

City of Westland, Michigan

Financial Report with Supplemental Information June 30, 2012

City of Westland, Michigan
Financial Report
June 30, 2012

Mayor William R. Wild

City Council

James Godbout, President

Adam Hammons, President Pro Tem

Christine Cicirelli-Bryant

Michael Kehrer

Bill Johnson

Meriem Kadi

Dewey Reeves

City Administration

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

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

City of Westland, Michigan

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Independent Auditor's Report

To the City Council
City of Westland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Westland, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan as of June 30, 2012 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.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedule, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

To the City Council
City of Westland, Michigan

As explained in Note 1, the financial statements include investments valued at approximately \$41,600,000 (representing approximately 30 percent of net assets) whose fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on information provided by the investment managers, periodic appraisal, real estate advisors, general partners, or other means.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2012 on our consideration of the City of Westland, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

December 6, 2012

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, 2012 and should be read in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended June 30, 2012:

- Tax revenue, our largest revenue source, declined for the fourth consecutive year, by over \$1,300,000 from the previous fiscal year. This was due to the reduction in taxable value citywide; this includes the resolution of many Michigan tax tribunal cases.
- State-shared revenue from the State of Michigan, our second largest revenue source, declined slightly from the previous fiscal year. This represents the ninth year out of the last ten that the revenue has decreased. The City complied with all three requirements of the States' Economic Vitality Incentive Program (EVIP) and received \$1,168,000 in what was formerly known as statutory revenue sharing.
- Court revenue decreased approximately \$300,000 from the previous year. This is the second year in a row of court revenue decline and is partially due to the local economy.
- The City continues to utilize grant money, where available, to help fund programs and equipment purchases. For example, the youth assistance received a \$990,000 grant for additional programs for the area's youth. The police department received several grants from the Justice Department for needed capital purchases. The fire department was awarded a safer grant for \$1.8 million for two years which allowed the department to hire nine new firefighters.
- The City continues to pay down debt. During the current fiscal year, there was one bond retired, the 1997 Newburgh Road Bonds. In addition, there were also several installment loan contracts paid off during the fiscal year, which included vehicles and equipment.
- The total net assets related to the City's governmental activities decreased by approximately \$17.4 million. In addition, fund balances for the governmental funds increased by approximately \$2.3 million during the year. The General Fund unassigned fund balance increased by \$2.5 million.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Using this Annual Report

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

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

The City of Westland as a Whole

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Assets						
Current assets	\$ 21,461,025	\$ 22,911,194	\$ 15,322,903	\$ 12,721,251	\$ 36,783,928	\$ 35,632,445
Noncurrent assets	222,180,437	232,858,691	76,525,129	77,998,857	298,705,566	310,857,548
Total assets	243,641,462	255,769,885	91,848,032	90,720,108	335,489,494	346,489,993
Liabilities						
Current liabilities	9,965,143	11,882,735	8,334,166	7,203,220	18,299,309	19,085,955
Long-term liabilities	41,841,594	34,651,298	7,607,333	6,840,060	49,448,927	41,491,358
Total liabilities	51,806,737	46,534,033	15,941,499	14,043,280	67,748,236	60,577,313
Net Assets						
Invested in capital assets -						
Net of related debt	214,705,156	224,381,458	67,002,318	72,035,498	281,707,474	296,416,956
Restricted	12,020,456	12,307,183	320,000	367,500	12,340,456	12,674,683
Unrestricted (deficit)	(34,890,887)	(27,452,789)	8,584,215	4,273,830	(26,306,672)	(23,178,959)
Total net assets	\$ 191,834,725	\$ 209,235,852	\$ 75,906,533	\$ 76,676,828	\$ 267,741,258	\$ 285,912,680

The City's combined net assets decreased 6.3 percent from a year ago - decreasing from \$285,912,680 to \$267,741,258. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2012, depreciation expense was approximately \$14,000,000.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Unrestricted net assets in governmental activities - the part of net assets that can be used to finance operations - are currently at a deficit of \$34,890,887 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees and other postemployment benefits, which will be paid from future revenue sources. This accrual is approximately \$37,000,000.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2011	2012	2011	2012	2011
Net Assets - Beginning of year	\$ 209,235,852	\$ 223,150,723	\$ 76,676,828	\$ 74,601,211	\$ 285,912,680	\$ 297,751,934
Revenue						
Program revenue:						
Charges for services	17,362,378	18,887,565	25,952,150	22,867,069	43,314,528	41,754,634
Operating grants and contributions	8,494,357	7,584,991	-	-	8,494,357	7,584,991
Capital grants and contributions	1,216,071	737,495	47,896	106,212	1,263,967	843,707
General revenue:						
Property taxes	22,897,480	24,209,238	-	-	22,897,480	24,209,238
State-shared revenue	7,199,162	7,216,219	-	-	7,199,162	7,216,219
Refund of captured property taxes	2,553,955	2,710,242	-	-	2,553,955	2,710,242
Interest	104,236	71,303	19,631	5,547	123,867	76,850
Gain on sale of fixed assets	2,000	-	-	-	2,000	-
Other revenue	167,163	99,048	-	-	167,163	99,048
Total revenue	59,996,802	61,516,101	26,019,677	22,978,828	86,016,479	84,494,929
Program Expenses						
General government	14,585,138	13,726,242	-	-	14,585,138	13,726,242
Public safety	37,784,653	35,789,378	-	-	37,784,653	35,789,378
Public works	17,885,486	18,892,250	-	-	17,885,486	18,892,250
Community and economic development	1,891,040	1,663,718	-	-	1,891,040	1,663,718
Cultural and recreation	4,938,180	5,022,673	-	-	4,938,180	5,022,673
Interest on long-term debt	313,432	336,711	-	-	313,432	336,711
Water and sewer	-	-	23,289,972	20,903,211	23,289,972	20,903,211
Total program expenses	77,397,929	75,430,972	23,289,972	20,903,211	100,687,901	96,334,183
Extraordinary Items	-	-	(3,500,000)	-	(3,500,000)	-
Change in Net Assets	(17,401,127)	(13,914,871)	(770,295)	2,075,617	(18,171,422)	(11,839,254)
Net Assets - End of year	\$ 191,834,725	\$ 209,235,852	\$ 75,906,533	\$ 76,676,828	\$ 267,741,258	\$ 285,912,680

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenue decreased by approximately \$1,500,000. The decrease, which represents approximately 2.4 percent, was primarily due to a decrease in tax revenue and is based on the taxable value reduction in the City of Westland.

Expenses increased by approximately \$1,900,000 during the year. This is mainly due to the addition of services and personnel through grant funding and an increase in fringe benefit costs, which include health insurance premiums and pension costs. The enactment of the hard cap for Public Act 52 will reduce the increases in healthcare costs going forward. Those will start to take effect in fiscal year 2013.

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. The usage of the water system increased slightly from usage in the prior year. Effective March 1, 2011, the City Council raised the fixed charge to \$14.45 per bill and increased water and sewer rates by 3.17 percent and 8.58 percent, respectively. On March 1, 2012, the City Council raised the fixed cost to \$24.50 per bill and raised water and sewer rates by 1.67 percent and 9.02 percent, respectively.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as community development block grant and debt service. The City's major fund for 2012 is the General 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 \$26.9 million in 2012. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, personnel, and the mayor's office), sanitation, and recreation. General Fund expenditures increased by approximately \$600,000. This was mainly due to the increase of services and staff hired through grant funding. There were also increases to the fringe benefit costs, which include healthcare and pension costs.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events that occurred during the year. Several of the amendments were to account for additional grant money in the police department, fire department, and in the youth assistance department. The FEMA grant received in the fire department was the most substantial at \$1.8 million over the next two years. This money allowed the department the ability to increase the manpower by nine firefighters. The grant for the police department enabled the purchase of capital equipment and needed building renovations. There were a few departments that went over budget, which included computer information systems, police, city hall and grounds, and law. Despite these exceptions, the City still maintained total expenditures of \$2,472,786 below the amended budget.

The General Fund fund balance increased from \$9,651,665 to \$10,990,873.

As of June 30, 2012, the City had a total of approximately \$299.6 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. Approximately \$1,000,000 was added to construction in progress in relation to the Glenwood Road project. Additionally, \$400,000 was added to major and local roads and \$800,000 related to motorpool, which included the removal of the underground storage tanks, a new rescue truck for the fire department, and a new dump truck for the Department of Public Service.

Debt service makes up approximately 2.5 percent of the total expenditures of the governmental funds.

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

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ending June 30, 2013 takes into consideration a continued slow-moving economic climate. The taxable values of both residential and commercial property are expected to decline again for the tax year 2013; this has been a trend over the last several years. We will continue to see Michigan tax tribunal cases resolved with additional negative impacts on existing taxable values. Many of the tribunal cases are located in the TIFA and DDA districts which will decrease the tax capture they receive. These reductions will also continue to affect the General Fund in a negative manner. The state-shared revenue will be monitored closely as the State of Michigan continues to redefine the way the statutory revenue is distributed. Moving forward, the City will comply with the three components of the State of Michigan requirements for receiving the Economic Vitality Incentive Program (EVIP) funds. This will allow the City to receive its portion of the statutory revenue that the State had previously eliminated. In the prior year, the City Council adopted the "hard cap" option in accordance with Public Act 152, which limits the amount the City will pay for healthcare coverage for its employees. This will continue to help with the budget, but throughout the year, the City will need to monitor the budget very closely and continue to make adjustments as necessary.

As discussed above, the fiscal year ended June 30, 2013 budget anticipates that the water and sewer costs will increase. The City Council has approved increases over the last several years and the City will bring any further recommendations to the City Council as necessary.

Contacting the City's Management

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

City of Westland, Michigan

Statement of Net Assets June 30, 2012

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 13,858,417	\$ 2,912,657	\$ 16,771,074	\$ 788,237
Investments (Note 3)	-	-	-	189,819
Receivables - Net (Note 4)	6,464,009	12,249,525	18,713,534	179,552
Internal balances	1,119,075	(1,119,075)	-	-
Inventories	10,588	131,735	142,323	-
Prepaid costs and other assets	8,936	28,986	37,922	-
Restricted assets (Note 6)	-	320,000	320,000	-
Investment in joint ventures (Note 11)	(74,614)	-	(74,614)	-
Land held for resale	847,894	-	847,894	-
Capital assets - Net (Note 5):				
Not being depreciated	4,066,520	-	4,066,520	90,000
Depreciable - Net	217,340,637	76,205,129	293,545,766	1,929,619
Total assets	243,641,462	90,728,957	334,370,419	3,177,227
Liabilities				
Accounts payable	1,551,248	1,887,147	3,438,395	10,107
Deposits	-	277,183	277,183	-
Accrued and other liabilities	3,436,555	103,837	3,540,392	534,297
Noncurrent liabilities:				
Due within one year:				
Compensated absences (Note 8)	3,065,534	208,478	3,274,012	-
Provision for claims (Note 9)	796,352	174,210	970,562	-
Current portion of long-term debt (Note 8)	1,115,454	647,537	1,762,991	-
Due in more than one year:				
Compensated absences (Note 8)	5,619,595	-	5,619,595	-
Provision for claims (Notes 9 and 12)	2,338,205	3,916,699	6,254,904	-
Net other postemployment benefits liability (Note 16)	28,297,247	2,552,059	30,849,306	-
Long-term debt - Net of current portion (Note 8)	5,586,547	5,055,274	10,641,821	-
Total liabilities	51,806,737	14,822,424	66,629,161	544,404
Net Assets				
Invested in capital assets - Net of related debt	214,705,156	70,502,318	285,207,474	2,019,619
Restricted for:				
Retirement system	4,129,000	-	4,129,000	-
Sanitation	1,496,000	-	1,496,000	-
Road improvements	3,102,677	-	3,102,677	-
Library operations	1,401,948	-	1,401,948	-
Other (Note 13)	1,890,831	320,000	2,210,831	-
Unrestricted (deficit)	(34,890,887)	5,084,215	(29,806,672)	613,204
Total net assets	<u>\$ 191,834,725</u>	<u>\$ 75,906,533</u>	<u>\$ 267,741,258</u>	<u>\$ 2,632,823</u>

