063	-
Total assets	121,769,172	<u><u>\$ 2,962,755</u></u>
Liabilities		
Accounts payable	622,235	\$ 11,762
Accrued and other liabilities	-	1,691,624
Due to other governmental units	-	1,259,369
Total liabilities	622,235	<u><u>\$ 2,962,755</u></u>
Net Assets - Held in trust for pension benefits and other purposes		<u><u>\$ 121,146,937</u></u>

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2009

	Pension Trust Fund - Police and Fire Retirement
Additions	
Investment income (loss):	
Interest and dividends	\$ 2,826,076
Net decrease in fair value of investments	(32,859,053)
Investment-related expenses	<u>(170,397)</u>
Total investment loss	(30,203,374)
Employer contributions:	
Pension	4,738,178
Medical insurance	2,444,402
Employee contributions and service credits	<u>11,569</u>
Total additions	7,194,149
Deductions	
Benefit payments	7,332,475
Medical premiums	<u>2,444,402</u>
Total deductions	<u>9,776,877</u>
Net Decrease	(32,786,102)
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>153,933,039</u>
End of year	<u><u>\$ 121,146,937</u></u>

City of Westland, Michigan

Component Units Statement of Net Assets June 30, 2009

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
Assets					
Cash and cash equivalents (Note 3)	\$ -	\$ 4,838	\$ 934,697	\$ 755,059	\$ 1,694,594
Investments (Note 3)	-	-	-	252,561	252,561
Accrued interest receivable	-	-	-	373,543	373,543
Prepaid costs and other assets	6,095	-	-	-	6,095
Restricted assets	293,927	-	-	-	293,927
Capital assets - Net (Note 5)	<u>1,724,413</u>	<u>-</u>	<u>-</u>	<u>347,224</u>	<u>2,071,637</u>
Total assets	2,024,435	4,838	934,697	1,728,387	4,692,357
Liabilities					
Accounts payable	1,568	-	85,947	7,430	94,945
Accrued interest	4,406	-	-	-	4,406
Long-term debt - Due within one year (Note 8)	<u>550,000</u>	<u>-</u>	<u>75,000</u>	<u>-</u>	<u>625,000</u>
Total liabilities	<u>555,974</u>	<u>-</u>	<u>160,947</u>	<u>7,430</u>	<u>724,351</u>
Net Assets					
Investment in capital assets - Net of related debt	1,468,340	-	-	347,224	1,815,564
Unrestricted	<u>121</u>	<u>4,838</u>	<u>773,750</u>	<u>1,373,733</u>	<u>2,152,442</u>
Total net assets	<u>\$ 1,468,461</u>	<u>\$ 4,838</u>	<u>\$ 773,750</u>	<u>\$ 1,720,957</u>	<u>\$ 3,968,006</u>

City of Westland, Michigan

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Downtown Development Authority</u>
Governmental Activities				
Downtown Development Authority - Operations	\$ 1,523,918	\$ -	\$ -	\$ (1,523,918)
Economic Development Corporation - Operations	-	-	-	-
Local Development Finance Authority - Operations	239,985	-	-	-
Tax Increment Finance Authority - Operations	<u>571,032</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 2,334,935</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,523,918)</u>
General revenues:				
Property taxes				1,462,721
Property tax refunds				-
Interest and sundry				<u>5,796</u>
Total general revenues				<u>1,468,517</u>
Change in Net Assets				(55,401)
Net Assets - July 1, 2008				<u>1,523,862</u>
Net Assets - June 30, 2009				<u>\$ 1,468,461</u>

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

Net (Expense) Revenue and Changes in Net Assets			
	Local		
Economic Development Corporation	Development Finance Authority	Tax Increment Finance Authority	Total
\$ -	\$ -	\$ -	\$ (1,523,918)
-	-	-	-
-	(239,985)	-	(239,985)
-	-	(571,032)	(571,032)
-	(239,985)	(571,032)	(2,334,935)
-	285,047	4,894,742	6,642,510
-	-	(4,383,828)	(4,383,828)
-	8,521	72,115	86,432
-	293,568	583,029	2,345,114
-	53,583	11,997	10,179
4,838	720,167	1,708,960	3,957,827
\$ 4,838	\$ 773,750	\$ 1,720,957	\$ 3,968,006

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Units

- a. The Local Development Finance Authority and the Tax Increment Finance Authority were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authority's governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

- c. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.
- d. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Brownfield Redevelopment Authority is inactive as of June 30, 2009.

Government-wide and Fund Financial Statements

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The City reports the following major governmental funds:

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major proprietary fund:

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

Additionally, the government reports the following fund types:

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

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

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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 had been recorded as the City believes all receivables will be collected.

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

Note I - Summary of Significant Accounting Policies (Continued)

The 2008 taxable valuation of the City totaled approximately \$2.31 billion, on which ad valorem taxes levied consisted of 6.4834 mills for the City's operating purposes, .9477 mills for operation of the library, 3.3500 mills for the Police and Fire Pension Fund, and 2.0000 mills for sanitation. The ad valorem taxes levied raised approximately \$15.0 million for City operations, approximately \$2.2 million for operation of the library, approximately \$7.7 million for the Police and Fire Pension Fund, and approximately \$4.6 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, Special Revenue Fund, and Debt Service Fund financial statements as taxes receivable or as tax revenue.

Inventories and Prepaid Costs - Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - Stewardship, Compliance, and Accountability

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

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

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

	<u>Revenue</u>	<u>Expenditures</u>
Amounts per operating statement	\$ 55,606,587	\$ 55,464,996
Other financing sources per operating statement	2,076,516	-
Other financing uses per operating statement	-	262,922
Reimbursements from other funds recorded as revenue	<u>3,096,155</u>	<u>3,096,155</u>
Amounts per budget statement	<u>\$ 60,779,258</u>	<u>\$ 58,824,073</u>

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

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2009 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

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

	Budget	Actual
General Fund:		
General - Law	\$ 665,000	\$ 690,101
General government	2,582,650	2,624,975
Motorpool contribution	1,093,286	1,130,782

Note 3 - Deposits and Investments

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

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

Note 3 - Deposits and Investments (Continued)

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, real estate (if the trust fund's assets exceed \$250 million), debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$11,631,711 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 \$1,578,024 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.

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)
U.S. Treasury securities (pension)	\$ 4,062,578	9.71
U.S. agency securities (pension)	6,400,221	22.01
Corporate securities (pension)	12,566,830	16.72

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

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 626,103	4.59

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Comerica J Fund	\$ 2,101,096	AI, PI	S&P, Moody's
Corporate securities (pension)	2,005,657	A	S&P
Corporate securities (pension)	506,345	AA	S&P
Corporate securities (pension)	2,802,127	AAA	S&P
Corporate securities (pension)	437,714	B	S&P
Corporate securities (pension)	840,095	BB	S&P
Corporate securities (pension)	4,930,846	BBB	S&P
Corporate securities (pension)	616,776	CCC	S&P
Corporate securities (pension)	427,270	NR	S&P

Concentration of Credit Risk

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

Note 4 - Receivables

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

	General Fund	Major Roads Funds	Local Roads Funds	Nonmajor and Other Funds	Total Governmental Activities	Business-type Activities	Total Primary Government	Component Units
Receivables:								
Taxes	\$ 695,336	\$ -	\$ -	\$ 119,541	\$ 814,877	\$ 518,296	\$ 1,333,173	\$ -
Intergovernmental	3,069,225	608,293	187,888	145,680	4,011,086	-	4,011,086	-
Special assessments	3,996	-	274,607	-	278,603	-	278,603	-
Customer	-	-	-	-	-	7,379,524	7,379,524	-
Interest and other	26,351	-	-	619,773	646,124	1,299	647,423	373,543
Total receivables	\$ 3,794,908	\$ 608,293	\$ 462,495	\$ 884,994	\$ 5,750,690	\$ 7,899,119	\$ 13,649,809	\$ 373,543

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 4 - Receivables (Continued)

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

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

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

	Revenue Not Available	Revenue Not Earned	Total
General Fund - Personal property tax	\$ 695,335	\$ -	\$ 695,335
Local Roads Fund - Special assessment revenue	274,607	-	274,607
Other nonmajor governmental funds - E-911 wireless revenue	143,065	-	143,065
Other nonmajor governmental funds - Federal grant revenue	-	96,956	96,956
Total	<u>\$ 1,113,007</u>	<u>\$ 96,956</u>	<u>\$ 1,209,963</u>

