

# **City of Wyandotte, Michigan**

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**Financial Report  
with Additional Information  
September 30, 2010**

# City of Wyandotte, Michigan

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## Contents

<b>Report Letter</b>	1-2
<b>Management's Discussion and Analysis</b>	3-10
<b>Basic Financial Statements</b>	
Government-wide Financial Statements:	
Statement of Net Assets	11
Statement of Activities	12-13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of the Balance Sheet to the Statement of Net Assets	15
Statement of Revenue, Expenditures, and Changes in Fund Balance	16
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Assets	18-19
Statement of Revenue, Expenses, and Changes in Net Assets	20-21
Statement of Cash Flows	22-23
Fiduciary Funds:	
Statement of Net Assets	24
Statement of Changes in Fiduciary Net Assets	25
Component Units:	
Statement of Net Assets (Deficit)	26
Statement of Activities	27-28
Notes to Financial Statements	29-63
<b>Required Supplemental Information</b>	64
Budgetary Comparison Schedule - General Fund	65
Employee Pension Plan Schedule of Funding Progress	66-67
Note to Required Supplemental Information	68

# City of Wyandotte, Michigan

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## Contents (Continued)

<b>Other Supplemental Information</b>	69
Nonmajor Governmental Funds:	
Combining Balance Sheet	70-71
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit)	72-73
Nonmajor Enterprise Funds:	
Combining Statement of Net Assets	74
Combining Statement of Revenue, Expenses, and Changes in Net Assets	75
Combining Statement of Cash Flows	76
Fiduciary Funds:	
Statement of Assets and Liabilities	77
Combining Statement of Changes in Fiduciary Net Assets	78

## Independent Auditor's Report

To the City Council  
City of Wyandotte, 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 Wyandotte, Michigan (the "City") as of and for the year ended September 30, 2010 which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Wyandotte, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the City of Wyandotte Department of Municipal Services, which includes the Electric, Water, and Cable Television Funds, were audited under auditing standards generally accepted in the United States of America, but were not audited in accordance with the additional standards under *Government Auditing Standards*. 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 Wyandotte, Michigan as of September 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the City Council  
City of Wyandotte, Michigan

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

In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2011 on our consideration of the City of Wyandotte, 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*

March 22, 2011

# City of Wyandotte, Michigan

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## Management's Discussion and Analysis

Our discussion and analysis of the City of Wyandotte, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2010. Please read it in conjunction with the City's financial statements.

### Financial Highlights

As discussed in further detail in this discussion and analysis, the following represents the most significant financial highlights for the year ended September 30, 2010:

- Property tax revenue is the City's single, largest source of revenue. The City's 2009 taxable value (levied for the 2010 fiscal year) was \$631,008,000 (ad valorem), which represents a decrease of 8.86 percent and cumulative reduction of 10.93 percent over the past two years.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$166,000 this year compared to the reduction of \$198,000 in the prior year. This represents a decrease of 5.4 percent in the current year. Further, the City is receiving approximately \$1,495,000 less per year since the year 2000.
- The City continued the sharing agreements with the Consolidated Tax Increment Finance Authority and Downtown Development Authority. The sharing agreement with the Tax Increment Finance Authority returned approximately \$2,129,000 of general operating tax revenue to the General Fund in the current year compared to \$2,135,000 of general operating tax revenue and \$445,000 of debt levy tax revenue in the prior year. The sharing agreement with the Downtown Development Authority returned approximately \$334,000 to the General Fund in the current year compared to \$124,000 in the prior year. Portions of these funds were used to defray annual operating costs and, in the prior year, assist in the renovation of a facility that now houses the Wyandotte Art Center project. Remaining funds were contributed to the City of Wyandotte Retirement System.
- In previous years, the expenditures for retiree health insurance were made from the Health and Life Insurance Reserve of the retirement system. Beginning in 2006, the City's General Fund paid for the annual cost of retiree health insurance due to a lack of funds in the reserve. The City paid \$2,081,000 in the current year, the same amount as the prior year, for the gross cost of retiree health insurance. Included in these amounts is approximately \$98,000 in the current year and \$63,000 in the prior year to be applied to future retiree health insurance premiums.
- The City utilized the charter-authorized debt millage to pay the debt service on the bonds sold to construct the Department of Public Service facility, the bonds sold to construct the police department and the 27<sup>th</sup> District Court facility and to renovate the Yack Arena, the installment purchase agreement entered into by the City to fund various technology projects, and to repay debt incurred to purchase the Masonic Temple facility.