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

City of Westland, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 14,585,138	\$ 6,507,987	\$ 64,717	\$ -
Public safety	37,784,653	7,089,148	825,697	31,083
Public works	17,885,486	1,398,166	4,676,822	1,184,988
Community and economic development	1,891,040	-	2,702,279	-
Cultural and recreation	4,938,180	2,367,077	224,842	-
Interest on long-term debt	313,432	-	-	-
Total governmental activities	77,397,929	17,362,378	8,494,357	1,216,071
Business-type activities - Water and sewer	23,289,972	25,952,150	-	47,896
Total primary government	<u>\$ 100,687,901</u>	<u>\$ 43,314,528</u>	<u>\$ 8,494,357</u>	<u>\$ 1,263,967</u>
Component units	<u>\$ 1,418,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
Refund of captured property taxes				
State-shared revenue				
Interest and sundry				
Other income				
Gain on sale of fixed assets				
Total general revenue				
Extraordinary Items (Note 12)				
Change in Net Assets				
Net Assets - Beginning of year				
Net Assets - End of year				

**Statement of Activities
Year Ended June 30, 2012**

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (8,012,434)	\$ -	\$ (8,012,434)	\$ -
(29,838,725)	-	(29,838,725)	-
(10,625,510)	-	(10,625,510)	-
811,239	-	811,239	-
(2,346,261)	-	(2,346,261)	-
(313,432)	-	(313,432)	-
(50,325,123)	-	(50,325,123)	-
-	2,710,074	2,710,074	-
(50,325,123)	2,710,074	(47,615,049)	-
-	-	-	(1,418,943)
22,897,480	-	22,897,480	5,077,896
2,553,955	-	2,553,955	(4,520,988)
7,199,162	-	7,199,162	-
104,236	19,631	123,867	27,218
167,163	-	167,163	8,891
2,000	-	2,000	-
32,923,996	19,631	32,943,627	593,017
-	(3,500,000)	(3,500,000)	-
(17,401,127)	(770,295)	(18,171,422)	(825,926)
209,235,852	76,676,828	285,912,680	3,458,749
\$ 191,834,725	\$ 75,906,533	\$ 267,741,258	\$ 2,632,823

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2012

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents (Note 3)	\$ 10,158,905	\$ 3,699,512	\$ 13,858,417
Receivables - Net (Note 4)	4,652,531	1,811,478	6,464,009
Due from other funds (Note 7)	1,814,744	12,976	1,827,720
Inventory	10,588	-	10,588
Prepaid costs and other assets	-	8,936	8,936
Land held for resale	-	847,894	847,894
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$16,636,768</u>	<u>\$ 6,380,796</u>	<u>\$23,017,564</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 1,340,505	\$ 210,743	\$ 1,551,248
Due to other funds	-	708,645	708,645
Accrued and other liabilities	3,036,763	27,982	3,064,745
Deferred revenue (Note 4)	974,708	234,280	1,208,988
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	5,351,976	1,181,650	6,533,626
Fund Balances			
Nonspendable - Prepaids/Inventory	10,588	8,936	19,524
Restricted:			
Retirement system	4,129,000	-	4,129,000
Sanitation	1,496,000	-	1,496,000
Road improvements	-	2,937,592	2,937,592
Cable grant	95,212	-	95,212
Public safety - E-911	130,263	-	130,263
Public safety - Drug forfeiture	-	17,732	17,732
Parks and recreation	388,900	-	388,900
Library operations	-	1,323,817	1,323,817
Metroact Broadband	163,655	-	163,655
Street lighting	-	22,341	22,341
800 MHZ Fund	-	40,834	40,834
Community development	-	847,894	847,894
Assigned for computer system improvements	150,000	-	150,000
Unassigned	4,721,174	-	4,721,174
	<u> </u>	<u> </u>	<u> </u>
Total fund balances	11,284,792	5,199,146	16,483,938
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u>\$16,636,768</u>	<u>\$ 6,380,796</u>	<u>\$23,017,564</u>

City of Westland, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

Fund Balance Reported in Governmental Funds	\$ 16,483,938
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	221,407,157
Investments in joint ventures are included as part of governmental activities	(74,614)
Other long-term liabilities, such as incurred but not reported liabilities, do not present a claim on current financial resources and are not reported as fund liabilities	(3,134,557)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(8,685,129)
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	1,208,988
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(6,702,001)
Accrued interest on long-term liabilities is not reported in the funds	(21,810)
Net other postemployment benefit obligation is not recorded as a liability in the funds	(28,297,247)
Net pollution remediation liability is not recorded as a liability in the funds	(350,000)
Net Assets of Governmental Activities	\$ 191,834,725

City of Westland, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2012

	General Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue			
Property taxes	\$ 21,408,829	\$ 1,488,651	\$ 22,897,480
Licenses and permits	1,207,922	-	1,207,922
Federal sources	677,766	1,358,692	2,036,458
State sources	7,276,022	5,062,442	12,338,464
Charges for services	6,933,047	-	6,933,047
Court fines and fees	3,502,067	-	3,502,067
Interest income	92,066	12,170	104,236
Other revenue:			
Special assessments	-	1,496,580	1,496,580
Local sources	2,216,755	369,812	2,586,567
Cable franchise fees	1,549,878	-	1,549,878
Refund of captured property taxes	2,375,272	178,683	2,553,955
Other income	3,763,217	165,879	3,929,096
Total revenue	51,002,841	10,132,909	61,135,750
Expenditures			
General government	10,163,793	215,207	10,379,000
Street lighting	2,271	1,457,001	1,459,272
Public safety	31,026,783	501,663	31,528,446
Highway, streets, and drains	-	2,927,977	2,927,977
Sanitation	4,196,244	-	4,196,244
Community and economic development	851,639	1,069,401	1,921,040
Cultural and recreation	2,625,353	2,108,008	4,733,361
Debt service	154,874	1,321,900	1,476,774
Total expenditures	49,020,957	9,601,157	58,622,114
Excess of Revenue Over Expenditures	1,981,884	531,752	2,513,636
Other Financing Sources (Uses)			
Proceeds from sale of capital assets	2,000	-	2,000
Transfers in (Note 7)	160,506	2,224,263	2,384,769
Transfers out (Note 7)	(695,159)	(1,920,274)	(2,615,433)
Total other financing (uses) sources	(532,653)	303,989	(228,664)
Net Change in Fund Balances	1,449,231	835,741	2,284,972
Fund Balances - Beginning of year	9,835,561	4,363,405	14,198,966
Fund Balances - End of year	\$ 11,284,792	\$ 5,199,146	\$ 16,483,938

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, 2012

Net Change in Fund Balances - Total Governmental Funds	\$	2,284,972
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation		(10,825,247)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		(644,185)
Special assessment revenue is recorded in the statement of activities when the assessment is set; it is not reported in the funds until collected or collectible within 60 days of year end		(38,878)
Changes in liabilities incurred but not reported are not recorded in the governmental funds		(2,486,366)
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)		1,158,136
Change in accrued interest on long-term debt is not recorded in the governmental funds		4,256
Change in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities		48,618
Changes to investment in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities		5,241
Change in other postemployment benefit liability is not recorded in the governmental funds		(6,771,659)
Internal service funds are also included as governmental activities		(136,015)
Change in Net Assets of Governmental Activities	\$	<u>(17,401,127)</u>

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Fund - Water and Sewer	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,912,657	\$ -
Receivables - Net	12,249,525	-
Inventories	131,735	-
Prepaid costs and other assets	28,986	-
Total current assets	15,322,903	-
Noncurrent assets:		
Restricted assets (Note 6)	320,000	-
Capital assets - Net (Note 5)	76,205,129	-
Total noncurrent assets	76,525,129	-
Total assets	91,848,032	-
Liabilities		
Current liabilities:		
Accounts payable	1,887,147	-
Due to other funds	1,119,075	-
Escrow deposits and other	277,183	-
Accrued and other liabilities	103,837	-
Compensated absences	208,478	-
Provision for claims (Note 9)	174,210	-
Current portion of long-term debt	647,537	-
Total current liabilities	4,417,467	-
Noncurrent liabilities:		
Provision for claims (Notes 9 and 12)	3,916,699	-
Net other postemployment benefits liability (Note 16)	2,552,059	-
Long-term debt - Net of current portion	5,055,274	-
Total noncurrent liabilities	11,524,032	-
Total liabilities	15,941,499	-
Net Assets		
Investment in capital assets - Net of related debt	70,502,318	-
Restricted (Note 13)	320,000	-
Unrestricted	5,084,215	-
Total net assets	\$ 75,906,533	\$ -

City of Westland, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Fund - Water and Sewer	Internal Service Funds
Operating Revenue		
Water and sewer	\$ 24,579,821	\$ -
Penalties	1,258,860	-
Other	113,469	-
Charges for services	-	1,338,625
	25,952,150	1,338,625
Total operating revenue		
Operating Expenses		
Cost of water	4,863,809	-
Cost of sewage disposal	8,624,206	-
Sundry	213,335	-
Wage and fringe benefits	3,433,412	173,701
Contracted services	3,075,669	9,943
Operating supplies	857,138	514,350
Repairs and maintenance	460,452	528,158
Rent, insurance claims, and other	17,743	116
Depreciation	1,581,559	522,373
	23,127,323	1,748,641
Total operating expenses		
Operating Income (Loss)	2,824,827	(410,016)
Nonoperating Revenue (Expenses)		
Interest income	19,631	493
Interest expense	(162,649)	(5,436)
Gain on sale of assets	-	48,280
	(143,018)	43,337
Total nonoperating (expenses) revenue		
Income (Loss) - Before contributions	2,681,809	(366,679)
Capital Contributions - Lines donated by developers	47,896	-
Transfers Out	-	(1,972,237)
Extraordinary Items (Note 12)	(3,500,000)	-
Change in Net Assets	(770,295)	(2,338,916)
Net Assets - Beginning of year	76,676,828	2,338,916
Net Assets - End of year	\$ 75,906,533	\$ -

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Fund - Water and Sewer	Internal Service Funds	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 24,333,444	\$ -	\$ 24,333,444
Payments to suppliers	(19,462,390)	(987,087)	(20,449,477)
Payments to employees	(2,727,788)	(179,349)	(2,907,137)
Internal activity - Payments from other funds	-	1,606,930	1,606,930
Other payments	(963,459)	-	(963,459)
	1,179,807	440,494	1,620,301
Net cash provided by operating activities			
Cash Flows from Capital and Related Financing Activities			
Proceeds from issuance of long-term debt	762,815	-	762,815
Collection of customer assessments and fees	47,896	-	47,896
Proceeds from sales of assets	-	160,212	160,212
Purchase of capital assets	(155,331)	(581,210)	(736,541)
Principal and interest paid on long-term debt	(804,107)	(49,338)	(853,445)
	(148,727)	(470,336)	(619,063)
Net cash used in capital and related financing activities			
Cash Flows from Investing Activities - Interest received on investments and other assets			
	19,631	493	20,124
	1,050,711	(29,349)	1,021,362
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents - Beginning of year	2,181,946	29,349	2,211,295
Cash and Cash Equivalents - End of year	\$ 3,232,657	\$ -	\$ 3,232,657
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ 2,912,657	\$ -	\$ 2,912,657
Restricted assets (Note 6)	320,000	-	320,000
	\$ 3,232,657	\$ -	\$ 3,232,657
Total cash and cash equivalents			
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 2,824,827	\$ (410,016)	\$ 2,414,811
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,581,559	522,373	2,103,932
Changes in assets and liabilities:			
Receivables	(1,618,706)	37,363	(1,581,343)
Due from other funds	-	1,654,392	1,654,392
Inventory	115,265	-	115,265
Accounts payable	(1,683,191)	65,480	(1,617,711)
Accrued and other liabilities	923,512	(1,316,874)	(393,362)
Due to other funds	(963,459)	(11,799)	(975,258)
Closing of Motorpool Fund	-	(100,425)	(100,425)
	\$ 1,179,807	\$ 440,494	\$ 1,620,301
Net cash provided by operating activities			