Note 5 - Capital Assets

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

	Balance July 1, 2008	Additions	Disposals and Adjustments	Balance June 30, 2009	Depreciable Life - Years
Governmental Activities					
Capital assets not being depreciated - Land	\$ 2,340,379	\$ -	\$ -	\$ 2,340,379	-
Capital assets being depreciated:					
Roads and sidewalks	757,623,992	1,001,236	-	758,625,228	20-30
Buildings and improvements	18,046,912	8,696	-	18,055,608	20-40
Other tools and equipment	24,933,700	2,146,823	284,861	26,795,662	2-40
Subtotal	800,604,604	3,156,755	284,861	803,476,498	
Accumulated depreciation:					
Roads and sidewalks	501,227,612	27,391,793	-	528,619,405	
Buildings and improvements	4,397,125	421,564	-	4,818,689	
Other tools and equipment	16,553,787	2,066,661	284,861	18,335,587	
Subtotal	522,178,524	29,880,018	284,861	551,773,681	
Net capital assets being depreciated	278,426,080	(26,723,263)	-	251,702,817	
Net capital assets	\$ 280,766,459	\$ (26,723,263)	\$ -	\$ 254,043,196	
Business-type Activities					
Capital assets being depreciated - Water and sewer distribution systems	\$ 106,062,565	\$ 231,348	\$ -	\$ 106,293,913	5-100
Accumulated depreciation - Water and sewer distribution systems	28,398,936	1,557,367	-	29,956,303	
Net capital assets	\$ 77,663,629	\$ (1,326,019)	\$ -	\$ 76,337,610	
Component Units					
Capital assets not being depreciated - Land	\$ 90,000	\$ -	\$ -	\$ 90,000	-
Capital assets being depreciated:					
DDA Streetscape	1,741,493	250,000	-	1,991,493	20
TIFA Streetscape	-	370,293	-	370,293	20
Accumulated depreciation:					
DDA Streetscape	257,505	99,575	-	357,080	
TIFA Streetscape	-	23,069	-	23,069	
Net capital assets being depreciated	1,483,988	497,649	-	1,981,637	
Net capital assets	\$ 1,573,988	\$ 497,649	\$ -	\$ 2,071,637	

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 780,802
Public safety	469,757
Public works	27,539,825
Recreation and culture	160,366
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>929,268</u>
Total governmental activities	<u>\$ 29,880,018</u>
Business-type activities - Enterprise Fund - Water and Sewer	<u>\$ 1,557,367</u>

Note 6 - Restricted Assets

Restricted assets at June 30, 2009 consist of the following:

Cash and cash equivalents	<u>\$ 575,000</u>
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These assets are restricted for the following purposes:

Bond reserve for 1998 Water and Sewer Revenue Bonds	\$ 397,500
Bond reserve for 2006 Water and Sewer Revenue Bonds	<u>177,500</u>
Total restricted assets	<u>\$ 575,000</u>

Restricted assets in the Downtown Development Authority consist of unspent bond proceeds totaling \$293,927.

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 7 - Interfund Balances and Operating Transfers

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

General Fund:		
Major Roads Fund		\$ 664,384
Local Roads Fund		645,715
Water and Sewer Fund		2,213,712
Other nonmajor governmental funds		<u>163,979</u>
Total General Fund - Interfund receivable		3,687,790
Other proprietary funds:		
General Fund		1,719,168
Water and Sewer Fund		<u>376,721</u>
Total other proprietary funds - Interfund receivable		<u>2,095,889</u>
Total interfund receivable		<u><u>\$ 5,783,679</u></u>

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

The composition of operating transfers is as follows:

Operating Transfer Out	Operating Transfer In	Amount
General Fund	Other governmental funds (1)	\$ 262,922
Major Roads Fund	Local Roads Fund (2)	816,114
	Other governmental funds (1)	<u>729,281</u>
	Total Major Roads Fund	1,545,395
Other governmental funds	General Fund (2)	1,022,190
	Other governmental funds (2)	<u>371,964</u>
	Total other governmental funds	<u>1,394,154</u>
	Total operating transfers	<u><u>\$ 3,202,471</u></u>

(1) Transfer for debt service

(2) Transfer for general operations

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 8 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

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

Long-term obligation activity can be summarized as follows:

	July 1, 2008	Additions	Reductions	June 30, 2009	Due Within One Year
Governmental Activities					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 975,000	\$ -	\$ (225,000)	\$ 750,000	\$ 250,000
1998 Michigan Transportation Fund Bonds	1,800,000	-	(200,000)	1,600,000	250,000
2005 Building Authority Refunding Bonds	3,840,000	-	(110,000)	3,730,000	135,000
2004 Michigan Transportation Fund Bonds	2,700,000	-	(100,000)	2,600,000	150,000
1999 Building Authority Bonds	225,000	-	(100,000)	125,000	125,000
HUD Section 108 loans	140,000	-	(70,000)	70,000	70,000
Compensated absences	9,786,586	450,156	-	10,236,742	2,438,616
Installment purchase agreements:					
Police communications equipment	79,936	-	(38,630)	41,306	41,306
2009 Recycle Containers	-	1,054,326	-	1,054,326	91,826
Other equipment	1,026,148	148,305	(474,389)	700,064	377,014
Total governmental activities	<u>\$ 20,572,670</u>	<u>\$ 1,652,787</u>	<u>\$ (1,318,019)</u>	<u>\$ 20,907,438</u>	<u>\$ 3,928,762</u>
Business-type Activities					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 2,125,000	\$ -	\$ (200,000)	\$ 1,925,000	\$ 200,000
2003 Water and Sewer Revenue Bonds	605,000	-	(605,000)	-	-
2006 Water and Sewer Revenue Bonds	1,850,000	-	(75,000)	1,775,000	100,000
Compensated absences	213,273	-	(15,818)	197,455	197,455
Total business-type activities	<u>\$ 4,793,273</u>	<u>\$ -</u>	<u>\$ (895,818)</u>	<u>\$ 3,897,455</u>	<u>\$ 497,455</u>
Note: The change in compensated absences is the net change to the liability during the year ended June 30, 2009.					
Component Units					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 150,000	\$ -	\$ (75,000)	\$ 75,000	\$ 75,000
2003 Downtown Development Authority Bonds	1,050,000	-	(500,000)	550,000	550,000
Total component units	<u>\$ 1,200,000</u>	<u>\$ -</u>	<u>\$ (575,000)</u>	<u>\$ 625,000</u>	<u>\$ 625,000</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 8 - Long-term Debt (Continued)

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

	Original Principal	Outstanding Debt June 30, 2009	Final Payment Date	Maturity Payment Ranges	Interest Rates
Governmental Activities					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,500,000	\$ 750,000	12/01/2011	\$250,000	4.000%-4.750%
1998 Michigan Transportation Fund Bonds	2,900,000	1,600,000	12/01/2013	\$250,000-\$400,000	4.300%-4.500%
2005 Building Authority Bonds	3,970,000	3,730,000	11/01/2019	\$135,000-\$500,000	3.375%-5.000%
2004 Michigan Transportation Fund Bonds	3,000,000	2,600,000	12/01/2018	\$150,000-\$300,000	3.000%-4.000%
1999 Building Authority Bonds	2,600,000	125,000	11/01/2009	\$125,000	5.000%
Other debt	<u>3,555,837</u>	<u>1,865,696</u>	06/04/2018	\$41,306-\$146,135	3.410%-6.600%
Total governmental activities	\$ 18,525,837	\$ 10,670,696			
Business-type Activities					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 3,225,000	\$ 1,925,000	04/01/2018	\$200,000-\$250,000	4.400%-4.500%
2006 Water and Sewer Revenue Bonds	<u>2,000,000</u>	<u>1,775,000</u>	04/01/2015	\$100,000-\$300,000	3.875%-3.900%
Total business-type activities	\$ 5,225,000	\$ 3,700,000			
Component Units					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 525,000	\$ 75,000	06/01/2010	\$75,000	3.800%
2003 Downtown Development Authority Bonds	<u>2,420,000</u>	<u>550,000</u>	10/01/2009	\$550,000	2.875%
Total component units	\$ 2,945,000	\$ 625,000			

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

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2010	\$ 1,490,146	\$ 445,492	\$ 1,935,638	\$ 300,000	\$ 155,419	\$ 455,419	\$ 625,000	\$ 10,756	\$ 635,756
2011	1,302,609	379,591	1,682,200	475,000	142,744	617,744	-	-	-
2012	1,196,069	321,342	1,517,411	475,000	123,088	598,088	-	-	-
2013	1,109,129	270,869	1,379,998	475,000	103,431	578,431	-	-	-
2014	1,070,840	220,910	1,291,750	475,000	83,775	558,775	-	-	-
2015	752,768	179,733	932,501	475,000	64,050	539,050	-	-	-
2016	810,109	143,991	954,100	525,000	32,625	557,625	-	-	-
2017	842,890	107,773	950,663	250,000	22,500	272,500	-	-	-
2018	851,136	72,264	923,400	250,000	11,250	261,250	-	-	-
2019	745,000	34,900	779,900	-	-	-	-	-	-
2020	500,000	10,000	510,000	-	-	-	-	-	-
Total	\$ 10,670,696	\$ 2,186,865	\$ 12,857,561	\$ 3,700,000	\$ 738,882	\$ 4,438,882	\$ 625,000	\$ 10,756	\$ 635,756

Total interest incurred related to governmental and business-type activities for the year approximated \$437,000 and \$164,000, respectively. Total interest incurred related to component units for the year approximated \$19,000.

Note 8 - Long-term Debt (Continued)

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2009, \$3,425,000 of bonds outstanding are considered defeased.

Future Revenues Pledged for Debt Payments - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal systems. The bonds are payable solely from the net revenues of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$4,450,582. During the current year, the annual debt requirement of \$1,065,275 was paid out of system reserves as the system operated at a loss for the year.