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

The amended budget of the City's General Fund indicated that an excess of revenue of approximately \$141,000 was to be expected. The actual results showed an excess of expenditures of approximately \$10,000. This negative variance is primarily attributed to lower than expected revenue from license sales, building permits, recreation programming, operations of the Yack Arena, and reduced revenue from the fines and forfeitures originating from the 27<sup>th</sup> District Court. Also contributing to this negative variance was the discretionary decision to forgo a budgeted transfer from the Self-Insurance Fund into the General Fund.

The negative variance was offset by actual expenditures being less than budgeted expenditures across most departments of the City. In addition to savings derived from hiring delays and elimination of open positions, savings have been realized from changing health insurance coverage levels, delaying various purchases and improvement projects, monitoring overtime usage, and the implementation of a pay freeze for all non-union employees.

The City remains cognizant of the difficult economic conditions that continue to negatively affect the operations of the City. As a result of this, we will continue to monitor operations to reduce expenditures and increase revenue where possible. In the recent past, the following actions have assisted the City in managing the City in light of the troubling environment:

- Reductions in expenditures were achieved through the elimination or delays in replacement of personnel positions when vacancies occur. Full-time employees have been reduced from 174 employees to 130 employees over the past 13 years.
- The City has also continued to reduce discretionary spending and has reduced certain elements of employer-paid healthcare coverage.
- The City recently reached agreements with all five (5) collective bargaining units to eliminate traditional retiree healthcare coverage for new hires. This change was also instituted for non-union employee groups and represents an important step to contain future costs and liabilities for the City.
- A pay freeze was enacted for all non-union employees. It is the City's intention to extend this pay freeze to all union members upon the expiration of their collective bargaining agreements.

The City recently performed a review of the operational environment of the City. The purpose of the review was to identify areas of operation that could be improved to better customer service at a reduced cost. Numerous recommendations were identified that would yield positive financial results to the City. The City has been implementing many of these recommendations and continues to review these issues and prioritize their implementation.

# City of Wyandotte, 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 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 as a Whole

The following table shows, in a condensed format, the net assets as of September 30, 2010 and 2009 (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Current assets	\$ 39,158	\$ 41,750	\$ 17,747	\$ 19,500	\$ 56,905	\$ 61,250
Capital assets	69,728	72,003	84,092	82,901	153,820	154,904
Other noncurrent assets	10,785	11,160	11,783	15,146	22,568	26,306
Total assets	119,671	124,913	113,622	117,547	233,293	242,460
<b>Liabilities</b>						
Current liabilities	21,903	25,267	7,136	12,735	29,039	38,002
Long-term liabilities	14,675	13,111	60,671	55,709	75,346	68,820
Total liabilities	36,578	38,378	67,807	68,444	104,385	106,822
<b>Net Assets</b>						
Investment in capital assets -						
Net of related debt	59,458	60,855	28,104	26,106	87,562	86,961
Restricted	7,017	6,476	8,724	10,765	15,741	17,241
Unrestricted	16,618	19,204	8,987	12,232	25,605	31,436
Total net assets	<b>\$ 83,093</b>	<b>\$ 86,535</b>	<b>\$ 45,815</b>	<b>\$ 49,103</b>	<b>\$ 128,908</b>	<b>\$ 135,638</b>

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

The City of Wyandotte, Michigan has combined net assets of \$129 million in the current year compared to \$136 million in the prior year. Business-type activities comprise \$46 million and \$49 million of the total net assets in the respective years.