Noncash Activities - During the year ended June 30, 2012, the Motorpool Fund transferred \$2,289,679 of capital assets, net of depreciation, to the governmental activities. In addition, developers donated \$47,896 of water and sewer lines to the City.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2012

	Pension Trust Fund - Police and Fire Retirement	<u>Agency Funds</u>
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 2,946,253
Investments (Note 3):		
U.S. government securities	11,044,687	-
Common stock	51,890,124	-
Corporate bonds	12,476,840	-
Real estate	8,415,263	-
Mutual funds	49,190,357	-
Securities lending - Mutual funds	5,749,655	-
Closely held - Equity	5,260,695	-
Accrued interest and other assets	321,627	-
Total assets	144,349,248	<u>\$ 2,946,253</u>
Liabilities		
Due to other governmental units	-	\$ 1,204,952
Accrued and other liabilities	-	1,741,301
Obligations under securities lending agreements	5,906,380	-
Other current liabilities	419,800	-
Total liabilities	6,326,180	<u>\$ 2,946,253</u>
Net Assets - Held in trust for pension benefits and other purposes		<u>\$ 138,023,068</u>

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2012

Additions

Investment income (loss):	
Interest and dividends	\$ 2,692,321
Net decrease in fair value of investments	(1,060,462)
Investment-related expenses	<u>(787,968)</u>
Net investment income	843,891
Employer contributions - Pension	4,494,952
Employee contributions and service credits	<u>43,438</u>
Total additions	5,382,281

Deductions - Benefit payments 11,015,172

Net Decrease (5,632,891)

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

Net Assets Held in Trust for Pension and Other Employee Benefits -
End of year \$ 138,023,068

City of Westland, Michigan

Component Units Statement of Net Assets June 30, 2012

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 361,490	\$ 4,339	\$ 340,412	\$ 81,996	\$ 788,237
Investments (Note 3)	-	-	-	189,819	189,819
Accrued interest and other	-	-	-	179,552	179,552
Capital assets - Net (Note 5)	1,723,188	-	-	296,431	2,019,619
Total assets	2,084,678	4,339	340,412	747,798	3,177,227
Liabilities					
Accounts payable	4,803	-	1,269	4,035	10,107
Accrued liabilities and other	86,965	-	-	447,332	534,297
Total liabilities	91,768	-	1,269	451,367	544,404
Net Assets					
Invested in capital assets - Net of related debt	1,723,188	-	-	296,431	2,019,619
Unrestricted	269,722	4,339	339,143	-	613,204
Total net assets	<u>\$ 1,992,910</u>	<u>\$ 4,339</u>	<u>\$ 339,143</u>	<u>\$ 296,431</u>	<u>\$ 2,632,823</u>

City of Westland, Michigan

	Program Revenue		
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions
Component Units			
Downtown Development Authority - Operations	\$ 583,181	\$ -	\$ -
Economic Development Corporation - Operations	270	-	-
Local Development Finance Authority - Operations	317,558	-	-
Tax Increment Finance Authority - Operations	517,934	-	-
Total component units	\$ 1,418,943	\$ -	\$ -

General revenue:

- Property taxes
- Property tax refunds
- Interest income
- Other income

Total general revenue

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended June 30, 2012**

Net (Expense) Revenue and Changes in Net Assets				
Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
\$ (583,181)	\$ -	\$ -	\$ -	\$ (583,181)
-	(270)	-	-	(270)
-	-	(317,558)	-	(317,558)
-	-	-	(517,934)	(517,934)
(583,181)	(270)	(317,558)	(517,934)	(1,418,943)
1,306,373	-	135,654	3,635,869	5,077,896
(860,373)	-	-	(3,660,615)	(4,520,988)
634	20	995	25,569	27,218
-	-	-	8,891	8,891
446,634	20	136,649	9,714	593,017
(136,547)	(250)	(180,909)	(508,220)	(825,926)
2,129,457	4,589	520,052	804,651	3,458,749
\$ 1,992,910	\$ 4,339	\$ 339,143	\$ 296,431	\$ 2,632,823

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

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

The City of Westland Building Authority is governed by a three-member board that is appointed by the mayor and approved by the City Council. Although it is legally separate from the City, it is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The activity of the City of Westland Building Authority is reported within the Building Authority Debt - 2005 Refunding Debt Service Fund.

Discretely Presented Component Units

- a. The Local Development Finance Authority and the Tax Increment Finance Authority were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authority's governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council. The Local Development Finance Authority does not issue its own financial statements.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council. The Economic Development Corporation does not issue its own financial statements.

Note 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. The Downtown Development Authority does not issue its own financial statements.
- d. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Brownfield Redevelopment Authority is inactive as of June 30, 2012. The Brownfield Redevelopment Authority does not issue its own financial statements.

Government-wide and Fund Financial Statements

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Methods Used to Value Investments - Investments are reported at fair value or estimated fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments. The fair value of real estate investments is based on periodic appraisals as well as the judgment of independent real estate advisors and management. Investments that do not have an established market value are reported at estimated fair value as determined by the plan's management. Approximately 30 percent of the plan's assets are not publicly traded and therefore do not have a readily determinable market value. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and therefore may differ significantly from the values that would have been used had a ready market for these securities existed. The difference could be material.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

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

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

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental fund:

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.

The City reports the following major proprietary fund:

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

Additionally, the City reports the following internal service and fiduciary activities:

Internal Service Funds - The internal service funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the City on a cost reimbursement basis. These funds were closed as of June 30, 2012.

Fiduciary Funds - The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees.

The trust and agency funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded as the City believes all receivables will be collected.

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

Note I - Summary of Significant Accounting Policies (Continued)

The 2011 taxable valuation of the City totaled approximately \$1.83 billion, on which ad valorem taxes levied consisted of 6.4834 mills for the City's operating purposes, .9477 mills for operation of the library, 4.5000 mills for the Police and Fire Pension Fund, and 2.0000 mills for sanitation. The ad valorem taxes levied raised approximately \$11.8 million for City operations, approximately \$1.7 million for operation of the library, approximately \$8.2 million for the Police and Fire Pension Fund, and approximately \$3.6 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 and special revenue fund financial statements as taxes receivable or as tax revenue.

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

Restricted Assets - The revenue bonds of the enterprise funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets.

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

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

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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

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

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

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

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose
- **Committed:** Amounts that have been formally set aside by the City Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the City Council.
- **Assigned:** Intent to spend resources on specific purposes expressed by the City Council

Note 1 - Summary of Significant Accounting Policies (Continued)

- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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

Note 2 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall at July 1, 2011	\$ (2,612,630)
Current year permit revenue	939,618
Related expenses	<u>696,249</u>
Current year overage	<u>243,369</u>
Cumulative shortfall at June 30, 2012	<u>\$ (2,369,261)</u>

Note 3 - Deposits and Investments

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

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

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

As permitted by state statutes and under the provisions of a securities lending authorization agreement, the City of Westland's Police and Fire Employees' Retirement System (the "System") (see Note 10) lends securities to broker-dealers and banks for collateral that will be returned for the same securities in the future. The System's custodial bank manages the securities lending program and receives cash as collateral. Borrowers are required to deliver collateral for each loan equal to not less than 100 percent of the market value of the loaned securities. During the year ended June 30, 2012, only United States currency was received as collateral. The City then converts that cash received as collateral into other investments.

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

Note 3 - Deposits and Investments (Continued)

The City of Westland's Police and Fire Employees' Retirement System and the borrower maintain the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in an investment pool. The average duration of such investment pools as of June 30, 2012 was one day because the loans are terminable on demand; their duration did not generally match the duration of the investments made with cash collateral. On June 30, 2012, the System had no credit risk exposure to borrowers. The collateral held (at cost) and the fair market value of the underlying securities on loan for the System as of June 30, 2012 was \$5,906,380 and \$5,897,601, respectively.

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$17,704,409 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 \$487,684 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.

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.

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 3 - Deposits and Investments (Continued)

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

Investment	Fair Value	Weighted Average Maturity (Years)
Pension funds:		
U.S. Treasury	\$ 5,392,265	10.69
U.S. government agency securities	5,652,423	25.44
Corporate securities	12,476,840	11.57
Component units - U.S. Treasury securities	369,270	3.79

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Primary government - Comerica J Fund	\$ 1,267,430	NR	
Fiduciary funds:			
Corporate securities (pension)	2,414,949	A	S&P
Corporate securities (pension)	875,945	AA	S&P
Corporate securities (pension)	1,815,673	AAA	S&P
Corporate securities (pension)	1,212,273	B	S&P
Corporate securities (pension)	2,009,636	BB	S&P
Corporate securities (pension)	4,033,196	BBB	S&P
Corporate securities (pension)	115,168	NR	S&P
Foreign bonds (pension)	735,057	A	S&P
Foreign bonds (pension)	142,526	AAA	S&P
Foreign bonds (pension)	1,248,944	BBB	S&P
U.S. government agency securities (pension)	332,735	AA	S&P
U.S. government agency securities (pension)	10,711,952	NR	S&P

Concentration of Credit Risk

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 4 - Receivables

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

	General Fund	Nonmajor Funds	Total		Total Primary Government	Component Units
			Governmental Activities	Business-type Activities		
Receivables:						
Property taxes receivable	\$ 790,708	\$ 78,131	\$ 868,839	\$ 1,071,778	\$ 1,940,617	\$ -
Special assessments	-	156,149	156,149	-	156,149	-
Customer receivables	-	-	-	11,176,448	11,176,448	-
Interest	284,639	-	284,639	1,299	285,938	179,552
Other receivables	427,496	-	427,496	-	427,496	-
Due from other governmental units	3,149,688	1,577,198	4,726,886	-	4,726,886	-
Total receivables	<u>\$ 4,652,531</u>	<u>\$ 1,811,478</u>	<u>\$ 6,464,009</u>	<u>\$ 12,249,525</u>	<u>\$ 18,713,534</u>	<u>\$ 179,552</u>

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

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

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
General Fund - Personal property tax	\$ 790,708	\$ -
General Fund - E-911 wireless revenue	184,000	-
Local Roads Fund - Special assessment revenue	156,149	-
Other nonmajor governmental funds - Library personal property tax	78,131	-
Total	<u>\$ 1,208,988</u>	<u>\$ -</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets

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

	Balance July 1, 2011	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2012
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 2,340,379	\$ -	\$ -	\$ -	\$ 2,340,379
Construction in progress	702,331	-	1,023,810	-	1,726,141
Subtotal	3,042,710	-	1,023,810	-	4,066,520
Capital assets being depreciated:					
Roads and sidewalks	755,452,081	-	423,135	13,126,138	742,749,078
Buildings and improvements	18,055,608	-	66,811	-	18,122,419
Other tools and equipment	25,192,492	-	852,120	844,331	25,200,281
Subtotal	798,700,181	-	1,342,066	13,970,469	786,071,778
Accumulated depreciation:					
Roads and sidewalks	545,623,596	-	10,697,160	12,469,845	543,850,911
Buildings and improvements	5,661,817	-	424,904	-	6,086,721
Other tools and equipment	18,172,009	-	1,353,929	732,429	18,793,509
Subtotal	569,457,422	-	12,475,993	13,202,274	568,731,141
Net capital assets being depreciated	229,242,759	-	(11,133,927)	768,195	217,340,637
Net capital assets	\$ 232,285,469	\$ -	\$ (10,110,117)	\$ 768,195	\$ 221,407,157
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ 2,576,864	\$ (2,576,864)	\$ -	\$ -	\$ -
Capital assets being depreciated -					
Water and sewer distribution systems	109,343,643	2,576,864	155,331	18,341	112,057,497
Accumulated depreciation -					
Water and sewer distribution systems	34,289,150	-	1,581,559	18,341	35,852,368
Net capital assets	\$ 77,631,357	\$ -	\$ (1,426,228)	\$ -	\$ 76,205,129

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 5 - Capital Assets (Continued)