Note 9 - Risk Management

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

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

Note 9 - Risk Management (Continued)

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the General Liability Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Estimated liability - Beginning of year	\$ 1,105,460	\$ 722,599
Estimated claims incurred, including changes in estimates	1,303,808	1,805,756
Claim payments	<u>(1,303,808)</u>	<u>(1,422,895)</u>
Estimated liability - End of year	<u>\$ 1,105,460</u>	<u>\$ 1,105,460</u>

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Workers' Compensation Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Estimated liability - Beginning of year	\$ 787,801	\$ 573,069
Estimated claims incurred, including changes in estimates	757,162	814,090
Claim payments	<u>(828,224)</u>	<u>(599,358)</u>
Estimated liability - End of year	<u>\$ 716,739</u>	<u>\$ 787,801</u>

Note 10 - Defined Benefit Pension Plans

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2008, the date of the most recent actuarial valuation, membership consisted of 170 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 176 current active employees. The plan does not issue a separate financial report.

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

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

Annual Pension Costs - For the year ended June 30, 2009, the City's annual pension cost of \$4,738,178 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		
	2007	2008	2009
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 4,281,154	\$ 5,085,329	\$ 4,738,178
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 10 - Defined Benefit Pension Plans (Continued)

Funded Status and Funding Progress - As of June 30, 2008, the most recent actuarial valuation date, the plan was 103.8 percent funded. The actuarial accrued liability for benefits was \$146,954,153, and the actuarial value of assets was \$152,609,400, resulting in an overfunded actuarial accrued liability of \$5,655,247. The covered payroll (annual payroll for active employees covered by the plan) was \$12,862,009, and the ratio of the overfunded actuarial accrued liability to the covered payroll was 44 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 for benefits.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2007, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5.00 percent per year to 9.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

Reserves - As of June 30, 2009, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 818,954
Reserve for retired benefit payments	74,089,982

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.

Note 10 - Defined Benefit Pension Plans (Continued)

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, 2009, the City's annual pension cost of \$3,744,570 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, 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 29 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2007	2008	2009
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 3,569,964	\$ 3,733,896	\$ 3,744,570
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2006	2007	2008
Actuarial value of assets	\$ 52,375,178	\$ 55,371,148	\$ 56,604,525
Actuarial accrued liability (AAL) (entry)	\$ 89,836,497	\$ 94,315,225	\$ 98,730,066
Unfunded AAL (UAAL)	\$ 37,461,319	\$ 38,944,077	\$ 42,125,541
Funded ratio	58.30%	58.71%	57.33%
Covered payroll	\$ 10,177,100	\$ 10,622,098	\$ 10,257,650
UAAL as a percentage of covered payroll	368%	367%	411%

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission and the Central Wayne County Sanitation Authority with the communities indicated below. The City appoints two members to the Nankin Transit Commission's governing board and one member to the Central Wayne County Sanitation Authority's board, who then approves the annual budget. The City recorded a long-term asset related to the two joint ventures of approximately \$113,000 in the government-wide statement of net assets.

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

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

Note 12 - Contingent Liabilities

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

Environmental Cleanup - The City may have financial exposure in actions to clean up sites of environmental contamination. These sites are not currently owned or controlled by the City. Evaluation of the required cleanup and associated costs is in the process of being determined by the current property owners. The monetary exposure to the City is estimated at \$250,000 recorded on the government-wide statements. This estimate was calculated using an expected cash flow technique.

City of Westland, Michigan

Notes to Financial Statements June 30, 2009

Note 13 - Restricted Net Assets

Net assets have been restricted for the following purposes:

Restricted for	Total Governmental Activities	Total Business-type Activities
Police and Fire Retirement System	\$ 1,698,000	\$ -
Sanitation	4,003,000	-
Street lighting	71,055	-
Public safety - E911	186,532	-
Public safety - Drug forfeiture	317,694	-
County drain debt service	13,361	-
800 MHZ Fund	50,422	-
Public Improvement Fund	27,921	-
Task Force Fund	61,323	-
Restricted Cable Commission projects	590,263	-
Revenue bonds	-	575,000
Metro Act Fund - Right-of-way improvements	31,658	-
Total	\$ 7,051,229	\$ 575,000

Note 14 - Construction Code Fees

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

Building permit revenue	\$ 1,173,626
Direct costs	<u>(1,132,731)</u>
Excess	40,895
Cumulative shortfall - July 1, 2008	<u>(2,396,076)</u>
Cumulative shortfall - June 30, 2009	<u>\$ (2,355,181)</u>

Note 15 - Commitments

The City has entered into several construction and maintenance contracts totaling \$6,088,854. As of June 30, 2009, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 16 - Acquisition of Assets

Upon repayment of all liabilities associated with the Elderly Housing Corporation facility, the assets of the corporation are to revert back to the City. The mortgage was paid off in November 2008. The City must file a petition to initiate the transfer of the building, which has not occurred as of June 30, 2009.

Note 17 - New Accounting Standards

In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions). The new pronouncement causes the government-wide statements and the proprietary funds to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the governmental activities of \$6,728,856 and the business-type activities of \$602,422 in excess of what would have been reported in prior years.

Also in the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The new pronouncement provides guidance for local units of government in recognizing and recording the costs of addressing the current or potential obligations resulting from existing pollution or contamination. This statement was implemented prospectively. Implementing the statement caused an additional liability and expense to be reported in the governmental activities of \$250,000 in excess of what would have been reported in prior years related to the remediation of pollution at one of the City's parks.

Note 18 - 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, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2009. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation’s computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 12,115,852
Amounts contributed - Payments of current premiums	<u>(4,784,574)</u>
Increase in net OPEB obligation	7,331,278
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ 7,331,278</u>

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

Valuation as of June 30, 2008:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	181,861,454
Unfunded AAL (UAAL)	181,861,454
Funded ratio	0%
Annual covered payroll	20,474,568
Ratio of UAAL to covered payroll	888%

Note 18 - Other Postemployment Benefits (Continued)

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

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

In the June 30, 2008 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 5 percent after 11 years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at June 30, 2009 was 30 years.

Note 19 - Upcoming Accounting Pronouncements

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

Note 19 - Upcoming Accounting Pronouncements (Continued)

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

Required Supplemental Information

City of Westland, Michigan

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

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2008	\$ 7,241,832	\$ 7,241,832	\$ 7,241,832	\$ -
Revenues				
Property taxes	25,602,098	25,602,098	25,783,246	181,148
Business licenses and permits	24,200	29,700	29,268	(432)
Nonbusiness licenses and permits	1,252,673	1,247,173	1,312,705	65,532
State-shared revenue	8,528,362	8,528,362	8,151,853	(376,509)
Charges for services	12,011,453	12,006,353	11,235,723	(770,630)
Proceeds from long-term debt	-	1,054,326	1,054,326	-
Miscellaneous	11,923,333	11,854,478	13,212,137	1,357,659
Total revenues	59,342,119	60,322,490	60,779,258	456,768
Appropriations				
Legislative	129,118	128,918	124,481	4,437
District Court	4,346,909	4,083,836	3,761,735	322,101
Executive	612,003	612,003	578,721	33,282
Elections	323,788	323,788	314,682	9,106
City clerk	532,623	532,623	514,930	17,693
Assessment	498,070	478,070	459,063	19,007
Police and Fire Retirement Board	822,000	822,000	530,646	291,354
Law	665,000	665,000	690,101	(25,101)
Personnel	351,758	351,258	326,992	24,266
Board of Review	4,579	4,579	4,418	161
Finance	1,591,844	1,691,844	1,572,365	119,479
City Hall and grounds	195,600	257,611	258,663	(1,052)
General civil service	7,999	3,992	2,129	1,863
Police and fire civil service	30,270	30,270	17,484	12,786
General government	2,652,950	2,582,650	2,624,975	(42,325)
Police	16,149,325	16,221,049	16,090,097	130,952
Fire	11,931,571	11,931,571	11,612,673	318,898
Building	1,179,641	1,179,641	1,132,731	46,910
Joint dispatch	1,342,911	1,579,941	1,490,165	89,776
General maintenance	614,690	614,690	401,511	213,179
Highway maintenance	3,507,148	3,507,148	3,096,155	410,993
Sanitation	4,800,555	5,852,787	5,207,804	644,983
Youth assistance program	225,805	225,805	212,163	13,642
Senior resources	450,287	450,287	421,825	28,462

City of Westland, Michigan

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

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Appropriations (Continued)				
Parks and recreation	\$ 1,612,175	\$ 1,624,374	\$ 1,611,546	\$ 12,828
Golf course	415,858	415,858	377,843	38,015
Parks and Recreation Advisory Council	5,040	5,040	3,780	1,260
Ice arena	389,273	389,273	340,175	49,098
Housing	528,393	528,393	515,437	12,956
Economic development	268,142	265,098	249,953	15,145
Historical Commission	20,000	19,950	12,487	7,463
Economic Development Corporation	-	2,794	1,845	949
Planning	260,167	259,917	240,384	19,533
Planning Commission	9,200	8,250	5,682	2,568
Zoning Board of Appeals	10,051	9,451	5,815	3,636
Community development programs	436,856	477,000	410,266	66,734
Commission on Aging	7,920	7,920	6,888	1,032
Insurance and bonds	2,450,000	2,450,000	2,076,759	373,241
Motorpool contribution	1,218,286	1,218,286	1,255,782	(37,496)
Operating transfers out	-	263,073	262,922	151
 Total appropriations	 <u>60,597,805</u>	 <u>62,076,038</u>	 <u>58,824,073</u>	 <u>3,251,965</u>
 Fund Balance - June 30, 2009	 <u>\$ 5,986,146</u>	 <u>\$ 5,488,284</u>	 <u>\$ 9,197,017</u>	 <u>\$ 3,708,733</u>