The following table shows the changes in the net assets during the fiscal years ended September 30, 2010 and 2009 (in thousands of dollars):

Program revenue:						
Charges for services	\$ 6,495	\$ 6,608	\$ 51,678	\$ 49,685	\$ 58,173	\$ 56,293
Operating grants and contributions	1,742	1,992	185	48	1,927	2,040
Capital grants and contributions	1,763	1,340	167	-	1,930	1,340
General revenue:						
Property taxes	13,146	13,039	3	-	13,149	13,039
State-shared revenue	2,925	3,091	-	-	2,925	3,091
Unrestricted investment earnings	181	338	502	493	683	831
(Loss) gain on sale of assets	-	(21)	-	84	-	63
Transfers and other revenue	69	(37)	-	258	69	221
Total revenue	26,321	26,350	52,535	50,568	78,856	76,918
<b>Program Expenses</b>						
General government	8,055	9,230	-	-	8,055	9,230
Public safety	11,213	10,926	-	-	11,213	10,926
Public works	7,890	6,902	-	-	7,890	6,902
Community and economic development	472	149	-	-	472	149
Recreation and culture	1,682	1,454	-	-	1,682	1,454
Interest on long-term debt	451	634	-	-	451	634
Business-type	-	-	55,823	52,911	55,823	52,911
Total program expenses	29,763	29,295	55,823	52,911	85,586	82,206
<b>Change in Net Assets</b>	<b>\$ (3,442)</b>	<b>\$ (2,945)</b>	<b>\$ (3,288)</b>	<b>\$ (2,343)</b>	<b>\$ (6,730)</b>	<b>\$ (5,288)</b>

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

### Governmental Activities

The City's total governmental revenue decreased by approximately \$29,000, or .1 percent, in the current year compared to a decrease of \$2,053,000, or 7.2 percent, in the prior year. Increases were realized in tax revenue (\$107,000) and capital grants and contributions (\$423,000). Unfortunately, these increases were offset by decreases in charges for service (\$113,000), operating grants and contributions (\$250,000), state-shared revenue (\$166,000), and unrestricted investment income (\$157,000).

Expenses increased by approximately \$468,000, or 1.6 percent, in the current year compared to an increase of \$1,670,000, or 6.0 percent, in the prior year. Public safety expenses increased by \$287,000, which was primarily attributed to the increase in OPEB expenditures of \$277,000 from 2009. General government expenses decreased by \$1,175,000, which was primarily due to a payment to the Internal Service Fund for health insurance reserves. Public works expenses increased \$988,000 from the prior year. This increase was due to a reduction in value of the equity interest in the Southgate-Wyandotte drain.

### Business-type Activities

The City's business-type activities consist of the Electric Fund, Water Fund, Cable Television Fund, Sewage Disposal Fund, Municipal Golf Course Fund, and Commercial Building Rental Fund. We provide electric, water, and cable television service to residents from City-owned facilities. We provide sewage treatment via the downriver sewage disposal system, which is co-owned with 13 communities and operated by the County of Wayne. Wyandotte Shores golf course is owned and operated by the City and offers golfers a nine-hole links-style course on the shores of the Detroit River. The Commercial Building Rental Fund accounts for the activity of the City-owned commercial building at 3200 Biddle Avenue.

The Electric Fund's operating revenue increased from the prior year by approximately 6 percent, and the operating expenses increased by approximately 8 percent. The increase in revenue was primarily due to increases in power sales. Expenses increased due to increases in power production costs. Accordingly, the Electric Fund's operating loss increased by \$562,000 to (\$1,570,000) in the current year, compared to the net loss of (\$1,008,000) in the previous year.

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

The financial performance of the Water Fund remained relatively stable in the current year. Operating revenue decreased by less than 1 percent. Operating expenses increased by approximately 3 percent. The increase in expenses was primarily due to a nonrecurring expense related to the painting of the water tower. Operating income in the current year decreased by \$126,000 to \$23,000 compared to \$149,000 in the prior year. Through a planned series of water rate increases over the past several years, the Water Fund has been restoring its working capital position. Historically, the Water Fund has been assisted by annual contributions from the City's Tax Increment Financing Authority for water main construction. The current year contribution was approximately \$167,000. Unrestricted net assets in the current year total \$2,045,000 as compared to \$1,335,000 in the prior year.