	Balance July 1, 2011	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2012
Component Units					
Capital assets not being depreciated -					
Land	\$ 90,000	\$ -	\$ -	\$ -	\$ 90,000
Capital assets being depreciated:					
DDA improvements	2,341,493	-	-	-	2,341,493
TIFA improvements	391,958	-	-	-	391,958
Subtotal	2,733,451	-	-	-	2,733,451
Accumulated depreciation:					
DDA improvements	591,230	-	117,075	-	708,305
TIFA improvements	71,374	-	24,153	-	95,527
Subtotal	662,604	-	141,228	-	803,832
Net capital assets being depreciated	2,070,847	-	(141,228)	-	1,929,619
Net capital assets	\$ 2,160,847	\$ -	\$ (141,228)	\$ -	\$ 2,019,619

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

Governmental activities:

General government	\$ 605,459
Public safety	318,885
Public works	10,852,692
Recreation and culture	176,584
Internal service fund depreciation is charged to the various functions based on their usage of the asset	522,373

Total governmental activities \$ 12,475,993

Business-type activities - Enterprise Fund - Water and sewer \$ 1,581,559

Note 6 - Restricted Assets

Restricted assets at June 30, 2012 consist of \$320,000 of cash in the Water and Sewer Fund for the following purposes:

	Business-type Activities
Bond reserve for 1998 Water and Sewer Revenue Bonds	\$ 207,500
Bond reserve for 2006 Water and Sewer Revenue Bonds	112,500
Total restricted assets	<u>\$ 320,000</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Interfund Balances and Operating Transfers

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

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 1,116,099
	Other nonmajor governmental funds	698,645
	Total General Fund	1,814,744
Other nonmajor governmental funds	Other governmental funds	10,000
	Water and Sewer Fund	2,976
	Total other nonmajor governmental funds	12,976
	Total interfund activity	<u>\$ 1,827,720</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)	\$ 398,050
	Other governmental funds (3)	66,445
	Internal service fund (4)	230,664
	Total General Fund	695,159
Other governmental funds	General Fund (3)	160,506
	Other governmental funds (1)	923,850
	Other governmental funds (2)	835,918
	Total other governmental funds	1,920,274
	Total operating transfers	<u>\$ 2,615,433</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 7 - Interfund Balances and Operating Transfers (Continued)

- (1) Transfer for debt service
- (2) Transfer for local road construction and maintenance
- (3) Transfer for general operations
- (4) Transfer to close out Internal Service Fund

Note 8 - Long-term Debt

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

Long-term debt activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds:							
1997 Michigan Transportation Fund Bonds	4.000%	\$-	\$ 250,000	\$ -	\$ 250,000	\$ -	\$ -
1998 Michigan Transportation Fund Bonds	4.375%-4.500%	\$400,000	1,100,000	-	300,000	800,000	400,000
2004 Bonds Michigan Transportation Fund	3.000%-4.000%	\$250,000-\$300,000	2,250,000	-	250,000	2,000,000	250,000
2005 Building Authority Refunding Bonds	4.000%-5.000%	\$305,000-\$500,000	3,335,000	-	255,000	3,080,000	310,000
Installment purchase agreement:							
2009 recycle containers	5.980%	\$109,304-\$146,135	865,183	-	103,136	762,047	109,304
Other equipment	4.900%-5.600%	\$6,325-\$46,150	103,858	-	43,904	59,954	46,150
Total governmental bonds			7,904,041	-	1,202,040	6,702,001	1,115,454
Compensated absences			8,733,199	2,605,668	2,653,738	8,685,129	3,065,534
Total governmental activities			\$ 16,637,240	\$ 2,605,668	\$ 3,855,778	\$ 15,387,130	\$ 4,180,988
Business-type Activities							
Revenue bonds:							
1998 Water and Sewer Revenue Bonds	3.875%-3.900%	\$200,000-\$250,000	\$ 1,525,000	\$ -	\$ 200,000	\$ 1,325,000	\$ 200,000
2006 Water and Sewer Revenue Bonds	3.875%-3.900%	\$275,000-\$300,000	1,400,000	-	275,000	1,125,000	275,000
General obligation bonds:							
2010 State Revolving Fund Loan	2.500%	\$25,000-\$35,000	486,296	46,498	20,000	512,794	25,000
2010 Strategic Water Quality Initiatives Loan	2.500%	\$105,000-\$155,000	1,876,167	706,016	110,000	2,472,183	105,000
Installment purchase agreement -							
Other equipment	4.800%	\$40,562-\$133,907	308,396	-	40,562	267,834	42,537
Compensated absences			198,177	227,778	217,477	208,478	208,478
Total business-type activities			\$ 5,794,036	\$ 980,292	\$ 863,039	\$ 5,911,289	\$ 856,015
Component Unit Activities							
General obligation bonds -							
2010 Downtown Development Authority Installment Purchase Agreement	6.92%	\$-	\$ 51,671	\$ -	\$ 51,671	\$ -	\$ -

Note 8 - Long-term Debt (Continued)

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,115,454	\$ 272,071	\$ 1,387,525	\$ 647,537	\$ 191,106	\$ 838,643
2014	1,077,543	221,734	1,299,277	649,608	166,121	815,729
2015	759,871	180,157	940,028	656,781	140,974	797,755
2016	810,109	143,991	954,100	793,908	115,595	909,503
2017	842,890	107,773	950,663	390,000	83,874	473,874
2018-2022	2,096,134	117,164	2,213,298	1,000,000	264,372	1,264,372
Thereafter	-	-	-	1,564,977	198,925	1,763,902
Total	<u>\$ 6,702,001</u>	<u>\$ 1,042,890</u>	<u>\$ 7,744,891</u>	<u>\$ 5,702,811</u>	<u>\$ 1,160,967</u>	<u>\$ 6,863,778</u>

Total interest incurred related to governmental and business-type activities for the year approximated \$319,000 and \$162,000, respectively. Total interest incurred related to component units for the year approximated \$3,500.

Future Revenue Pledged for Debt Payments - The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. Proceeds from the bonds provided financing for the construction of the water supply and sewage disposal systems. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$2,779,331. During the current year, excluding the contingent liability of \$3,500,000, net revenue of the system was \$2,681,809 compared to the annual debt requirements of \$598,088.

Note 9 - Risk Management

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

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

Note 9 - Risk Management (Continued)

The City estimates the liability for general liability claims, workers' compensation claims, and health insurance claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. The estimate for the general liability, workers' compensation, and health claims are all included in the government-wide statement of net assets allocated between governmental and business-type activities. Changes in the estimated liabilities for the years ended June 30, 2012 and 2011 were as follows:

	General Liability		Workers' Compensation		Health Insurance Claims	
	2012	2011	2012	2011	2012	2011
Estimated liability - Beginning of year	\$ 1,311,226	\$ 1,122,118	\$ 617,000	\$ 831,827	\$ 83,224	\$ 477,500
Estimated claims incurred, including changes in estimates	1,915,689	1,679,872	1,550,762	25,804	6,139,241	4,701,157
Claim payments	(1,400,904)	(1,490,764)	(372,933)	(240,631)	(6,117,839)	(5,095,433)
Estimated liability - End of year	<u>\$ 1,826,011</u>	<u>\$ 1,311,226</u>	<u>\$ 1,794,829</u>	<u>\$ 617,000</u>	<u>\$ 104,626</u>	<u>\$ 83,224</u>

Note 10 - Defined Benefit Pension Plan

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all full-time police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2011, the date of the most recent actuarial valuation, membership consisted of 208 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 139 current active employees. The plan does not issue a separate financial report.

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

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 10 - Defined Benefit Pension Plan (Continued)

Funding Commitment - When the system enters into various investments, it may not completely fund the entire investment at the beginning. Rather, it enters into commitments to fund remaining capital amounts at certain points in time. At June 30, 2012, the remaining capital funding commitment for the system is approximately \$1,320,000.

Annual Pension Costs - For the year ended June 30, 2012, the City's annual pension cost of \$4,494,952 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		
	2010	2011	2012
Annual pension costs (APC)	\$ 3,829,140	\$ 4,137,201	\$ 4,494,952
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	\$ -	\$ -	\$ -

Funded Status and Funding Progress - As of June 30, 2011, the most recent actuarial valuation date, the plan was 88.8 percent funded. The actuarial accrued liability for benefits was \$175,310,438 and the actuarial value of assets was \$155,652,824, resulting in an underfunded actuarial accrued liability of \$19,657,614. The covered payroll (annual payroll to active employees covered by the plan) was \$10,840,217 and the ratio of the underfunded actuarial accrued liability to the covered payroll was 179.1 percent.

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

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2011, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.50 investment rate of return, (b) projected salary increases of 4.00 percent per year to 8.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

Reserves - As of June 30, 2012, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 655,786
Reserve for retired benefit payments	115,748,646

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 10 - Defined Benefit Pension Plan (Continued)

Municipal Employees' Retirement System of Michigan

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

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

Annual Pension Costs - For the year ended June 30, 2012, the City's annual pension cost of \$3,115,379 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial calculation at December 31, 2009, 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 4.5 percent per year to 17.50 percent per year, attributable to seniority/merit, and (c) postretirement benefit increases of 2.50 percent annually. Both (a) and (b) include an inflationary component of 4.50 percent. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 27 years.

Three-year Trend Information

	Fiscal Years Ended June 30		
	2010	2011	2012
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 3,530,623	\$ 3,550,609	\$ 3,115,379
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2009	2010	2011
Actuarial value of assets	\$ 56,913,144	\$ 57,465,343	\$ 56,636,806
Actuarial accrued liability (AAL) (entry)	\$ 98,241,028	\$ 104,515,192	\$ 109,980,544
Unfunded AAL (UAAL)	\$ 41,327,884	\$ 47,049,849	\$ 53,343,738
Funded ratio	58 %	55 %	51 %
Covered payroll	\$ 9,960,227	\$ 7,969,308	\$ 7,377,631
UAAL as a percentage of covered payroll	415 %	590 %	723 %

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission with the City of Garden City, the City of Inkster, and the City of Wayne. The City appoints two members to the Nankin Transit Commission's governing board, which then approves the annual budget. The City recorded a long-term liability related to the joint venture of approximately \$65,000 in the government-wide statement of net assets.

The City also participates in the Central Wayne County Sanitation Authority with the City of Dearborn Heights, the City of Garden City, the City of Inkster, and the City of Wayne. The City appoints one member to the Central Wayne County Sanitation Authority's board, which then approves the annual budget. The City recorded a long-term liability related to the joint venture of approximately \$10,000 in the government-wide statement of net assets.

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

Note 12 - Contingent Liabilities

Environmental Cleanup - Central City Park has been closed due to environmental contamination since 2007. As of the report date, the park is not owned or controlled by the City; however, it is expected to be deeded to the City by the County in the near future. During a previous year, the City and County came to a shared agreement and remediation plan. According to the agreement, the City paid the County \$765,000 during fiscal year 2011 and then will reimburse the County an additional \$350,000, in total, over the next five years, beginning November 2012. The \$350,000 is recorded on the government-wide statements. According to the contract, the City of Westland shall be responsible for any additional costs that are incurred during the remediation process that are above the County's contribution of \$1,500,000. As of the report date, the remediation is underway and it is the City's belief that additional costs, if any, will not be material.

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 12 - Contingent Liabilities (Continued)

Sanitation System Overflow - On June 5, 2010, the City experienced a 100-year rain event. As a result, the City's sanitation system lines backed up and approximately 500 residents filed claims for flood damage. The City was served on September 7, 2010 with a class action lawsuit for those claims. On May 25, 2011, the City experienced another 100-year rain event. As a result, the City's sanitation system lines backed up again and approximately 270 homes were affected. The City is participating in court-ordered facilitation. While the City believes it has governmental immunity from these claims due to the lack of a sewer system defect, at the report date, the City estimates it may be held responsible for \$3,500,000 in damages after insurance based on similar case settlements and has recorded this liability in the Water and Sewer Fund. The case is not expected to be ready for trial until early 2014.