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2008	\$ 1,468,814	\$ 1,468,814	\$ 1,468,814	\$ -
Sources				
State sources	3,383,192	3,383,192	3,236,376	(146,816)
Federal sources	-	-	117,274	117,274
Charges for services	85,837	85,837	85,722	(115)
Interest income	35,000	35,000	7,946	(27,054)
Total sources	4,972,843	4,972,843	4,916,132	(56,711)
Uses				
Professional services	20,000	20,000	15,470	4,530
Maintenance	600,000	600,000	838,719	(238,719)
Traffic	75,000	75,000	84,072	(9,072)
Snow removal	250,000	250,000	315,083	(65,083)
Administration	340,000	340,000	323,638	16,362
Construction	500,000	857,133	656,449	200,684
Transfers to other funds	1,998,055	1,998,055	1,545,395	452,660
Total uses	3,783,055	4,140,188	3,778,826	361,362
Fund Balance - June 30, 2009	<u>\$ 1,189,788</u>	<u>\$ 832,655</u>	<u>\$ 1,137,306</u>	<u>\$ 304,651</u>

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

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2009

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2008	\$ 625,933	\$ 625,933	\$ 625,933	\$ -
Sources				
State sources	1,209,000	1,209,000	1,163,486	(45,514)
Special assessments	60,000	60,000	95,824	35,824
Interest income	2,500	2,500	36	(2,464)
Transfers from other funds	1,268,697	1,268,697	816,114	(452,583)
Total sources	3,166,130	3,166,130	2,701,393	(464,737)
Uses				
Professional services	12,000	12,000	11,545	455
Maintenance	1,800,000	1,800,000	1,463,679	336,321
Traffic	135,000	135,000	197,556	(62,556)
Snow removal	230,000	230,000	205,191	24,809
Administration	150,000	150,000	116,349	33,651
Construction	300,000	486,965	204,316	282,649
Total uses	2,627,000	2,813,965	2,198,636	615,329
Fund Balance - June 30, 2009	\$ 539,130	\$ 352,165	\$ 502,757	\$ 150,592

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

City of Westland, Michigan

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded/ Underfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	AAL (UAAL) as a Percentage of Covered Payroll
06/30/03	\$ 123,700	\$ 116,300	\$ (7,400)	106.4	\$ 11,300	(65.5)
06/30/04	123,800	121,700	(2,100)	101.7	11,400	(18.4)
06/30/05	125,200	126,400	1,200	99.1	11,300	10.6
06/30/06	128,700	134,600	5,900	95.6	12,600	46.8
06/30/07	140,800	141,200	400	99.7	12,700	3.1
06/30/08	152,600	147,000	(5,600)	103.8	12,900	(43.4)

Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/04	06/30/03	\$ 2,367,997	100
06/30/05	06/30/04	3,287,050	100
06/30/06	06/30/05	4,069,216	100
06/30/07	06/30/06	4,281,154	100
06/30/08	06/30/07	5,085,329	100
06/30/09	06/30/08	4,738,178	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, 2008, 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	5-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 6 years of retirement

Other Supplemental Information

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
General Government				
Legislative	\$ 97,286	\$ 96,688	\$ 4,582	\$ 3,186
City Clerk	518,708	500,513	7,715	9,214
Executive	592,328	561,232	8,475	5,061
Elections	141,027	131,825	22,097	25,875
Assessment	467,115	450,330	4,475	3,643
General - Law	-	-	-	-
General - Civil service	3,992	2,129	-	-
Police and fire civil service	2,920	2,800	-	-
Finance	1,405,299	1,297,373	52,000	47,137
Board of Review	4,579	4,418	-	-
City Hall and grounds	-	-	20,500	19,591
General government	2,282,500	2,364,947	88,000	30,825
General maintenance	207,790	204,664	1,450	1,399
Planning	251,789	236,108	2,740	1,117
Planning Commission	8,100	5,616	150	66
Zoning Board of Appeals	9,325	5,787	126	28
Economic development	263,798	249,093	1,300	860
Community development programs	397,406	353,954	8,700	6,048
Housing development	528,393	515,437	-	-
Insurance and bonds	75,000	43,921	-	-
Personnel	338,468	320,786	5,340	1,162
Total general government	7,595,823	7,347,621	227,650	155,212
Public Safety				
District Court	3,460,036	3,165,395	116,000	108,672
Police	14,856,730	14,951,675	59,220	58,789
Fire	11,404,567	11,139,677	132,429	119,628
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,329,151	1,242,883	4,000	495
Building	1,045,186	995,590	9,320	7,390
Total public safety	32,095,670	31,495,220	320,969	294,974
Highways and Streets	2,541,978	2,219,166	330,800	311,529

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

**Other Supplemental Information
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2009**

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 27,050	\$ 24,607	\$ -	\$ -	\$ -	\$ -	\$ 128,918	\$ 124,481
6,200	5,203	-	-	-	-	532,623	514,930
11,200	12,428	-	-	-	-	612,003	578,721
160,664	156,982	-	-	-	-	323,788	314,682
6,480	5,090	-	-	-	-	478,070	459,063
665,000	690,101	-	-	-	-	665,000	690,101
-	-	-	-	-	-	3,992	2,129
27,350	14,684	-	-	-	-	30,270	17,484
234,545	227,855	-	-	-	-	1,691,844	1,572,365
-	-	-	-	-	-	4,579	4,418
237,111	239,072	-	-	-	-	257,611	258,663
212,150	229,203	-	-	-	-	2,582,650	2,624,975
405,450	195,448	-	-	-	-	614,690	401,511
5,388	3,159	-	-	-	-	259,917	240,384
-	-	-	-	-	-	8,250	5,682
-	-	-	-	-	-	9,451	5,815
2,794	1,845	-	-	-	-	267,892	251,798
70,894	50,264	-	-	-	-	477,000	410,266
-	-	-	-	-	-	528,393	515,437
2,375,000	2,032,838	-	-	-	-	2,450,000	2,076,759
7,450	5,044	-	-	-	-	351,258	326,992
4,454,726	3,893,823	-	-	-	-	12,278,199	11,396,656
507,800	487,668	-	-	-	-	4,083,836	3,761,735
1,183,403	971,483	77,531	63,986	44,165	44,164	16,221,049	16,090,097
394,575	353,368	-	-	-	-	11,931,571	11,612,673
822,000	530,646	-	-	-	-	822,000	530,646
-	-	246,790	246,787	-	-	1,579,941	1,490,165
125,135	129,751	-	-	-	-	1,179,641	1,132,731
3,032,913	2,472,916	324,321	310,773	44,165	44,164	35,818,038	34,618,047
634,370	565,460	-	-	-	-	3,507,148	3,096,155

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
Building Authority Debt - Tower - Operating transfer	\$ -	\$ -	\$ -	\$ -
Sanitation	207,437	184,651	28,900	19,596
Cultural and Recreation				
Youth assistance	-	-	2,000	1,236
Senior resource department	317,704	305,025	12,280	13,447
Parks and recreation	1,273,730	1,248,601	91,000	90,851
Golf course	-	-	66,600	41,839
Parks and Recreation Advisory Council	5,040	3,780	-	-
Historical committee	5,940	4,842	500	711
Ice arena	-	-	56,533	25,118
Commission on Aging	7,920	6,888	-	-
Total cultural and recreation	1,610,334	1,569,136	228,913	173,202
Sundry - Motorpool contribution	1,218,286	1,255,782	-	-
Total expenditures and other operating transfers	<u>\$ 45,269,528</u>	<u>\$ 44,071,576</u>	<u>\$ 1,137,232</u>	<u>\$ 954,513</u>

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

Other Supplemental Information
Schedule of Expenditures - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2009

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 263,073	\$ 262,922	\$ 263,073	\$ 262,922
4,407,250	3,793,239	1,209,200	1,210,318	-	-	5,852,787	5,207,804
223,805	210,927	-	-	-	-	225,805	212,163
120,303	103,353	-	-	-	-	450,287	421,825
246,445	258,895	13,199	13,199	-	-	1,624,374	1,611,546
349,258	336,004	-	-	-	-	415,858	377,843
-	-	-	-	-	-	5,040	3,780
13,510	6,934	-	-	-	-	19,950	12,487
332,740	315,057	-	-	-	-	389,273	340,175
-	-	-	-	-	-	7,920	6,888
1,286,061	1,231,170	13,199	13,199	-	-	3,138,507	2,986,707
-	-	-	-	-	-	1,218,286	1,255,782
\$ 13,815,320	\$ 11,956,608	\$ 1,546,720	\$ 1,534,290	\$ 307,238	\$ 307,086	\$ 62,076,038	\$ 58,824,073