The Cable Television Fund's operating revenue increased by approximately 2 percent, mainly due to increases in cable internet service (\$100,000) and voice over internet protocol (VOIP) telephone service (\$116,000). The Cable Television Fund realized a net operating loss of \$605,000 in the current year, an increase of \$441,000 as compared to the net operating loss of \$164,000 in the prior year. The increased loss was primarily due to increased costs associated with royalties (\$238,000), internet T-1 lines (\$131,000), and distribution (\$91,000).

The operating results of the Sewage Disposal Fund indicate operating income of \$401,000 in the current year compared to operating income of \$35,000 in the prior year. Revenue and expenditures were less than anticipated due to a reduction in usage by customers. Nonetheless, these results are in line with expectations as the previous years' rate had been set to absorb anticipated costs associated with significant capital improvement projects being scheduled at the sewage treatment facility and with the local collection system.

The municipal golf course showed an operating loss of \$180,000 in the current year as compared to \$168,000 in the prior year. The increased loss was primarily the result of lower greens and cart usage fees coupled with higher costs associated with the purchase and rent of carts. This continued negative financial performance can be attributed to macro-economic conditions, the proliferation of golf courses in the area, and inherent limitations surrounding the operation of a nine-hole facility. In addition to the continued operating loss, cash flow was negative for the current year.

The City-owned commercial building realized net income of \$251,000, which is a decrease of 25 percent from the previous year. This decrease can be primarily attributed to reduced rent and expense reimbursements received from tenants. These results are positive in light of the City's desire to acquire the building at no cost to the taxpayers which it accomplished this year when the debt was paid off on the building.

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

### The City's Funds

Our analysis of the City's major funds begins on page 14, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities. The City's major funds for 2010 include the General Fund.

The General Fund pays for most of the City's governmental services. The most significant is public safety, which incurred expenses of approximately \$9.2 million, or 52.2 percent, of the total General Fund expenditures in the current year as compared to \$9.2 million, or 52.5 percent, of the total General Fund expenditures in the prior fiscal year. Additional noteworthy expenditures include public works (\$3.3 million, or 18.4 percent, in the current fiscal year as compared to \$3.4 million, or 19.6 percent, of total expenditures in the prior fiscal year) and recreation and culture (\$1.3 million, or 7.3 percent, of total expenditures in the current fiscal year compared to \$1.3 million, or 7.2 percent, of total expenditures in the prior fiscal year).

### General Fund Budgetary Highlights

Over the course of the year, the City Council revised the City budget several times. These budget amendments fall into three categories:

- Amendments and supplemental appropriations approved shortly after the beginning of the year to include projected expenditures that were not completed at the end of the prior fiscal year
- Changes made throughout the year to account for revised estimates based on new or better knowledge and new projects that the Council desired to pursue
- Increases in appropriations to prevent budget overruns

Even with these adjustments, actual expenditures were less than anticipated. This is primarily attributable to a pay freeze enacted for nonunion employees, and the management of personnel costs when vacancies arose, which effectively served as a hiring freeze. Unfortunately, declines in property tax revenue, state-shared revenue, building permit revenue, court fines and fees, and recreation program revenue served to mitigate most of the positive results from reducing expenditures. In addition, savings were also derived from the City's continued decision to self-insure prescription drug coverage for active employees, lower costs for liability and property insurance, and increased contributions from employees for their health insurance premiums.

# **City of Wyandotte, Michigan**

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## **Management's Discussion and Analysis (Continued)**

The most significant changes were increased appropriations for overtime for the police department (\$113,000), and reductions in employee wages and benefits due to the elimination of various positions within the city and the pay freeze implemented for non-union employees (\$344,000). Revenue adjustments included an increase in net revenue from fines and fees received from the district court (\$113,000) to reflect increased citations written by the Wyandotte police department, increased grant revenue (\$180,000), reduced investment earnings (\$200,000) and increased revenue received as reimbursement for services provided by the City for the Downriver Central Dispatch Center (\$73,000). In addition, a budget amendment added the revenue and expenditures related to the Neighborhood Stabilization Program 1 & 2 during the year. The cumulative revenue additions for these two programs totaled \$582,000 with additional expenditures of \$540,000.