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

Note 13 - Restricted Net Assets

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

	Total Governmental Activities	Total Business-type Activities
Restricted Cable Commission projects	\$ 95,212	\$ -
Public safety - E-911	314,263	-
Public safety - Drug forfeiture	17,732	-
Parks and recreation	388,900	-
Metroact Broadband	163,655	-
Street lighting	22,341	-
800 MHZ Fund	40,834	-
Community development	847,894	-
Revenue bonds	-	320,000
	<u>\$ 1,890,831</u>	<u>\$ 320,000</u>
Total		

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 14 - Commitments

The City has entered into several construction and maintenance contracts totaling \$1,352,614. As of June 30, 2012, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Note 15 - Acquisition of Assets

Upon repayment of all liabilities associated with the Elderly Housing Corporation facility, the assets of the corporation are to revert back to the City. The mortgage was paid off in November 2008. A transfer of the facility to the City has not occurred as of June 30, 2012.

Note 16 - Other Postemployment Benefits

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

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

Funding Progress - For the year ended June 30, 2012, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2011. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 12,714,042
Interest on the prior year's net OPEB obligation	1,052,028
Less adjustment to the annual required contribution	<u>(967,440)</u>
Total annual OPEB cost	12,798,630
Amounts contributed - Payments of current premiums	<u>(5,327,727)</u>
Increase in net OPEB obligation	7,470,903
OPEB obligation - Beginning of year	<u>23,378,403</u>
OPEB obligation - End of year	<u>\$ 30,849,306</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2012

Note 16 - Other Postemployment Benefits (Continued)

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/09	6/30/08	\$ 12,115,852	39.5	\$ 7,331,278
6/30/10	6/30/08	12,445,760	35.9	15,307,135
6/30/11	6/30/11	12,769,427	36.8	23,378,403
6/30/12	6/30/11	12,798,630	41.6	30,849,306

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

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

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

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

Note 16 - Other Postemployment Benefits (Continued)

In the June 30, 2011 actuarial valuation, the projected unit credit with linear proration to decrement cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 9 percent initially, reduced by decrements to an ultimate rate of 5 percent after 11 years. Both rates included a 3.0 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis over 30 years.

Note 17 - Upcoming Accounting Pronouncements

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

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

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

Note 17 - Upcoming Accounting Pronouncements (Continued)

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of fiscal year 2013-2014.

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Westland, Michigan, this standard will be adopted for the year ending June 30, 2014.

Note 17 - Upcoming Accounting Pronouncements (Continued)

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 22,384,710	\$ 22,384,710	\$ 21,408,829	\$ (975,881)
Licenses and permits	1,129,900	1,129,900	1,207,922	78,022
Federal sources	170,220	798,574	677,766	(120,808)
State sources	5,795,219	5,827,969	7,276,022	1,448,053
Charges for services	6,427,854	6,427,854	6,933,047	505,193
Court fines and fees	3,800,000	3,800,000	3,502,067	(297,933)
Interest income	100,000	100,000	91,730	(8,270)
Other	11,225,951	11,225,951	10,783,618	(442,333)
Total revenue	51,033,854	51,694,958	51,881,001	186,043
Expenditures				
Current:				
General government:				
Legislative	108,850	108,850	104,539	4,311
Executive	611,317	611,317	611,125	192
Computer information systems	426,846	426,846	455,879	(29,033)
Law	650,000	650,000	721,350	(71,350)
Finance	1,376,311	1,376,311	1,325,798	50,513
Assessment	327,463	327,463	314,209	13,254
City clerk	736,554	747,054	726,529	20,525
City hall and grounds	210,360	210,360	249,374	(39,014)
Motorpool	864,380	864,380	864,380	-
Personnel	319,323	319,323	262,370	56,953
Housing	565,269	565,269	486,467	78,802
Insurance and bonds	607,591	607,591	593,277	14,314
General government	3,632,593	3,632,593	3,033,455	599,138
Community development	465,314	465,314	415,041	50,273
Total general government	10,902,171	10,912,671	10,163,793	748,878
Public safety:				
Police	14,221,291	14,263,238	14,345,161	(81,923)
Joint dispatch	1,376,775	1,376,775	1,375,227	1,548
Fire	11,581,859	12,168,266	11,201,600	966,666
Police and Fire Retirement Board	80,000	80,000	26,900	53,100
Building	768,560	768,560	752,482	16,078
District Court	3,329,840	3,329,840	3,322,009	7,831
Total public safety	31,358,325	31,986,679	31,023,379	963,300
Highway maintenance	1,778,717	1,833,717	1,621,337	212,380
Sanitation	4,506,891	4,506,891	4,196,244	310,647
Youth Assistance Program	880,000	912,750	851,639	61,111
Recreation and culture:				
Parks and recreation	1,763,658	1,763,658	1,700,934	62,724
Ice arena	309,567	309,567	279,876	29,691
Senior resources	415,249	415,249	366,975	48,274
Golf course	313,349	313,349	277,568	35,781
Total recreation and culture	2,801,823	2,801,823	2,625,353	176,470
Debt service	154,874	154,874	154,874	-
Total expenditures	52,382,801	53,109,405	50,636,619	2,472,786

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2012

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	Variance with <u>Amended Budget</u>
Excess of Revenue (Under) Over Expenditures	\$ (1,348,947)	\$ (1,414,447)	\$ 1,244,382	\$ 2,658,829
Other Financing Sources (Uses)				
Proceeds from sale of capital assets	10,000	10,000	2,000	(8,000)
Transfers in	590,000	590,000	521,398	(68,602)
Transfers out	<u>(223,062)</u>	<u>(223,062)</u>	<u>(428,572)</u>	<u>(205,510)</u>
Total other financing sources	<u>376,938</u>	<u>376,938</u>	<u>94,826</u>	<u>(282,112)</u>
Net Change in Fund Balance	(972,009)	(1,037,509)	1,339,208	2,376,717
Fund Balance - Beginning of year	<u>9,651,665</u>	<u>9,651,665</u>	<u>9,651,665</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 8,679,656</u></u>	<u><u>\$ 8,614,156</u></u>	<u><u>\$ 10,990,873</u></u>	<u><u>\$ 2,376,717</u></u>

City of Westland, Michigan

Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended June 30, 2012 (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded/Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	AAL (UAAL) as a Percentage of Covered Payroll
6/30/06	\$ 128,700	\$ 134,600	\$ 5,900	95.6	\$ 12,600	46.8
6/30/07	140,800	141,200	400	99.7	12,700	3.1
6/30/08	152,600	147,000	(5,600)	103.8	12,900	(43.4)
6/30/09	155,400	154,000	(1,400)	100.9	13,000	(10.8)
6/30/10	156,500	168,900	12,400	92.7	11,000	112.7
6/30/11	155,600	175,300	19,700	88.8	11,000	179.1

Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution *	Percentage Contributed
6/30/07	6/30/06	\$ 4,281,154	100
6/30/08	6/30/07	5,085,329	100
6/30/09	6/30/08	4,738,178	100
6/30/10	6/30/09	3,829,140	100
6/30/11	6/30/10	4,137,201	100
6/30/12	6/30/11	4,494,952	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, 2011, the latest actuarial valuation, is as follows:

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

City of Westland, Michigan

Note to Required Supplemental Information Year Ended June 30, 2012

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all special revenue funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than as a reduction of expenditures. The City adopts each fund's budget individually, so budgeted amounts in the General Fund include only General Fund activity, not including the funds rolled into the Combining General Fund as a result of GASB No. 54. As a result, the revenue and expenditures of these funds are not included in the General Fund budget.

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

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2012 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>
General Fund:		
Amounts per operating statement	\$ 51,002,841	\$ 49,020,957
Reimbursements from other funds recorded as revenue	1,621,337	1,621,337
E-911 Fund	(523,742)	(3,404)
Metro Act - Broadband Fund	<u>(219,435)</u>	<u>(2,271)</u>
Amounts per budget statement	<u>\$ 51,881,001</u>	<u>\$ 50,636,619</u>

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

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Computer information systems	\$ 426,846	\$ 455,879	\$ (29,033)
Law	650,000	721,350	(71,350)
Police	14,263,238	14,345,161	(81,923)
City hall and grounds	210,360	249,374	(39,014)

Other Supplemental Information

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
General Government				
Legislative	\$ 96,318	\$ 96,688	\$ 1,932	\$ 2,451
City clerk	561,573	547,351	31,737	19,653
Executive	592,630	591,231	5,955	6,623
Assessment	225,308	221,666	3,100	1,978
Computer information systems	173,136	208,439	67,310	61,760
General - Law	-	-	-	-
Finance	1,090,117	1,066,709	70,000	66,624
City hall and grounds	-	-	18,800	13,515
General government	2,877,500	2,301,340	50,000	44,164
Planning	265,257	260,693	2,500	1,058
Economic development	257,338	253,003	1,200	2,625
Community development programs	390,347	364,375	5,350	1,534
Housing development	565,269	486,467	-	-
Insurance and bonds	40,000	27,019	-	-
Personnel	250,923	250,073	2,200	1,592
Total general government	7,385,716	6,675,054	260,084	223,577
Public Safety				
District Court	2,797,640	2,838,077	96,500	114,432
Police	13,649,511	13,735,314	58,700	58,033
Fire	11,657,278	10,636,889	144,000	142,671
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,372,275	1,371,200	3,500	4,027
Building	42,760	39,351	8,750	4,246
Total public safety	29,519,464	28,620,831	311,450	323,409
Highways and Streets	1,193,017	1,105,031	295,500	220,772

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

Other Supplemental Information
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2012

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 10,600	\$ 5,400	\$ -	\$ -	\$ -	\$ -	\$ 108,850	\$ 104,539
153,744	159,525	-	-	-	-	747,054	726,529
12,732	13,271	-	-	-	-	611,317	611,125
99,055	90,565	-	-	-	-	327,463	314,209
141,900	137,405	44,500	48,275	-	-	426,846	455,879
650,000	721,350	-	-	-	-	650,000	721,350
216,194	192,465	-	-	-	-	1,376,311	1,325,798
191,560	235,859	-	-	-	-	210,360	249,374
313,635	335,673	50,000	22,579	-	-	3,291,135	2,703,756
4,850	3,197	-	-	-	-	272,607	264,948
5,313	4,123	-	-	-	-	263,851	259,751
69,617	49,132	-	-	-	-	465,314	415,041
-	-	-	-	-	-	565,269	486,467
1,725,000	992,785	-	-	-	-	1,765,000	1,019,804
66,200	10,705	-	-	-	-	319,323	262,370
3,660,400	2,951,455	94,500	70,854	-	-	11,400,700	9,920,940
435,700	369,500	-	-	-	-	3,329,840	3,322,009
955,027	901,814	-	-	-	-	14,663,238	14,695,161
366,988	413,171	-	8,869	-	-	12,168,266	11,201,600
80,000	26,900	-	-	-	-	80,000	26,900
1,000	-	-	-	-	-	1,376,775	1,375,227
717,050	708,885	-	-	-	-	768,560	752,482
2,555,765	2,420,270	-	8,869	-	-	32,386,679	31,373,379
345,200	295,534	-	-	-	-	1,833,717	1,621,337

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
Building Authority Debt - Tower - Operating transfer	\$ -	\$ -	\$ -	\$ -
Sanitation	364,595	159,493	2,400	-
Cultural and Recreation				
Youth assistance	-	-	13,150	4,708
Senior resource department	252,921	251,134	51,400	40,396
Parks and recreation	875,654	934,395	108,600	82,282
Golf course	-	-	18,000	24,126
Cable	-	-	430,660	436,394
Historical committee	-	-	1,160	235
Ice arena	-	-	22,200	30,593
Total cultural and recreation	1,128,575	1,185,529	645,170	618,734
Debt Service	-	-	-	-
Sundry - Motorpool contribution	864,380	864,380	-	-
Total expenditures and other operating transfers	<u>\$ 40,455,747</u>	<u>\$ 38,610,318</u>	<u>\$ 1,514,604</u>	<u>\$ 1,386,492</u>

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

Other Supplemental Information
Schedule of Expenditures - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2012