City of Westland, Michigan

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

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Assets			
Cash and cash equivalents	\$ 2,044,806	\$ 1,485	\$ 2,046,291
Investments	607,375	-	607,375
Receivables - Net	693,753	45,561	739,314
Prepaid expense	12,426	-	12,426
Due from other governmental units	<u>145,680</u>	<u>-</u>	<u>145,680</u>
Total assets	<u>\$ 3,504,040</u>	<u>\$ 47,046</u>	<u>\$ 3,551,086</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 108,528	\$ -	\$ 108,528
Accrued and other liabilities	100,347	-	100,347
Due to other funds	130,294	33,685	163,979
Deferred revenue	<u>240,021</u>	<u>-</u>	<u>240,021</u>
Total liabilities	579,190	33,685	612,875
Fund Balances			
Reserved for cable grant	127,637	-	127,637
Unreserved:			
Designated for next year's expenditures	245,000	-	245,000
Undesignated	<u>2,552,213</u>	<u>13,361</u>	<u>2,565,574</u>
Total fund balances	<u>2,924,850</u>	<u>13,361</u>	<u>2,938,211</u>
Total liabilities and fund balances	<u>\$ 3,504,040</u>	<u>\$ 47,046</u>	<u>\$ 3,551,086</u>

City of Westland, Michigan

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

	Special Revenue Funds	Debt Service Funds	Total Nonmajor Governmental Funds
Revenues			
Property taxes	\$ 1,921,635	\$ 146	\$ 1,921,781
Federal sources	1,363,181	-	1,363,181
State sources	56,123	-	56,123
Local sources	1,256,893	-	1,256,893
Charges for services	1,366,586	-	1,366,586
Special assessments	908,294	-	908,294
Refund of captured property taxes	217,290	-	217,290
Interest and other	134,296	-	134,296
Total revenues	<u>7,224,298</u>	<u>146</u>	<u>7,224,444</u>
Expenditures			
Public safety	151,096	-	151,096
Street lighting	1,101,503	-	1,101,503
Community and economic development	1,386,257	-	1,386,257
Cultural and recreation	3,170,472	-	3,170,472
Contracted services	216,904	-	216,904
Debt service	-	1,113,175	1,113,175
Sundry	20,125	-	20,125
Total expenditures	<u>6,046,357</u>	<u>1,113,175</u>	<u>7,159,532</u>
Excess of Revenues Over (Under) Expenditures	1,177,941	(1,113,029)	64,912
Other Financing Sources (Uses)			
Operating transfers in	250,992	1,113,175	1,364,167
Operating transfers out	(1,394,154)	-	(1,394,154)
Total other financing sources (uses)	<u>(1,143,162)</u>	<u>1,113,175</u>	<u>(29,987)</u>
Net Change in Fund Balances	34,779	146	34,925
Fund Balances - July 1, 2008	<u>2,890,071</u>	<u>13,215</u>	<u>2,903,286</u>
Fund Balances - June 30, 2009	<u>\$ 2,924,850</u>	<u>\$ 13,361</u>	<u>\$ 2,938,211</u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Assets					
Cash and cash equivalents	\$ 120,159	\$ 160,618	\$ 253,469	\$ 27,921	\$ 334,782
Investments	-	-	100,000	-	-
Receivables - Net	-	-	368,316	-	-
Prepaid expense	-	-	-	-	-
Due from other governmental units	47,015	-	-	-	-
Total assets	<u>\$ 167,174</u>	<u>\$ 160,618</u>	<u>\$ 721,785</u>	<u>\$ 27,921</u>	<u>\$ 334,782</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 46,287	\$ -	\$ 29,889	\$ -	\$ 17,088
Accrued and other liabilities	-	-	100,347	-	-
Due to other funds	23,931	89,563	1,286	-	-
Deferred revenue	96,956	-	-	-	-
Total liabilities	167,174	89,563	131,522	-	17,088
Fund Balances					
Reserved for cable grant	-	-	127,637	-	-
Unreserved - Designated for next year's expenditures	-	24,000	-	20,000	98,000
Unreserved - Undesignated	-	47,055	462,626	7,921	219,694
Total fund balances	-	71,055	590,263	27,921	317,694
Total liabilities and fund balances	<u>\$ 167,174</u>	<u>\$ 160,618</u>	<u>\$ 721,785</u>	<u>\$ 27,921</u>	<u>\$ 334,782</u>

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

Library	Task Force	E-911	800 MHZ	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 926,514	\$ 61,123	\$ 78,140	\$ 50,422	\$ 31,658	\$ 2,044,806
507,375	-	-	-	-	607,375
73,980	-	251,457	-	-	693,753
11,958	468	-	-	-	12,426
98,665	-	-	-	-	145,680
<u>\$ 1,618,492</u>	<u>\$ 61,591</u>	<u>\$ 329,597</u>	<u>\$ 50,422</u>	<u>\$ 31,658</u>	<u>\$ 3,504,040</u>
\$ 14,996	\$ 268	\$ -	\$ -	\$ -	\$ 108,528
-	-	-	-	-	100,347
15,514	-	-	-	-	130,294
-	-	143,065	-	-	240,021
30,510	268	143,065	-	-	579,190
-	-	-	-	-	127,637
-	29,500	47,500	-	26,000	245,000
<u>1,587,982</u>	<u>31,823</u>	<u>139,032</u>	<u>50,422</u>	<u>5,658</u>	<u>2,552,213</u>
<u>1,587,982</u>	<u>61,323</u>	<u>186,532</u>	<u>50,422</u>	<u>31,658</u>	<u>2,924,850</u>
<u>\$ 1,618,492</u>	<u>\$ 61,591</u>	<u>\$ 329,597</u>	<u>\$ 50,422</u>	<u>\$ 31,658</u>	<u>\$ 3,504,040</u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	1,363,181	-	-	-	-
State sources	-	-	-	-	-
Local sources	-	-	-	-	366,230
Charges for services	-	-	1,366,586	-	-
Special assessments	-	908,294	-	-	-
Refund of captured property taxes	-	-	-	-	-
Interest and other	23,076	681	8,112	260	1,764
Total revenues	1,386,257	908,975	1,374,698	260	367,994
Expenditures					
Public safety	-	-	-	-	148,111
Street lighting	-	1,101,503	-	-	-
Community and economic development	1,386,257	-	-	-	-
Cultural and recreation	-	-	1,056,653	-	-
Contracted services	-	-	-	-	-
Sundry	-	-	-	6,412	-
Total expenditures	1,386,257	1,101,503	1,056,653	6,412	148,111
Excess of Revenues Over (Under)					
Expenditures	-	(192,528)	318,045	(6,152)	219,883
Other Financing Sources (Uses)					
Operating transfers in	-	210,000	-	-	-
Operating transfers out	-	-	(157,377)	-	(175,000)
Total other financing sources (uses)	-	210,000	(157,377)	-	(175,000)
Net Change in Fund Balances	-	17,472	160,668	(6,152)	44,883
Fund Balances - July 1, 2008	-	53,583	429,595	34,073	272,811
Fund Balances - June 30, 2009	\$ -	\$ 71,055	\$ 590,263	\$ 27,921	\$ 317,694

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

	Library	Task Force	E-911	800 MHZ	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$	1,921,635	\$ -	\$ -	\$ -	\$ -	\$ 1,921,635
	-	-	-	-	-	1,363,181
	56,123	-	-	-	-	56,123
	183,097	11,979	360,211	117,165	218,211	1,256,893
	-	-	-	-	-	1,366,586
	-	-	-	-	-	908,294
	217,290	-	-	-	-	217,290
	21,974	497	1,621	76,311	-	134,296
	<u>2,400,119</u>	<u>12,476</u>	<u>361,832</u>	<u>193,476</u>	<u>218,211</u>	<u>7,224,298</u>
	-	-	2,985	-	-	151,096
	-	-	-	-	-	1,101,503
	-	-	-	-	-	1,386,257
	2,113,819	-	-	-	-	3,170,472
	-	-	-	214,504	2,400	216,904
	-	13,713	-	-	-	20,125
	<u>2,113,819</u>	<u>13,713</u>	<u>2,985</u>	<u>214,504</u>	<u>2,400</u>	<u>6,046,357</u>
	286,300	(1,237)	358,847	(21,028)	215,811	1,177,941
	-	-	-	40,992	-	250,992
	(200,000)	-	(522,552)	(4,000)	(335,225)	(1,394,154)
	<u>(200,000)</u>	<u>-</u>	<u>(522,552)</u>	<u>36,992</u>	<u>(335,225)</u>	<u>(1,143,162)</u>
	86,300	(1,237)	(163,705)	15,964	(119,414)	34,779
	<u>1,501,682</u>	<u>62,560</u>	<u>350,237</u>	<u>34,458</u>	<u>151,072</u>	<u>2,890,071</u>
\$	<u>1,587,982</u>	<u>61,323</u>	<u>186,532</u>	<u>50,422</u>	<u>31,658</u>	<u>2,924,850</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2009