### **Capital Asset and Debt Administration**

The City sold \$9.495 million in bonds during 2006 to renovate the Yack Arena and construct a new district court and police facility. The renovation of the Yack Arena was completed in 2007 and the district court and police facility was completed in 2009. These bonds will mature in 2026. In addition, the debt service on the bonds sold in 1999 to construct the facility that houses the Department of Public Service will be repaid in 2013.

### **Economic Factors and Next Year's Budgets and Rates**

The City's budget for next year will continue to face a number of negative factors including reductions in state-shared revenue, escalating healthcare costs, depletion of reserve funds previously relied upon by the City, and reductions in property tax revenue due to declining property values. Thus, the City needs to continue to monitor the budget very closely. Although no local tax increase is anticipated in the future, it is likely that the delivery of services may be curtailed if additional revenue is not realized.

### **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. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# City of Wyandotte, Michigan

## Statement of Net Assets September 30, 2010

	Primary Government			
	Governmental	Business-type	Total	Component Units
	Activities	Activities		
<b>Assets</b>				
Cash and investments (Note 3)	\$ 29,871,361	\$ 7,499,668	\$ 37,371,029	\$ 5,843,298
Receivables - Net:				
Taxes	3,114,541	8,228	3,122,769	-
Special assessments	656,129	-	656,129	-
Customer	-	6,700,104	6,700,104	-
Accrued interest	7,231	-	7,231	-
Other	1,131,222	-	1,131,222	141,664
Due from other governmental units	1,693,415	-	1,693,415	-
Note receivable	61,409	-	61,409	400,000
Due from component units (Note 9)	1,335,352	-	1,335,352	-
Due from primary government (Note 9)	-	-	-	72,417
Internal balances (Note 9)	1,156,891	(1,156,891)	-	-
Inventory	-	3,142,930	3,142,930	-
Prepaid expenses and other assets	130,603	1,552,986	1,683,589	-
Restricted assets (Note 12)	-	9,202,285	9,202,285	-
Investment in joint ventures (Note 7)	2,400,000	1,030,048	3,430,048	-
Land held for resale (Note 6)	251,899	-	251,899	1,653,629
Pension asset (Note 13)	6,793,279	-	6,793,279	-
Capital assets:				
Assets not subject to depreciation (Note 8)	18,135,929	449,537	18,585,466	-
Assets subject to depreciation - Net (Note 8)	51,591,761	83,641,949	135,233,710	-
Bond issuance costs (Note 5)	-	1,550,867	1,550,867	-
Advance to component unit (Note 9)	1,340,001	-	1,340,001	-
<b>Total assets</b>	<b>119,671,023</b>	<b>113,621,711</b>	<b>233,292,734</b>	<b>8,111,008</b>
<b>Liabilities</b>				
Accounts payable	1,465,971	4,499,887	5,965,858	436,638
Due to other governmental units	2,990,158	-	2,990,158	168,581
Due to component units (Note 9)	38,181	34,236	72,417	-
Due to primary government (Note 9)	-	-	-	1,335,352
Refundable deposits, bonds, etc.	1,472,706	639,974	2,112,680	-
Accrued liabilities and other	698,755	1,792,435	2,491,190	24,859
Deferred revenue (Note 4)	12,616,017	169,137	12,785,154	2,510,095
Noncurrent liabilities:				
Due within one year:				
Compensated absences	859,002	-	859,002	-
General liability and workers' compensation claims	742,516	-	742,516	-
Current portion of long-term debt (Note 10)	1,020,000	5,703,423	6,723,423	119,075
Due in more than one year:				
Compensated absences	735,665	-	735,665	-
Debt service payable from restricted assets	-	4,921,220	4,921,220	-
Net OPEB obligation (Note 15)	4,689,417	1,506,934	6,196,351	-
Advance from primary government (Note 9)	-	-	-	1,340,001
Long-term debt - Net of current portion and amount payable from restricted assets (Note 10)	9,250,000	48,539,750	57,789,750	628,980
<b>Total liabilities</b>	<b>36,578,388</b>	<b>67,806,996</b>	<b>104,385,384</b>	<b>6,563,581</b>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	59,457,690	28,103,736	87,561,426	-
Restricted for:				
Major and local streets projects	418,012	-	418,012	-
Construction and other	1,852,809	-	1,852,809	-
Debt service	411,112	7,237,393	7,648,505	-
Grants	355,803	-	355,803	30,360
Sidewalk and alley paving	2,386,613	-	2,386,613	-
Rubbish	1,592,531	-	1,592,531	-
Retiree health care	-	339,116	339,116	-
Unrestricted	16,618,065	10,134,470	26,752,535	1,517,067
<b>Total net assets</b>	<b>\$ 83,092,635</b>	<b>\$ 45,814,715</b>	<b>\$ 128,907,350</b>	<b>\$ 1,547,427</b>