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 223,062	\$ 197,908	\$ 223,062	\$ 197,908
4,139,896	4,036,751	-	-	-	-	4,506,891	4,196,244
899,600	846,931	-	-	-	-	912,750	851,639
110,928	75,445	-	-	-	-	415,249	366,975
267,184	175,737	-	-	-	-	1,251,438	1,192,414
295,349	253,442	-	-	-	-	313,349	277,568
68,100	61,926	-	-	-	-	498,760	498,320
12,300	9,965	-	-	-	-	13,460	10,200
<u>287,367</u>	<u>249,283</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>309,567</u>	<u>279,876</u>
1,940,828	1,672,729	-	-	-	-	3,714,573	3,476,992
-	-	-	-	154,874	154,874	154,874	154,874
-	-	-	-	-	-	864,380	864,380
<u>\$ 12,642,089</u>	<u>\$ 11,376,739</u>	<u>\$ 94,500</u>	<u>\$ 79,723</u>	<u>\$ 377,936</u>	<u>\$ 352,782</u>	<u>\$ 55,084,876</u>	<u>\$ 51,806,054</u>

City of Westland, Michigan

Special Revenue Funds						
	Major Roads Fund	Local Roads Fund	Community Development Block Grant	Street Lighting	Drug Forfeiture	Library
Assets						
Cash and cash equivalents	\$ 683,003	\$ 1,423,725	\$ 113,883	\$ 29,461	\$ 52,321	\$ 1,355,432
Receivables - Net	1,033,956	354,770	273,491	-	-	149,261
Due from other funds	-	12,976	-	-	-	-
Prepaid expenses and other assets	8,936	-	-	-	-	-
Assets held for resale	-	-	847,894	-	-	-
Total assets	\$ 1,725,895	\$ 1,791,471	\$ 1,235,268	\$ 29,461	\$ 52,321	\$ 1,504,693
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 47,337	\$ 5,121	\$ 72,649	\$ -	\$ 10,020	\$ 74,763
Due to other funds	210,570	151,661	314,725	7,120	24,569	-
Accrued and other liabilities	-	-	-	-	-	27,982
Deferred revenue	-	156,149	-	-	-	78,131
Total liabilities	257,907	312,931	387,374	7,120	34,589	180,876
Fund Balances						
Restricted	1,459,052	1,478,540	847,894	22,341	17,732	1,323,817
Nonspendable	8,936	-	-	-	-	-
Total liabilities and fund balances	\$ 1,725,895	\$ 1,791,471	\$ 1,235,268	\$ 29,461	\$ 52,321	\$ 1,504,693

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

Special Revenue Funds		Debt Service Funds			
Task Force	800 MHZ	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	Total Nonmajor Governmental Funds	
\$ -	\$ 41,687	\$ -	\$ -	\$ 3,699,512	
-	-	-	-	1,811,478	
-	-	-	-	12,976	
-	-	-	-	8,936	
-	-	-	-	847,894	
\$ -	\$ 41,687	\$ -	\$ -	\$ 6,380,796	

\$ -	\$ 853	\$ -	\$ -	\$ 210,743	
-	-	-	-	708,645	
-	-	-	-	27,982	
-	-	-	-	234,280	
-	853	-	-	1,181,650	
-	40,834	-	-	5,190,210	
-	-	-	-	8,936	
\$ -	\$ 41,687	\$ -	\$ -	\$ 6,380,796	

City of Westland, Michigan

Special Revenue Funds						
	Major Roads Fund	Local Roads Fund	Community Development Block Grant	Street Lighting	Drug Forfeiture	Library
Revenue						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,488,651
Federal sources	-	-	1,358,692	-	-	-
State sources	3,355,242	1,201,644	-	-	399,293	106,263
Interest income	2,838	4,718	27	72	443	3,972
Other revenue:						
Special assessments	-	50,819	-	1,445,761	-	-
Local sources	146,085	-	-	-	-	103,816
Refund of captured property taxes	-	-	-	-	-	178,683
Other income	-	556	66,035	-	-	16,236
Total revenue	3,504,165	1,257,737	1,424,754	1,445,833	399,736	1,897,621
Expenditures						
Current:						
General government	-	-	-	-	-	-
Street lighting	-	-	-	1,457,001	-	-
Public safety	-	-	-	-	427,640	-
Public works	1,313,736	1,614,241	-	-	-	-
Community and economic development	-	-	1,069,401	-	-	-
Cultural and recreation	-	-	-	-	-	2,108,008
Debt service	-	-	-	-	-	-
Total expenditures	1,313,736	1,614,241	1,069,401	1,457,001	427,640	2,108,008
Excess of Revenue Over (Under) Expenditures	2,190,429	(356,504)	355,353	(11,168)	(27,904)	(210,387)
Other Financing Sources (Uses)						
Transfers in	-	835,918	-	33,509	-	-
Transfers out	(1,759,768)	-	(160,506)	-	-	-
Total other financing (uses) sources	(1,759,768)	835,918	(160,506)	33,509	-	-
Net Change in Fund Balances	430,661	479,414	194,847	22,341	(27,904)	(210,387)
Fund Balances - Beginning of year	1,037,327	999,126	653,047	-	45,636	1,534,204
Fund Balances - End of year	\$ 1,467,988	\$ 1,478,540	\$ 847,894	\$ 22,341	\$ 17,732	\$ 1,323,817

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

Special Revenue Funds		Debt Service Funds			
		Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	Total Nonmajor Governmental Funds	
Task Force	800 MHZ				
\$ -	\$ -	\$ -	\$ -	\$ 1,488,651	
-	-	-	-	1,358,692	
-	-	-	-	5,062,442	
20	80	-	-	12,170	
-	-	-	-	1,496,580	
-	119,911	-	-	369,812	
-	-	-	-	178,683	
-	83,052	-	-	165,879	
<u>20</u>	<u>203,043</u>	<u>-</u>	<u>-</u>	<u>10,132,909</u>	
-	215,207	-	-	215,207	
-	-	-	-	1,457,001	
74,023	-	-	-	501,663	
-	-	-	-	2,927,977	
-	-	-	-	1,069,401	
-	-	-	-	2,108,008	
-	-	923,850	398,050	1,321,900	
<u>74,023</u>	<u>215,207</u>	<u>923,850</u>	<u>398,050</u>	<u>9,601,157</u>	
(74,003)	(12,164)	(923,850)	(398,050)	531,752	
-	32,936	923,850	398,050	2,224,263	
-	-	-	-	(1,920,274)	
<u>-</u>	<u>32,936</u>	<u>923,850</u>	<u>398,050</u>	<u>303,989</u>	
(74,003)	20,772	-	-	835,741	
<u>74,003</u>	<u>20,062</u>	<u>-</u>	<u>-</u>	<u>4,363,405</u>	
<u>\$ -</u>	<u>\$ 40,834</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,199,146</u>	

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2012

	Motorpool	General Liability	Total
Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net Assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2012

	Motorpool	General Liability	Total
Operating Revenue -			
Charges to other funds	\$ 1,338,625	\$ -	\$ 1,338,625
Operating Expenses			
Wages and fringe benefits	173,701	-	173,701
Contracted services	9,943	-	9,943
Operating supplies	514,350	-	514,350
Repairs and maintenance	528,158	-	528,158
Rent, insurance claims, and other	116	-	116
Depreciation	522,373	-	522,373
Total operating expenses	<u>1,748,641</u>	<u>-</u>	<u>1,748,641</u>
Operating Loss	(410,016)	-	(410,016)
Nonoperating Revenue (Expenses)			
Interest income	493	-	493
Interest expense	(5,436)	-	(5,436)
Gain on sale of assets	48,280	-	48,280
Loss - Before contributions	(366,679)	-	(366,679)
Transfers Out	<u>(1,972,237)</u>	<u>-</u>	<u>(1,972,237)</u>
Change in Net Assets	(2,338,916)	-	(2,338,916)
Net Assets - Beginning of year	<u>2,338,916</u>	<u>-</u>	<u>2,338,916</u>
Net Assets - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	Motorpool	General Liability	Total
Cash Flows from Operating Activities			
Payments to suppliers	\$ (987,087)	\$ -	\$ (987,087)
Payments to employees	(179,349)	-	(179,349)
Internal activity - Payments from other funds	1,606,930	-	1,606,930
Net cash provided by operating activities	440,494	-	440,494
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of assets	160,212	-	160,212
Purchase of capital assets	(581,210)	-	(581,210)
Principal and interest paid on long-term debt	(49,338)	-	(49,338)
Net cash used in capital and related financing activities	(470,336)	-	(470,336)
Cash Flows from Investing Activities -			
Interest received on investments and other assets	493	-	493
Net Decrease in Cash and Cash Equivalents	(29,349)	-	(29,349)
Cash and Cash Equivalents - Beginning of year	29,349	-	29,349
Cash and Cash Equivalents - End of year	\$ -	\$ -	\$ -
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (410,016)	\$ -	\$ (410,016)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	522,373	-	522,373
Changes in assets and liabilities:			
Receivables	37,363	-	37,363
Due from other funds	343,166	1,311,226	1,654,392
Accounts payable	65,480	-	65,480
Accrued and other liabilities	(5,648)	(1,311,226)	(1,316,874)
Due to other funds	(11,799)	-	(11,799)
Closing of Motorpool Fund	(100,425)	-	(100,425)
Net cash provided by operating activities	\$ 440,494	\$ -	\$ 440,494

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2012

	Agency Funds			
	Trust and Agency	Undistributed Tax Collection	District Court	Total
Assets - Cash and cash equivalents	\$ 1,565,746	\$ 1,107,856	\$ 272,651	\$ 2,946,253
Liabilities				
Due to other governmental units	\$ -	\$ 1,107,856	\$ 97,096	\$ 1,204,952
Accrued and other liabilities	1,565,746	-	175,555	1,741,301
Total liabilities	\$ 1,565,746	\$ 1,107,856	\$ 272,651	\$ 2,946,253

City of Westland, Michigan

**Federal Awards
Supplemental Information
June 30, 2012**

City of Westland, Michigan

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Independent Auditor's Report

To the City Council
City of Westland, Michigan

We have audited the basic 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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 6, 2012, which contained unqualified opinions on those basic financial statements. 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 have not performed any procedures with respect to the audited basic financial statements subsequent to December 6, 2012.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

December 6, 2012

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

Independent Auditor's Report

To the City Council
City of Westland, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 6, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the District Court Funds of District No. 18 were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

The management of the City of Westland, Michigan is responsible for establishing and maintaining an effective 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

To the City Council
City of Westland, Michigan

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2012-1, 2012-2, 2012-3, and 2012-4 to be material weaknesses.

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 December 6, 2012.

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 City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

December 6, 2012

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

Independent Auditor's Report

To the City Council
City of Westland, Michigan

Compliance

We have audited the compliance of the City of Westland, Michigan (the "City") with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. The major federal programs of the City of Westland, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Westland, Michigan's management. Our responsibility is to express an opinion on the City of Westland, Michigan's compliance based on our audit.

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

In our opinion, the City of Westland, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-5.