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	County Drain Debt	Building Authority - Court Expansion	Total Nonmajor Debt Service Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 1,485	\$ -	\$ 1,485
Receivables - Net	-	-	45,561	-	45,561
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,046</u>	<u>\$ -</u>	<u>\$ 47,046</u>
Liabilities and Fund Balances					
Liabilities - Due to other funds	\$ -	\$ -	\$ 33,685	\$ -	\$ 33,685
Fund Balances - Unreserved - Undesignated	-	-	13,361	-	13,361
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,046</u>	<u>\$ -</u>	<u>\$ 47,046</u>

City of Westland, Michigan

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

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	County Drain Debt	Building Authority Debt - Court Expansion	Total Nonmajor Debt Service Funds
Revenues - Property taxes	\$ -	\$ -	\$ 146	\$ -	\$ 146
Expenditures - Debt service	<u>729,281</u>	<u>274,869</u>	<u>-</u>	<u>109,025</u>	<u>1,113,175</u>
Excess of Revenues Over (Under) Expenditures	(729,281)	(274,869)	146	(109,025)	(1,113,029)
Other Financing Sources - Operating transfers in	<u>729,281</u>	<u>274,869</u>	<u>-</u>	<u>109,025</u>	<u>1,113,175</u>
Net Change in Fund Balances	-	-	146	-	146
Fund Balances - July 1, 2008	<u>-</u>	<u>-</u>	<u>13,215</u>	<u>-</u>	<u>13,215</u>
Fund Balances - June 30, 2009	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,361</u>	<u>\$ -</u>	<u>\$ 13,361</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2009

	Motorpool	Self-insurance		Total
		Workers' Compensation	General Liability	
Assets				
Current assets:				
Cash and cash equivalents	\$ 34,752	\$ -	\$ -	\$ 34,752
Due from other funds	88,690	716,739	1,290,460	2,095,889
Inventory	10,588	-	-	10,588
Prepaid costs and other assets	-	-	24,299	24,299
Total current assets	134,030	716,739	1,314,759	2,165,528
Equipment	3,453,140	-	-	3,453,140
Total assets	3,587,170	716,739	1,314,759	5,618,668
Liabilities				
Current liabilities:				
Accounts payable	73,308	-	-	73,308
Accrued liabilities	56,003	716,739	1,105,460	1,878,202
Current portion of long-term debt	377,014	-	-	377,014
Total current liabilities	506,325	716,739	1,105,460	2,328,524
Long-term debt	323,050	-	-	323,050
Total liabilities	829,375	716,739	1,105,460	2,651,574
Net Assets				
Invested in capital assets - Net of related debt	2,753,076	-	-	2,753,076
Unrestricted	4,719	-	209,299	214,018
Total net assets	\$ 2,757,795	\$ -	\$ 209,299	\$ 2,967,094

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2009

	Motorpool	Self-insurance		Total
		Workers' Compensation	General Liability	
Operating Revenues - Charges to other funds	\$ 1,927,177	\$ 833,774	\$ 1,302,405	\$ 4,063,356
Operating Expenses				
Wages and fringe benefits	460,760	-	-	460,760
Contracted services	7,460	5,550	-	13,010
Operating supplies	508,566	-	-	508,566
Repairs and maintenance	313,375	-	-	313,375
Insurance, claims, and other	694	828,224	1,303,808	2,132,726
Depreciation	929,268	-	-	929,268
Rent	20,560	-	-	20,560
Total operating expenses	<u>2,240,683</u>	<u>833,774</u>	<u>1,303,808</u>	<u>4,378,265</u>
Operating Loss	(313,506)	-	(1,403)	(314,909)
Nonoperating Revenue (Expense)				
Investment income	-	-	5,380	5,380
Interest expense	(50,727)	-	-	(50,727)
Gain on disposal of assets	15,125	-	-	15,125
Total nonoperating revenue (expense)	<u>(35,602)</u>	<u>-</u>	<u>5,380</u>	<u>(30,222)</u>
Change in Net Assets	(349,108)	-	3,977	(345,131)
Net Assets - July 1, 2008	<u>3,106,903</u>	<u>-</u>	<u>205,322</u>	<u>3,312,225</u>
Net Assets - June 30, 2009	<u>\$ 2,757,795</u>	<u>\$ -</u>	<u>\$ 209,299</u>	<u>\$ 2,967,094</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2009

	Self-insurance			Total
	Motorpool	Workers' Compensation	General Liability	
Cash Flows from Operating Activities				
Payments to suppliers	\$ (843,288)	\$ (5,178)	\$ (9,527)	\$ (857,993)
Payments to employees	(475,811)	-	-	(475,811)
Internal activity - Payments from other funds	1,925,239	833,402	1,307,955	4,066,596
Claims paid	-	(828,224)	(1,303,808)	(2,132,032)
Net cash provided by (used in) operating activities	606,140	-	(5,380)	600,760
Cash Flows from Capital and Related Financing Activities				
Principal and interest paid on long-term debt	(525,115)	-	-	(525,115)
Purchase of capital assets	(111,700)	-	-	(111,700)
Proceeds from sale of assets	15,125	-	-	15,125
Net cash used in capital and related financing activities	(621,690)	-	-	(621,690)
Cash Flows from Investing Activities - Interest received on investments and other assets	-	-	5,380	5,380
Net Decrease in Cash and Cash Equivalents	(15,550)	-	-	(15,550)
Cash and Cash Equivalents - July 1, 2008	50,302	-	-	50,302
Cash and Cash Equivalents - June 30, 2009	<u>\$ 34,752</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 34,752</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities				
Operating loss	\$ (313,506)	\$ -	\$ (1,403)	\$ (314,909)
Adjustments to reconcile operating loss to net cash from operating activities:				
Depreciation	929,268	-	-	929,268
Changes in assets and liabilities:				
Due from other funds	11,310	70,690	5,550	87,550
Accounts payable	7,367	372	(9,527)	(1,788)
Accrued liabilities	(15,051)	(71,062)	-	(86,113)
Due to other funds	(13,248)	-	-	(13,248)
Net cash provided by (used in) operating activities	<u>\$ 606,140</u>	<u>\$ -</u>	<u>\$ (5,380)</u>	<u>\$ 600,760</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2009

	Trust and Agency	Undistributed Tax Collection	District Court	Total
Assets - Cash and cash equivalents	<u>\$ 1,490,348</u>	<u>\$ 1,160,080</u>	<u>\$ 312,327</u>	<u>\$ 2,962,755</u>
Liabilities				
Accounts payable	\$ -	\$ 11,762	\$ -	\$ 11,762
Accrued and other liabilities	1,490,348	-	201,276	1,691,624
Due to other governmental units	-	1,148,318	111,051	1,259,369
Total liabilities	<u>\$ 1,490,348</u>	<u>\$ 1,160,080</u>	<u>\$ 312,327</u>	<u>\$ 2,962,755</u>

City of Westland, Michigan

**Federal Awards
Supplemental Information
June 30, 2009**

City of Westland, Michigan

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Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, the 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, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2009. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 6, 2009

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 6, 2009. 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.

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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency and another we consider to be a material weakness.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the control deficiency described in the accompanying schedule of findings and questioned costs as item 2009-2 to be a significant deficiency in internal control over financial reporting.

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2009-1 to be a material weakness.

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 management of the City of Westland, Michigan in a separate letter dated November 6, 2009.

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

November 6, 2009

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

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

Compliance

We have audited the compliance of 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 are applicable to each of its major federal programs for the year ended June 30, 2009. 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 requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-3, 2009-4, and 2009-5.

To the Honorable Mayor and
Members of 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as 2009-3, 2009-4, and 2009-5 to be significant deficiencies.

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

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

November 6, 2009

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
Community Development Block Grant - Program year 2009 - B-08-MC-26-0017	14.218	N/A	\$ 1,039,896
Neighborhood Stabilization Program - Program year 2009 - B-08-MN-26-0016	14.218	N/A	7,677
Section 108 loan balance outstanding as of June 30, 2009 - Program year 1999 - B-99-MC-26-0017	14.248	N/A	70,000
Home Investment Partnership Program - Program year 2009 - B-09-MC-26-0017	14.239	N/A	303,684
Dollar Home Sales - Program year 2009	14.313	N/A	<u>264,310</u>
Total U.S. Department of Housing and Urban Development			1,685,567
U.S. Environmental Protection Agency - River Rouge Wet Weather Demonstration Project - Round VII-B Grant Program - Implement Manhole Rehabilitation and Continue Public Education in the City of Westland - Passed through Wayne County, Michigan	66.606	N/A	19,749
U.S. Department of Transportation - Office of Highway Safety Programs:			
Highway Planning and Construction	20.205	08-5047	117,274
Highway Safety Cluster:			
"Click it or Ticket" Seat Belt/Alcohol Enforcement	20.600	PT-08-05	40,168
Youth Alcohol Enforcement Grant	20.601	AL-07-42	6,125
Safety Belt Performance Grants	20.609	JJ-08-03	<u>23,408</u>
Subtotal Highway Safety Cluster			<u>69,701</u>
Total Office of Highway Safety Programs			186,975
U.S. Department of Justice:			
JAG Grant 2007 - Passed through Wayne County, Michigan	16.738	82025 1	23,881
Bulletproof Vest Program	16.607	N/A	35,880
Enforcing Underage Drinking Laws Program	16.727	JJ-09-04	31,874
Public Safety Partnership and Community Policing - On behalf of Wayne-Westland Community Schools	16.710	2007CKWX0137	<u>245,602</u>
Total U.S. Department of Justice			337,237
U.S. Department of Agriculture - Food Distribution	10.550	ERP-337.20	<u>33,559</u>
Total federal awards			<u>\$ 2,263,087</u>