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

# City of Wyandotte, Michigan

Functions/Programs	Expenses	Program Revenue		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 8,055,510	\$ 2,925,221	\$ 37,970	\$ -
Public safety	11,212,743	2,054,889	72,056	-
Public works	7,889,906	791,184	1,528,646	1,204,979
Community and economic development	471,744	89,270	99,885	530,834
Recreation and culture	1,682,467	634,486	3,600	26,655
Interest on long-term debt	450,705	-	-	-
Total governmental activities	<u>29,763,075</u>	<u>6,495,050</u>	<u>1,742,157</u>	<u>1,762,468</u>
Business-type activities:				
Electric	39,876,204	36,169,173	184,782	-
Water	3,525,033	3,547,743	-	166,661
Cable television	8,350,660	7,717,084	-	-
Sewage disposal	3,018,382	3,123,221	-	-
Golf course	494,622	314,602	-	-
Building rental	558,167	806,284	-	-
Total business-type activities	<u>55,823,068</u>	<u>51,678,107</u>	<u>184,782</u>	<u>166,661</u>
Total primary government	<u>\$ 85,586,143</u>	<u>\$ 58,173,157</u>	<u>\$ 1,926,939</u>	<u>\$ 1,929,129</u>
Component units:				
Tax Increment Finance Authorities - Consolidated Development Area	\$ 3,248,507	\$ -	\$ -	\$ -
Tax Increment Finance Authorities - Downtown Development Area	743,695	16,198	-	-
Downtown Development Authority	-	-	-	-
Brownfield Redevelopment Authority	142,185	-	-	-
Total component units	<u>\$ 4,134,387</u>	<u>\$ 16,198</u>	<u>\$ -</u>	<u>\$ -</u>
General revenue:				
Property taxes				
State-shared revenue				
Unrestricted investment income				
Miscellaneous				
Total general revenue				
<b>Change in Net Assets</b>				
<b>Net Assets - Beginning of year</b>				
<b>Net Assets - End of year</b>				

**Statement of Activities**  
**Year Ended September 30, 2010**

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,092,319)	\$ -	\$ (5,092,319)	\$ -
(9,085,798)	-	(9,085,798)	-
(4,365,097)	-	(4,365,097)	-
248,245	-	248,245	-
(1,017,726)	-	(1,017,726)	-
(450,705)	-	(450,705)	-
<u>(19,763,400)</u>	<u>-</u>	<u>(19,763,400)</u>	<u>-</u>
-	(3,522,249)	(3,522,249)	-
-	189,371	189,371	-
-	(633,576)	(633,576)	-
-	104,839	104,839	-
-	(180,020)	(180,020)	-
-	248,117	248,117	-
<u>-</u>	<u>(3,793,518)</u>	<u>(3,793,518)</u>	<u>-</u>
(19,763,400)	(3,793,518)	(23,556,918)	-
-	-	-	(3,248,507)
-	-	-	(727,497)
-	-	-	-
-	-	-	(142,185)
<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,118,189)</u>
13,146,266	3,250	13,149,516	5,584,765
2,924,850	-	2,924,850	-
180,701	501,660	682,361	8,629
68,717	-	68,717	130,597
<u>16,320,534</u>	<u>504,910</u>	<u>16,825,444</u>	<u>5,723,991</u>
(3,442,866)	(3,288,608)	(6,731,474)	1,605,802
<u>86,535,501</u>	<u>49,103,323</u>	<u>135,638,824</u>	<u>(58,375)</u>
<b><u>\$ 83,092,635</u></b>	<b><u>\$ 45,814,715</u></b>	<b><u>\$ 128,907,350</u></b>	<b><u>\$ 1,547,427</u></b>