To the City Council
City of Westland, Michigan

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2012-5 and 2012-6. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

Plante & Moran, PLLC

December 6, 2012

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
CDBG Entitlement Grants Cluster:			
Community Development Block Grants/Entitlement Grant	14.218	B-11-MC-26-0017	\$ 811,877
Neighborhood Stabilization Program	14.218	B-08-MN-26-0016	<u>50,059</u>
Subtotal CDBG Entitlement Grants Cluster			861,936
Home Investment Partnerships Program	14.239	M11-MC260218	<u>392,292</u>
Total U.S. Department of Housing and Urban Development			1,254,228
U.S. Department of Energy - ARRA - Energy Efficiency and Conservation - Block Grant Award			
	81.128	M09-MC260218	10,020
U.S. Department of Transportation - Office of Highway Safety Cluster Programs:			
State and Community Highway Safety - Passed through the State of Michigan	20.600	PT-10-05 & PT-11-35	12,340
Alcohol Impaired Driving Countermeasures Incentive Grants I - Passed through the State of Michigan	20.601	AL-10-04 & AL-11-30	<u>11,118</u>
Total U.S. Department of Transportation Highway Safety Cluster			23,458
U.S. Department of Justice - JAG Grants Cluster - Bureau of Justice Assistance - Edward Byrne Memorial Justice Assistance Grant Program - Passed through Wayne County, Michigan			
	16.738	2009-DJ-BX-0788	31,829
U.S. Department of Health and Human Services - Block Grants for Prevention and Treatment of Substance Abuse - Passed through the Southeast Michigan Community Alliance			
	93.959		53,825
U.S. Department of Homeland Security:			
Assistance to Firefighters Grant	97.044	EMW-2010-FO-06876	13,867
Assistance to Firefighters Grant - Staffing for Adequate Fire and Emergency Response	97.044	EMW-2010-FH-00752	<u>367,826</u>
Total U.S. Department of Homeland Security			381,693
U.S. Department of Agriculture - Food Distribution			
	10.550	ERP-337.20	<u>31,611</u>
Total federal awards			<u>\$ 1,786,664</u>

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Westland, Michigan under programs of the federal government for the year ended June 30, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2 - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant Entitlement Cluster	14.218	\$ 27,096

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, 2012 that is included on the schedule of expenditures of federal awards:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Description</u>	<u>Amount</u>
U.S. Department of Agriculture	10.550	Food Distribution	\$ 31,611

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Entitlement Cluster
97.044	Assistance to Firefighters

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, 2012

Section II - Financial Statement Audit Findings

Reference Number	Finding
2012-1	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to have workpaper preparation completed for the auditors and to present the trial balance ready for audit, in accordance with generally accepted accounting principles.</p> <p>Condition - During the City of Westland, Michigan's (the "City") financial statement audit for the year ended June 30, 2012, it was noted the City had difficulty closing its year-end books. The City was required to post several entries in order for its financial statements to be correctly stated.</p> <p>Context - Significant journal entries were required to be made to the City's funds after the audit commenced on August 27, 2012.</p> <p>Cause - As in prior years, the City had difficulties closing its books at year end. At the start of the audit, the accounting records contained several account balances that had not yet been adjusted to the appropriate amounts.</p> <p>Effect - As a result, certain transactions were not originally recorded in audit records or were recorded incorrectly prior to the audit process and material adjustments, both in number and size, were required.</p> <p>Recommendation - The City should attempt to post all entries required to close out the books prior to the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has added personnel and will focus on improving year-end reporting prior to the audit.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-2	<p>Finding Type - Material weakness</p> <p>Criteria - Per generally accepted accounting principles, investments should be recorded at fair market value.</p> <p>Condition - The City of Westland Police and Fire Retirement System is invested in several alternative investments whose fair market values cannot be traced to any published indices. The fair market value is based on estimates and judgments from the investment's management. The City does not have a routine process in place for reviewing fair market value and for adjusting the City's general ledger to it.</p> <p>Context - When reviewing the fair market value of the alternative investments in the Police and Fire Retirement System, adjustments were required to be made to properly reflect the fair market value as of year end.</p> <p>Cause - The audit team noted little review throughout the year of the value of the alternative investments. Plante & Moran, PLLC also had difficulties in obtaining sufficient evidence to value the alternative investments in the Westland Police and Fire Retirement System. The audit team applied additional procedures in order to obtain proper audit evidence to support the recorded values.</p> <p>Effect - Adjustments were suggested by the auditors in order for the City's financial statements to accurately reflect the fair market value of these investments.</p> <p>Recommendation - The City should evaluate the values of these alternative investments periodically and record the necessary adjustments before the commencement of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will review processes and make the necessary adjustment to record the fair market value of these investments before the commencement of the audit.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-3	<p>Finding Type - Material weakness</p> <p>Criteria - The City should timely record and reconcile activity in the CDBG Fund.</p> <p>Condition - During the City's financial statement audit for the year ended June 30, 2012, it was noted that certain activity in the CDBG Fund occurred but was not recorded in the City's general ledger for an extended period of time.</p> <p>Context - During the audit testing of cash and interfund balances, it was noted not all activity was recorded in the CDBG Fund and certain reconciling items existed for multiple months. This also impacted the reconciliation of the City's SEFA.</p> <p>Cause - When activity in the CDBG Fund occurred, it was not timely recorded into the City's general ledger.</p> <p>Effect - As a result, significant reconciling items existed for several months throughout the year until year-end adjustments were made. This also created difficulties in reconciling the City's SEFA with the general ledger.</p> <p>Recommendation - The City should timely record and review activity as a normal part of its accounting procedures and controls.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City has added personnel and will more timely record such activity to ensure the financial information stays up to date.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-4	<p>Finding Type - Material weakness</p> <p>Criteria - The City should ensure all invoices are obtained from departments for the proper review and recording of current year expenses.</p> <p>Condition - During the City's financial statement audit for the year ended June 30, 2012, it was noted that approximately \$85,000 of accounts payable was not recorded in the City's general ledger.</p> <p>Context - Certain invoices were not received by the finance department and therefore were unable to be reviewed for proper inclusion/exclusion in the year under audit.</p> <p>Cause - Department heads did not remit certain invoices to the finance department on a timely basis.</p> <p>Effect - As a result, approximately \$85,000 of accounts payable and expenses were unrecorded for the year ended June 30, 2012.</p> <p>Recommendation - The City should emphasize the timely remittance of all invoices and take steps to ensure these invoices are all received.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City agrees with this recommendation and will take steps to ensure all invoices are submitted to the finance department on a timely basis.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

Section III - Federal Program Audit Findings

Reference Number	Finding
2012-5	<p>Program Name - Assistance to Firefighters Grant (CFDA No. 97.044)</p> <p>Pass-through Entity - None</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Criteria - In accordance with the Assistance to Fire Fighters program information and grant agreement, the City is required to submit a biannual report that describes the current expenditures and reimbursements received from federal funds.</p> <p>Condition - The City had incurred expenditures relating to the federal grant through the year ended June 30, 2012, but only reported amounts through the last request of reimbursement dated June 8, 2012.</p> <p>Questioned Costs - None</p> <p>Context - The City correctly reported the amounts through the last request of reimbursement, but excluded the expenditures from the date of the last request through the end of the year, even though the costs were incurred during the year. As a result the biannual report understated the expenditures incurred through June 30, 2012.</p> <p>Cause and Effect - The City was reporting amounts based on reimbursements received and hence reported only those amounts for which the City was reimbursed through June 30, 2012. As a result, the biannual report understated the expenditures incurred through June 30, 2012.</p> <p>Recommendation - We recommend the City implement a process by which the biannual reports include all costs incurred through the reporting date, irrespective of whether the City has been reimbursed for those costs by the funding agency.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will begin to track and report this grant on an accrual basis.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-6	<p>Program Name - Assistance to Firefighters Grant (CFDA No. 97.044)</p> <p>Pass-through Entity - None</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Per the guidance issued by the Department of Homeland Security for the 2010 awards as well as the grant agreement, the City cannot request reimbursement for certain ineligible overtime costs.</p> <p>Condition - During the year ended June 30, 2012, the City charged certain ineligible overtime costs and other costs not incurred on behalf of the employees covered by the SAFER award, to the grant.</p> <p>Questioned Costs - \$7,794</p> <p>Context - The City included for reimbursement all wages for the employees covered by the SAFER grant, which included ineligible overtime costs. The City also included for reimbursement certain fringe benefit costs that had not actually been paid for on behalf of the employees.</p> <p>Cause and Effect - A misunderstanding of the definition of allowable costs under the SAFER grant led to certain ineligible costs being charged to the grant.</p> <p>Recommendation - We recommend the City implement a process by which only eligible costs, as defined under the grant award, are requested for reimbursement.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City will correctly exclude overtime and other unallowable costs from future request for reimbursement due to a new understanding of the regulations and review of cost submissions.</p>

City of Westland, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2012

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
Audit findings that have been fully corrected:					
2011	2011-5	HUD requires that, for all projects where funding exceeds \$200,000, a HUD Form 60002 - Summary Report is required to be filed timely with the CAPER. The CAPER was filed timely, however, Form 60002 was not included.	14.218	None	The City expended \$250,000 of community planning and development funding. Form 60002 was filed, but not timely along with the CAPER. This was corrected in the current year as all required filings were submitted timely.

City of Westland, Michigan

Report to the City Council

June 30, 2012

December 6, 2012

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

We have audited the financial statements of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2012 and have issued our report thereon dated December 6, 2012. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under SAS 114

Section II - Other Recommendations

Section III - Legislative and Informational Items

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

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

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

In addition to the comments and recommendations in this letter, our observations and comments regarding the City of Westland's internal control, including any significant deficiencies or material weaknesses that we identified, 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, 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

December 6, 2012

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

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

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

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz".

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Brian J. Camiller".

Brian J. Camiller

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

December 6, 2012

Section I - Communications Required Under SAS 114

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 2, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City of Westland, Michigan. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

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

Our audit of the City of Westland's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City of Westland's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated December 6, 2012 regarding our consideration of the City of Westland's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the City of Westland, 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 letter about planning matters dated August 27, 2012.

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

December 6, 2012

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Westland, Michigan are described in Note I to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2012.

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

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

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements include the historical cost of the City's infrastructure (roads and buildings), net other postemployment benefits obligation, incurred but not reported claims of workers' compensation, general liability and health insurance, the valuation of the alternative investments in the Police and Fire Pension Fund, the estimated liability related to legal proceedings, and the estimated liability recorded for potential Michigan Tax Tribunals and future county chargebacks.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

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

The City's year-end adjustments to the accounting records were not yet complete at the start of the audit. The City provided many necessary journal entries to close the year during the course of the audit. In addition, the audit team provided significant accounting assistance during the course of the audit by suggesting necessary adjustments to properly close the year.

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

December 6, 2012

The Community Development Block Grant (CDBG) Fund required significant accounting assistance as the Fund's activity was not timely recorded throughout the year.

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.

Disagreements with Management

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 6, 2012.

Management Consultations with Other Independent Accountants

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

Section II - Other Recommendations

During our audit, we noted areas where we believe there are opportunities for the City to further strengthen internal control or to increase operating efficiencies. Our observations on those areas are presented for your consideration below.

- Despite the continued challenges facing local units of government across the state of Michigan, the City's General Fund fund balance increased during the fiscal year ended June 30, 2012 by nearly \$1.5 million. This increase is the result of a few one-time-only events that improved the City's bottom line:

Closing of Motorpool Fund	\$ 220,076
Youth Assistance grant	857,991
MMRMA refund	426,527
Other operational activity	<u>(55,363)</u>
Increase in General Fund fund balance	<u>\$ 1,449,231</u>

As of June 30, 2012, total unassigned fund balance in the General Fund is \$4,721,174, or 9.6 percent of 2011-2012 expenditures. Like most cities, the City's continuing challenge will be to contain costs in the face of generally flat or declining revenue streams. We commend the City for the actions taken to date to address the issue, including the creation of the General Fund forecast, exploring alternative staffing models, conducting a study of health insurance arrangements, offering early retirement incentives, cost-sharing arrangements with other cities, et. We continue to stress to the City the importance of improving operational efficiencies and continuing cost-cutting efforts.

- The City has made significant progress recently related to consolidation of services, most notably the agreements with the City of Wayne related to the fire department and parks and recreation. We encourage you to continue considering regional efforts to reduce the cost of service, particularly if operational efficiency is enhanced.
- As of June 30, 2012, the City has a fund balance of approximately \$1,496,000 that is restricted for sanitation. This is \$1,178,000 less than in 2011, as sanitation-related expenditures exceeded revenue for the year. This remaining restricted fund balance is the cumulative surplus of property taxes raised by the City's sanitation millage and other sanitation-related revenue in excess of expenditures to date. The 2012-2013 budget projects that \$1,400,000 of this balance will be used toward sanitation operations during the current year, virtually depleting the reserve. Options to balance the sanitation revenue and expenditures should focus on cost reductions and discussion of the remaining sanitation levy millage capacity. The City still has the ability to raise the sanitation millage by 0.4 mills, which would generate an additional \$645,000 at the City's current taxable value.

- As of June 30, 2012, the City has a fund balance of approximately \$4,129,000 that is restricted for the pension and retiree healthcare premiums of the police and fire departments. This is a decrease of \$369,000 from the prior year. This balance is the cumulative surplus of property taxes raised by the City's dedicated Public Act 345 retirement millage. It was noted that the funding of the Police and Fire Retirement System dipped below 90 percent based on the June 30, 2011 actuarial valuation. This is a result of increasing costs to the system as well as investments performing under expectations. The City has the ability to use the remaining fund balance as well as increase the PA 345 millage as necessary in order to continue funding the pension system at actuarially determined rates.