City of Westland, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Revenue from federal sources - As reported on financial statements	\$ 1,540,675
Federal revenue not reported in the financial statements:	
Section 108 loans not recorded as revenue in the basic financial statements	70,000
Noncash grants received - Revenue not recorded in the basic financial statements	33,559
Federal expenditures not received within the current period	300,974
Federal revenue reported as elsewhere in the financial statements	53,569
Add Dollar Home appraisal value	<u>264,310</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 2,263,087</u>

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 1 - Significant Accounting Policies

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

Note 2 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 218,983
Home Investment Partnership Program	14.239	94,318
Public Safety Partnership and Community Policing	16.710	245,602

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, 2009 which is included on the schedule of expenditures of federal awards:

Federal Program Title	CFDA Number	Description	Amount
U.S. Department of Agriculture	10.550	Food Distribution	\$ 33,559

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2009

Note 4 - Loans Outstanding

The institution had the following loan balances outstanding at June 30, 2009. These loan balances are included in the federal expenditures presented in the schedule.

Federal Program Title	CFDA Number	Amount Outstanding
Community Development Block Grant	14.248	\$ 70,000

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

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

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

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

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.239	Home Investment Partnership 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, 2009

Section II - Financial Statement Audit Findings

Reference Number	Findings
2009-1	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to present the trial balance ready for audit in accordance with generally accepted accounting principles.</p> <p>Condition - Resulting from the City of Westland, Michigan's (the "City") financial statement audit for the year ended June 30, 2009, the City was required to post various entries in order for its financial statements to be correctly stated.</p> <p>Context - Significant journal entries were required to be made to the City's funds after the audit commenced on August 24, 2009.</p> <p>Cause - At the start of the audit, the accounting records contained several account balances that had not been adjusted to the appropriate amounts.</p> <p>Effect - As a result, certain transactions were not originally recorded in audit records prior to the audit process.</p> <p>Recommendation - The City should attempt to post all entries 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, 2009

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2009-2	<p>Finding Type - Significant deficiency</p> <p>Criteria - The general controls of the IT system at the City should provide assurance that the City is able to initiate, authorize, record, process, or report financial data reliably in accordance with GAAP.</p> <p>Condition - Certain duties deemed to be incompatible are not segregated, hindering the City's ability to initiate, authorize, record, process, and report financial data reliably in accordance with GAAP. Other necessary controls are not enforced.</p> <p>Context - During review of the IT general controls, it was noted there are a combination of control deficiencies that together have the potential to make the IT internal controls ineffective in preventing or detecting inappropriate access to City systems. This could lead to unauthorized individuals having the ability to change accounting data, transaction information, and programming functions.</p> <p>Cause - Due to staffing limitations, the City lacks proper segregation of duties and enforcement of authentication controls in relation to the IT general controls.</p> <p>Effect - As a result, there is the possibility that user access and accountability controls could be compromised or unauthorized users could gain access to the network.</p> <p>Recommendation - The City should consider restricting individuals with administrative access on the network from access to post transactions in the financial systems and strictly enforce authentication parameters.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City concurs with the recommendation and is currently evaluating solutions to the problems.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings

Reference Number	Findings
2009-3	<p>Program Name - U.S. Department of Housing and Urban Development, Home Investment Partnership Program (CFDA 14.239)</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - During the period of affordability for HOME-assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than every three years for projects containing one to four units.</p> <p>Condition - Four on-site inspections were found not to be completed in a timely manner.</p> <p>Context - During review of rental rehab files, it was noted that four of eight selected were overdue for inspection.</p> <p>Cause - The department does not have a system in place to ensure that all inspections are completed in a timely manner.</p> <p>Effect - Not all inspections are being completed in a timely manner.</p> <p>Questioned Costs - None</p> <p>Recommendation - The community development department should consider using the inspections and tenant information listing to compile an annual list of rental rehabilitation homes due for inspection in the coming year.</p> <p>Views of Responsible Officials - The community development department will maintain an up-to-date listing of rental rehabilitation properties due for inspection throughout the year and perform inspections in a timely manner.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2009-4	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA 14.218)</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - Federal agency monies used for expenditures that support Community Development Block Grant (CDBG) programs have limitations on the percentage of monies expended for public services compared to the grant monies awarded in the current year. There is an exception, however, for spending based on calculations using 1982 and 1983 grant years.</p> <p>Condition - Although monitored during the year, the community development department spent more monies for public services than was allowed.</p> <p>Context - The maximum the City is allowed to spend on public services is capped at the amount it spent in 1982 plus 15 percent of program income received in the preceding year. This totaled \$260,823. According to the IDIS report, the City disbursed \$272,933 for public services.</p> <p>Cause - The department does not have a system in place to ensure the monies expended for public services each year do not exceed the maximum amount allowed.</p> <p>Effect - The amount of grant monies spent for public services was more than the maximum allowed for the year.</p> <p>Questioned Costs - \$12,110</p> <p>Recommendation - The community development department should consider monitoring the amount of federal funds spent on public services throughout the grant year in order to comply with CDBG requirements.</p> <p>Views of Responsible Officials - The community development department will review expended amounts quarterly to ensure federal funds used for public services for the year are not more than the maximum amount allowed. Per HUD regulations, the overexpenditure will be deducted from a future year's budget (2010-2011).</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2009

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2009-5	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA 14.218)</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - Planning and administrative costs cannot exceed 20 percent of grant monies awarded in a given year.</p> <p>Condition - Per review of the IDIS report, 20.36 percent of Community Development Block Grant funds was spent on planning and administrative costs during the current year.</p> <p>Context - During review of the budget, it was noted that the community development department appropriately budgeted the spending of planning and administration. However, actual program income was less than the budget, resulting in planning and administrative expenditures being greater than 20 percent of the total grant income. Actual expenditures for planning and administration were within budgeted amounts.</p> <p>Cause - The department does not have a system in place to ensure that the monies expended for planning and administration each year do not exceed the maximum percentage allowed.</p> <p>Effect - The percentage of grant monies spent for planning and administration was more than the maximum allowed for the year.</p> <p>Questioned Costs - \$3,979</p> <p>Recommendation - The community development department should consider monitoring the amount of federal funds spent on planning and administration throughout the grant year in order to comply with CDBG requirements. Due to the state of the economy, it is hard to estimate how much program income will be received in a given year. The community development department may want to consider excluding the estimate of program income when budgeting for planning and administrative costs.</p> <p>Views of Responsible Officials - The community development department will review expended amounts quarterly to ensure federal funds used for planning and administration for the year are not more than the maximum amount allowed.</p>

City of Westland, Michigan

**Report to the City Council
June 30, 2009**

To the City Council
City of Westland, Michigan

We have recently completed our audit of the basic financial statements of the City of Westland, Michigan (the "City") for the year ended June 30, 2009. In addition to our audit report, we are providing the following letter of increased audit communications, required audit communication, recommendations, and informational comments which impact the City:

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Report on Internal Control	1-3
Results of the Audit	4-7
Other Recommendations	8-11
Informational - Legislative Matters, etc.	12-15

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

Plante & Moran, PLLC

November 6, 2009

Report on Internal Control

November 6, 2009

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

Dear Mayor and Council Members:

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

In planning and performing our audit of the financial statements of the City of Westland as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

- During review of the IT general controls, it was noted there are a combination of control deficiencies that together have the potential to make the IT internal controls ineffective in preventing or detecting inappropriate access to City systems. This could lead to unauthorized individuals having the ability to change accounting data, transaction information, and programming functions.

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

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

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

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

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

November 6, 2009

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

Very truly yours,

Plante & Moran, PLLC

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

Michael J. Swartz

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

Brian J. Camiller

Results of the Audit

November 6, 2009

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

We have audited the financial statements of the City of Westland, Michigan for the year ended June 30, 2009 and have issued our report thereon dated November 6, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated June 5, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement. As part of our audit, we considered the internal control of the City of Westland. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Our audit of the City of Westland's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City of Westland's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 6, 2009 regarding our consideration of the City of Westland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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

November 6, 2009

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 2, 2009.

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 are described in Note 1 to the financial statements. As described in Note 17, the City changed accounting policies related to accounting for postemployment benefits by adopting Governmental Accounting Standards Board (GASB) No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*, in 2009. Also described in Note 17, the City adopted Governmental Accounting Standards Board (GASB) No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

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

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

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

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

November 6, 2009

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our 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. A material adjustment was required to correct cash and accounts payable for checks written but not issued prior to year end.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 6, 2009.

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.

Other Audit Findings or Issues

In addition to the comments and recommendations in this letter, our observations and comments regarding the City's internal controls, including significant deficiencies or material weaknesses that we identified related to the City's federal awards, have been reported to you in the 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*. This report is included in the supplemental schedule of federal awards (single audit report), and we recommend that the matters we have noted there receive your careful consideration.