# City of Wyandotte, Michigan

## Governmental Funds Balance Sheet September 30, 2010

	General Fund	Nonmajor Funds	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 18,291,245	\$ 7,901,305	\$ 26,192,550
Receivables - Net:			
Taxes	2,549,642	564,899	3,114,541
Special assessments	-	656,129	656,129
Accrued interest	215	149	364
Other	1,091,044	40,178	1,131,222
Due from other governmental units	1,098,992	594,423	1,693,415
Due from component units (Note 9)	1,212,050	123,302	1,335,352
Due from other funds (Note 9)	505,218	3,631,492	4,136,710
Prepaid expenses and other assets	130,603	-	130,603
Land held for resale (Note 6)	91,667	160,232	251,899
Note receivable	-	61,409	61,409
Advance to component unit (Note 9)	-	1,091,152	1,091,152
	<u>\$ 24,970,676</u>	<u>\$ 14,824,670</u>	<u>\$ 39,795,346</u>
Total assets			
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 934,546	\$ 516,292	\$ 1,450,838
Due to other governmental units	2,990,158	-	2,990,158
Due to component units (Note 9)	-	38,181	38,181
Due to other funds (Note 9)	6,118,885	1,075,659	7,194,544
Advances from other funds	-	435,845	435,845
Refundable deposits, bonds, etc.	1,472,686	20	1,472,706
Accrued liabilities and other	526,942	-	526,942
Deferred revenue (Note 4)	10,868,245	4,096,189	14,964,434
	<u>22,911,462</u>	<u>6,162,186</u>	<u>29,073,648</u>
Total liabilities			
<b>Fund Balances</b>			
Reserved for:			
Prepaid expenses	130,603	-	130,603
Noncurrent receivables	-	1,091,152	1,091,152
Land held for resale	91,667	160,232	251,899
Unreserved, reported in:			
General Fund	1,836,944	-	1,836,944
Debt Service Funds	-	384,516	384,516
Special Revenue Funds	-	7,026,584	7,026,584
	<u>2,059,214</u>	<u>8,662,484</u>	<u>10,721,698</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 24,970,676</u>	<u>\$ 14,824,670</u>	<u>\$ 39,795,346</u>

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

# City of Wyandotte, Michigan

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

<b>Fund Balance Reported in Governmental Funds</b>	\$ 10,721,698
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	69,727,690
Net pension assets are not financial resources and are not reported in the funds	6,793,279
Investments in joint ventures are not financial resources and are not reported in the funds	2,400,000
Special assessment receivables are expected to be collected over several years and are not available to pay for current year expenditures	655,780
Property tax receivables are expected to be collected over several years and are not available to pay for current year expenditures	292,748
Grants and other receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	1,399,889
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(10,270,000)
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	(1,594,667)
Interest payable is not due and payable in the current period and is not reported in the funds	(171,813)
Net OPEB obligation does not present a claim on current financial resources and is not reported as a fund liability	(4,689,417)
Internal Service Funds are included as part of governmental activities	7,827,448
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 83,092,635</u></b>