The city administration and City Council have worked well together over the last several years on taking the necessary steps to continue balancing the annual budget while providing comprehensive services. Short-term financial indications, like increasing General Fund fund balance, are trending upward; however, the longer-term indicators such as the underfunded pension obligations, the unfunded retiree healthcare obligation (OPEB), and a significant balance of accrued sick and vacation payable continue to trend downward. As you start to prepare for the budget preparation process for the 2013/2014 fiscal year end and review other infrastructure needs of the City, we encourage you to pay close attention to the City's five-year plan in order to evaluate long-term options.

- For several years now, the City of Westland has performed a comprehensive annual review of the water and sewer rates charged to customers and implemented necessary rate increases in order to keep pace with costs passed to the City from the City of Detroit and Wayne County. As a result of these rate increases, the Water and Sewer Fund has shown significant improvements in its net cash position; however, this is still very much a work in progress. We encourage the City to continue monitoring the water and sewer system and continue making adjustments to the rate structure as necessary in order to reduce dependency on the General Fund and begin accumulating funds to pay for system operation, maintenance, improvements, and repairs.

Other Items Noted During the Audit

- With the transition of the City's general ledger to BS&A, we recommend the City utilize the full capabilities of the software and eliminate the various "shadow systems" that have been used to track such things as capital assets and compensated absences. These shadow systems, typically Microsoft Excel spreadsheets, have been sufficient enough for the City to get by; however, they have been cumbersome and susceptible to error. Implementation of BS&A should lead to operational efficiency in comparison to the City's former general ledger package. As the new budget director is very familiar with the operation of BS&A, we encourage the finance director to use her knowledge to enhance controls and add efficiencies to the accounting processes.

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

December 6, 2012

- The activity of the Community Development Block Grant (CDBG) Fund was not timely recorded during the year, resulting in significant accounting assistance during the audit. This is noted in our report on internal control matters. It is our understanding that additional finance personnel have recently been hired and will take over these responsibilities to help ensure timely recording and reconciliation. As grant activity has increased in volume and complexity over the years, it may now be advantageous to create separate general ledger funds for different grants in order to simplify the necessary accounting and reconciliations.
- 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.
- As of June 30, 2012, the Trust and Agency Fund holds \$486,588 in tree planting and tree replacement funds. We encourage the City to ask legal counsel to provide guidance on the ability to utilize this money for any tree planting or landscaping activity related to future development projects, such as the ongoing Central City Park renovations.
- During the year, the City closed the last of the internal service funds, Motorpool and General Liability. The Workers' Compensation Fund was closed in previous years. These funds were closed in an effort to simplify the accounting and provide greater transparency for the reader of the budget or financial statements. Going forward, the Motorpool activity will be recorded in the General Fund. Other funds will be charged an administrative fee based on their usage of City vehicles and equipment. We commend the City for taking this action.

Section III - Legislative and Informational Items

Economic Vitality Incentive Program

In 2011, the State of Michigan replaced statutory revenue sharing with the “Economic Vitality Incentive Program,” or EVIP. The funding made available for EVIP was 1/3 less than what was previously available for statutory revenue sharing. Local municipalities, if included in the program, were allowed to “earn” a share of the remaining \$200 million by demonstrating best practices in the following areas:

- Accountability and transparency - Provide more accessible financial information to citizens - complete a “citizen’s guide” and a “dashboard.”
- Service sharing - Submit a report that identifies the existing cost sharing or consolidation arrangements in which the City is currently participating, along with an estimate of the annual savings from these arrangements. Provide a plan for increasing the sharing or consolidation of services
- Employee benefits - Submit a plan for adjusting employee compensation for new, modified, or extended employee contracts

The City was eligible to participate and successfully completed the requirements, resulting in an additional \$445,000 of revenue for the General Fund.

For the State’s fiscal year ending September 30, 2013, the EVIP program has been continued with a few modifications. The revised categories are as follows:

- Category 1 - Accountability and transparency - Due date 10/1/12 (Completed)
 - Produce a citizens guide, including recognition of unfunded liabilities
 - Produce a performance dashboard
 - Publish a projected budget report - Include current and succeeding year, debt service payments, and assumptions used

The City of Westland fulfilled these requirements before the deadline.

- Category 2 - Consolidation of services - Due date 2/1/13
 - Produce a consolidation plan
 - If first time, include past endeavors and associated cost savings
 - Must include one new initiative with savings estimate and timeline
 - If no new initiatives identified, must address why it is not feasible to enter into any new consolidation efforts
 - If second time, report on progress of prior plan, including barriers

- o Category 3 - Employee compensation - Due date 6/1/13

The employee compensation category has three different options for compliance.

1. Option 1 - Modified compensation plan

- New hires that are eligible for retirement plans must be put in plans that cap employer contributions at 10 percent of base salary if eligible for Social Security or 16.2 percent if not.
- For defined benefit plans, maximum multipliers are as follows:

Eligible for Social Security?	Provided with Retiree Health Care?	Maximum Multiplier
Yes	Yes	1.5%
Yes	No	2.25%
No	Yes	2.25%
No	No	3.00%

- For defined benefit plans, final average compensation shall use a minimum of three years and shall not include more than 240 hours of paid leave. Overtime hours shall not be included.
 - Healthcare premium costs for new hires shall include a minimum 20 percent employee share or employer's share shall be cost competitive with new state preferred provider organization health plan on a per-employee basis.
2. Option 2 - Compliance with PA 152 of 2011 - Publicly Funded Health Insurance Contribution Act - Certify compliance with the new Act that requires hard caps, or alternately 80 percent/20 percent cost sharing. This includes the opt-out provision.
3. Option 3 - Certify that no medical benefits are offered.

Deficit Elimination Plans

The Michigan Department of Treasury issued numbered letter 2012-1 in February 2012, which clarifies when a deficit elimination plan is required and how to quantify the deficit requiring elimination. In addition, it also charges local units with the responsibility to file deficit elimination plans concurrent with the submission of the audit report to the Department of Treasury. Local units should no longer be waiting for a letter from the State to file their plans. The plans are now due on or before the filing of your financial statements. Failure to file a plan can result in withholding of 25 percent of the EVIP revenue-sharing payments.

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

December 6, 2012

The plans should typically result in elimination of the deficit within one year but should never exceed five years. These plans should also have acceptable evidence to support the plan. The letter defines “acceptable evidence” as certified board/council resolutions approving the funding and the journal entry showing that the transfer was made in the general ledger. Additionally, if there is a projected multi-year budget, this too must be approved by the council/board and submitted. Plans and support can be emailed to Treas_MunicipalFinance@michigan.gov or mailed to the Michigan Department of Treasury.

The letter defines a fund deficit, since the law lacks any reference to generally accepted accounting terminology. It states that for governmental funds (not proprietary funds, fiduciary funds, or discretely presented component units) “a plan is necessary to eliminate any “unrestricted fund balance” deficits. Unrestricted fund balance is the sum of the committed, assigned, and unassigned balances.” Determining whether a deficit exists is more challenging for proprietary funds, fiduciary funds, and discretely presented component units and local units will be expected to apply the test that is explained in the letter. We highly recommend that local units review the letter at the following link to ensure that they comply with the requirements: http://www.michigan.gov/treasury/0,1607,7-121-1751_2194_2196---,00.html#2012.

Pension Obligation Bonds and Other Postemployment Benefits Obligation Bonds

Michigan Public Act 329 of 2012 was passed on October 17, 2012 and takes immediate effect. The act allows communities who meet certain criteria to issue bonds to fund all or a portion of their unfunded pension and other postemployment benefits (OPEB) liabilities. The bonds are called pension obligation bonds or other postemployment benefits obligation bonds and are collectively referred to as “benefit bonds.”

These bonds are subject to federal taxation but are tax exempt by the State of Michigan and must be issued prior to December 31, 2014. The bonds are issued by ordinance or resolution and do not require a vote of the people.

Municipalities must meet all of the following key requirements (the act also states additional requirements) in order to be eligible to issue benefit bonds:

- Prior to issuance, the municipality must obtain approval from the State Department of Treasury. In addition, the municipality must publish a notice of intent to issue the security.
- Be assigned a credit rating of AA rating or higher by one of the nationally recognized rating agencies (Standard & Poor’s, Moody’s, or Fitch)
- The issued security shall be rated investment grade by a nationally recognized rating agency
- The property taxes necessary to meet the debt service obligation may not exceed the limit authorized by law

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

December 6, 2012

- Have a legal capacity to issue the obligation as these bonds are not exempt from legal debt limitations
- Have partial or complete cessation of accruals to a defined benefit plan or closed the defined benefit plan to new or certain existing employee groups and implemented a defined contribution plan
- The municipality shall covenant with bond holders and the State that it will not, after the issuance of benefit bonds and while the bonds are outstanding, rescind any action taken for the cessation of accruals to a defined benefit plan or complete closure of defined benefit plans for new and existing employees.

In addition, the municipality must prepare a comprehensive financial plan which is to be made available to the public. Each of the following elements must be completed to meet this requirement:

1. An analysis of the current and future obligations of the pension or OPEB plan
2. Evidence that the issuance of the municipal bonds, together with other available revenues, will be sufficient to eliminate the unfunded liability
3. Debt service amortization schedules and a description of the actions required by the municipality to satisfy the debt service payments
4. Certification by the person preparing the plan that it is complete and accurate
5. If the bond proceeds are to be placed in a health care trust fund, the municipality must also put in place a plan in place to mitigate increases in healthcare costs, such as the implementation of a wellness program.

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

December 6, 2012

Bills Being Considered

Potential Elimination of the Personal Property Tax

There has been much talk regarding elimination of personal property tax. If personal property tax were completely eliminated, this would reduce revenue for communities across the state by approximately \$770 million. Including the school districts, the lost revenue would be over \$1 billion. The City of Westland's personal property tax currently brings in nearly \$2 million.

In April 2012, the Senate introduced a package of eight bills (SB1065-SB1072) aimed to eliminate personal property taxes. The bills, as amended, were passed by the Senate in early May. Now, these bills await action by the House.

More recently, there is a new proposal in which replacement funds would come from use tax. In this proposal, 100 percent of personal property tax that is used for police and fire services would be reimbursed. The remaining personal property tax would be reimbursed at 80 percent of other types of expenditures. The reimbursements under this proposal would begin in fiscal year 2016.

These various proposals are still very much a work in progress. We will keep you updated as they develop.

Prohibition Against Hiring Current Retirees

House Bill 5637, the Jobs Initiative Reform Act, is a bill that has been introduced in the House that prohibits public employers in Michigan from employing an individual who is receiving benefits from the public employer's defined benefit retirement plan and to provide sanctions.

A public employer shall not directly, or indirectly through a contract with a third party, employ an individual who is receiving retirement benefits from a public employee defined benefit retirement plan of that public employer. This prohibition does not apply if the individual waives his or her right to receive previously accrued retirement benefits from that public employer's defined benefit retirement plan while reemployed by the public employer.

Sanctions would consist of reimbursing the defined benefit retirement plan for retirement benefits that the defined benefit retirement plan paid to the individual during the prohibited employment.

This appears to be an issue only if a retiree is being rehired by the existing employer and would not apply if that retiree seeks employment with a different employer.

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

December 6, 2012

PA 314 Pension Changes

Senate Bill 797 and House Bill 5416 make some significant changes to Public Act 314, as follows:

- The legislation utilizes existing asset classes but expands some categories such as foreign equities (from 20 percent to 70 percent), real estate (5-10 percentage points higher), and the “basket clause” (10 percentage points higher than existing limits for all plan sizes)
- Requires fee disclosures by investment service providers
- Establishes uniform transparency standards to allow for benchmarking
- Expands prohibition against payments to providers that make contributions to plan sponsor officials
- Permits local pension boards to self-police, which means they can remove a member who is legally incapacitated, convicted of certain violations, or has committed material breaches of policies
- Imposes limits on dollars spent on training to the lesser of \$12,000 per board trustee or \$150,000. No one trustee can spend more than \$30,000.
- Requires the retention of records for six years