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

November 6, 2009

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition of our retention as the City's auditors.

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

Very truly yours,

Plante & Moran, PLLC

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

Michael J. Swartz

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

Brian J. Camiller

Other Recommendations

City of Westland, Michigan

Other Recommendations

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

- Despite the troubled economy, the City's General Fund fund balance increased almost \$2,000,000; however, this by itself can be misleading. Included in that figure is \$1,000,000 received from the Elderly Housing Corp (Thomas Taylor Towers) which is non-recurring and is budgeted for in the City's 2009-2010 budget. Also, the City received an equity distribution of approximately \$836,000 from Central Wayne County Sanitation Authority, the proceeds of which are recorded as revenue but reserved for sanitation purposes only.

Approximately 85 percent of total General Fund fund balance is either reserved for a legally restricted purpose (sanitation, police and fire retirement) or is budgeted to be spent in 2009-2010.

The unreserved and undesignated portion of the General Fund fund balance actually decreased from \$2,184,160 to \$1,371,715. As the 2009-2010 budget adopted by the City anticipated this amount would be \$1,242,538, this was slightly better than expected. It should be noted that the General Fund's expenditures were approximately \$3,300,000 under budget for the fiscal year 2009. With property taxes and state-shared revenue, the City's two largest sources of General Fund revenue, under extreme duress due to the state economy, it is imperative that the City look for opportunities to increase revenues and continue to reduce or control expenditures.

- Despite raising the water and sewer customer rates in July 2008, the Water and Sewer Fund continues to operate at a deficit. The Water and Sewer Fund used up an additional \$500,000 of cash during this past fiscal year. The General Fund has advanced the Water and Sewer Fund approximately \$2.2 million for operations as of June 30, 2009. We encourage the City to continue monitoring the water and sewer system and make adjustments to the rate structure as necessary in order to repay the advance from the General Fund and begin accumulating funds to pay for future system maintenance, improvements, and repairs.

Other Items Noted During the Audit

- The City of Westland receives drug forfeiture revenues from local, state, and federal sources. These seized revenues and the eventual expenditure are accounted for, in total, in a separate Special Revenue Fund. The City does not have appropriate procedures in place to separately track the expenditure of federal forfeitures throughout the year in order to identify them for A-133 determination purposes. We recommend identifying each expenditure in the Drug Forfeiture Fund as either state or federal.
- During the audit, it was noted that the City functions under an informal capitalization policy. The City should consider implementing a written, council-approved capitalization policy.

City of Westland, Michigan

Other Recommendations (Continued)

- It was noted during the audit that the City uses Microsoft Excel to keep track of its capital asset records and compute depreciation. While this system works, it can be unnecessarily cumbersome. We recommend the City consider using a fixed assets software module which would help increase the efficiency and accuracy of capital assets calculations.
- The process for tracking and accumulating data for payroll, including the accumulated sick/vacation/comp time banks, is also a very manual process. There are software packages or services available that would help streamline these processes and make them more efficient.
- The grant activity of the Community Development Block Grant (CDBG) and Home Investment Partnership Program (HOME) is tracked in the same fund. It is our understanding that the City is now using separate bank accounts for CDBG and HOME and is in the process of refining its procedures related to these grants in response to one of our comments from a prior year. We commend the City on this change but would also recommend recording the activity of these grants in separate funds. Keeping this activity separate will help ease the burden on the finance department during the year-end reconciliation process.
- As an additional procedure this year, we tested the procedures for cataloging evidence at the Police Department. From the sample selected for testing, all evidence items were safeguarded and documented in accordance with department policy.
- The Police and Fire Retirement System is invested in RT Newbridge II, LLC, a company that provides “gap financing” for the production of feature films. While this is an allowable investment under Public Act 314 of 1965 and Public Act 485 of 1996, the retirement system’s investment policy does not allow for such an investment. We recommend amending the investment policy if this is an investment the system will continue to own.
- For several years, the Police and Fire Retirement System’s defined benefit pension plan has been fully funded, meaning assets of the plan have been equal to or exceeded actuarially calculated liabilities. Please note that primarily due to the decline in the investment markets at the end of 2008, the Police and Fire Retirement System will be underfunded in the next actuarial valuation. This will likely result in an increased annual required contribution over the next several years. We advise the City to keep this in mind as the 2010-2011 budget is prepared.

Current Reporting Changes

As mentioned in previous years and disclosed in the financial statements, the City was required to adopt Governmental Accounting Standards Board (GASB) Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare benefits.

City of Westland, Michigan

Other Recommendations (Continued)

In anticipation of this requirement, the City performed an actuarial valuation to calculate the required accruals and disclosures that are now included in the City's financial statements. Going forward, this actuarial valuation will need to be updated every two years.

In addition, the City was required to adopt GASB Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Implementation of this statement resulted in the recording of an additional liability related to the remediation of the pollution at Central City Park.

Upcoming Reporting Changes

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

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

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

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

Informational

Revenue Sharing

As you are aware, the legislature has been working to pass the State's budget for fiscal year 2009-2010. The budget deadline (September 30) came and went and there was not a final agreement on the budget. As a result, a continuation budget was passed to get the State through the next 30 days. There is discussion that the legislature may look for additional revenues to restore some of the cuts that had been passed by both the Senate and the House (but not signed into law by the governor), including significant cuts to revenue sharing for local governments.

It appears that the total revenue-sharing payments (constitutional and statutory) will be reduced by an overall factor of 11.06 percent if the budgets that came out of conference are ultimately enacted. The constitutional portion is expected to decrease based on the May 2009 revenue-estimating conference from \$649 million to \$621 million (about 4 percent). The statutory portion is expected to be cut from \$388 million to \$314 million (about 19 percent).

Communities that no longer receive the statutory portion will see a decline of about 4 percent. Those that still have statutory revenue sharing will see a much larger decline. The 11.06 percent that is being reported is the total amount of the cut, but the specific cuts will vary widely by community. We encourage you to continue to budget very conservatively when it comes to revenue sharing because a long-term solution to the State's structural deficit has not yet been identified.

Property Tax Developments

Under the legislation introduced last year, the Proposal A formula to determine annual increases in taxable value (if property is not sold or transferred) would have been changed to the lesser of three components: inflation, change in market value, or 5 percent. Therefore, if the market value of the parcel was either flat or declining - even if the taxable value of the particular parcel was less than state equalized value - there would be no annual increase. This measure passed the House in 2008 but did not advance further.

In January 2009, several versions of this legislation were introduced which reinstates a similar constitutional amendment. Such a change would ultimately need to be approved by the voters before it can be enacted.

Change in Investment Act - Reminder

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

Fringe Benefits - IRS treatment

Recently the Internal Revenue Service has heightened its scrutiny over the personal use of vehicles, cell phones, etc. We suggest that the City review its policies and procedures related to those fringes.

Other Legislative Items

- PA 307 and 308 of 2008 make changes to investment laws governing Michigan communities and schools. More specifically, this legislation allows governmental units in Michigan to invest in CDARS - Certifications of Deposit Account Registry Service. The CDARS program is a deposit placement service designed to allow FDIC-insured depository institutions to accept deposits of more than \$250,000 for 2009-2013 and obtain full coverage for the depositor by spreading the funds among as many separate FDIC-insured institutions as necessary in order to ensure full FDIC coverage.
- PA 379 of 2008 was passed in late 2008 providing for an extension of 9-1-1 funding from the previous sunset date of February 28, 2009 until December 31, 2014. The bill continues to allow counties to assess a 9-1-1 charge, but the amount is limited to 42 cents per month, unless approved by county voters, in which case the maximum is \$3 per month. Counties with current monthly charges over \$.42 could maintain that assessment, but any future increases would be subject to the voter approval requirement.

SEC Disclosure Filings

The SEC announced late last year an amendment to Rule 15c2-12 that will, among other things, replace the existing four nationally recognized Municipal Securities Information Repositories (NRMSIRs) with one central NRMSIR at the Municipal Securities Rulemaking Board (MSRB), called the Electronic Municipal Market Access (EMMA) system.

This system, available on the internet at emma.msrb.org, will be the means by which issuers or their agents will submit continuing disclosure documents free of charge. Unlike investors in corporate securities who have direct access to free company information through the SEC's EDGAR system, average investors in municipal securities have had no free and convenient way to get important information about the municipal bonds in which they invest. After the implementation of EMMA, these documents will be made available electronically to the general public at no cost.

City of Westland, Michigan

Informational (Continued)

This change to using EMMA is required beginning July 1, 2009. All continuing disclosure documents submitted to MSRB will need to be made electronically in portable document format (PDF) to facilitate this. Additionally, the MSRB has indicated that the submissions will need to be made in word-searchable PDF beginning January 1, 2010. Until July 1, 2009, issuers should submit continuing disclosures as they have been doing as required by their outstanding continuing disclosure agreements. The amended SEC rule does not, however, remove an obligation to provide continuing disclosure documents to a SID if required by applicable state law or by an outstanding continuing disclosure agreement in effect prior to July 1, 2009.

Municipal Finance Act Revisions

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months of the City’s year end (June 30, 2009) and is good for one year thereafter. The City should consider the need to file a qualifying statement for each of its component units.