# City of Wyandotte, Michigan

## Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended September 30, 2010

	General Fund	Nonmajor Funds	Total
<b>Revenue</b>			
Property taxes	\$ 9,889,970	\$ 3,215,100	\$ 13,105,070
Licenses and permits	340,618	-	340,618
Federal grants	62,023	210,407	272,430
State-shared revenue and grants	2,966,420	1,531,396	4,497,816
Contribution from component unit	-	692,545	692,545
Other charges for services	3,591,148	229,455	3,820,603
Other fines and forfeitures	1,573,278	-	1,573,278
Investment income	45,139	100,380	145,519
Other revenue	449,151	574,262	1,023,413
	<u>18,917,747</u>	<u>6,553,545</u>	<u>25,471,292</u>
<b>Expenditures</b>			
General government	3,580,325	253,451	3,833,776
Public safety	9,238,895	481,755	9,720,650
Public works	3,257,462	5,285,445	8,542,907
Community and economic development	353,503	118,241	471,744
Recreation and culture	1,284,879	419,680	1,704,559
Debt service	-	1,342,112	1,342,112
	<u>17,715,064</u>	<u>7,900,684</u>	<u>25,615,748</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	1,202,683	(1,347,139)	(144,456)
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	1,866,551	1,866,551
Transfers out	(1,193,014)	(673,537)	(1,866,551)
<b>Net Change in Fund Balance</b>	9,669	(154,125)	(144,456)
<b>Fund Balance - Beginning of year</b>	<u>2,049,545</u>	<u>8,816,609</u>	<u>10,866,154</u>
<b>Fund Balance - End of year</b>	<u>\$ 2,059,214</u>	<u>\$ 8,662,484</u>	<u>\$ 10,721,698</u>

# City of Wyandotte, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities Year Ended September 30, 2010

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$ (144,456)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	2,943,368
Capital contributions from other governmental units	300,950
Depreciation expense	(5,519,196)
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	511,739
Increase in net pension assets reported in the statement of activities does not require the use of current resources and is not reported in the fund statements	170,693
Decreases in investments in joint ventures are not decreases to current financial resources and are not reported in the funds	(650,000)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities (where it reduces long-term debt)	877,032
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources and, therefore are not reported in the fund statements until they come due for payment	(117,872)
Increase in net OPEB obligation expense reported in the statement of activities does not require the use of current resources, and therefore is not reported in the fund statements until it comes due for payment	(2,490,489)
Accrued interest	14,375
Internal Service Funds are included as part of governmental activities	660,990
<b>Change in Net Assets of Governmental Activities</b>	<b>\$ (3,442,866)</b>

# City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
<b>Assets</b>				
Current assets:				
Cash and investments (Note 3)	\$ 1,976,561	\$ 112,145	\$ 1,233,660	\$ 4,069,381
Taxes	-	-	-	8,228
Receivables - Net - Customer	4,916,516	530,872	724,134	528,582
Accrued interest	-	-	-	-
Due from other funds (Note 9)	-	3,218,663	-	947,073
Inventory	2,962,148	100,660	80,122	-
Prepaid expenses and other assets	42,762	-	-	1,309,708
Total current assets	<u>9,897,987</u>	<u>3,962,340</u>	<u>2,037,916</u>	<u>6,862,972</u>
Noncurrent assets:				
Restricted assets (Note 12)	8,863,169	169,558	169,558	-
Advances to other funds	-	-	-	-
Investment in joint ventures (Note 7)	-	-	-	1,030,048
Capital assets:				
Assets not subject to depreciation (Note 8)	304,537	-	-	-
Assets subject to depreciation - Net (Note 8)	48,829,703	8,649,071	3,415,212	17,644,423
Bond issuance costs (Note 5)	1,550,867	-	-	-
Advance to component unit (Note 9)	-	-	-	-
Total noncurrent assets	<u>59,548,276</u>	<u>8,818,629</u>	<u>3,584,770</u>	<u>18,674,471</u>
Total assets	<u>69,446,263</u>	<u>12,780,969</u>	<u>5,622,686</u>	<u>25,537,443</u>
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	3,819,217	34,823	415,609	224,998
Due to component units	-	-	-	-
Due to other funds (Note 9)	1,321,862	1,301,783	2,048,331	-
Refundable deposits, bonds, etc.	542,674	-	97,300	-
Accrued liabilities and other	1,159,746	277,562	352,029	-
Deferred revenue (Note 4)	-	-	98,648	8,228
General liability and workers' compensation claims (Note 11)	-	-	-	-
Current portion of long-term debt (Note 10)	4,535,396	-	455,549	712,478
Total current liabilities	<u>11,378,895</u>	<u>1,614,168</u>	<u>3,467,466</u>	<u>945,704</u>
Noncurrent liabilities:				
Advances from other funds (Note 9)	-	-	-	332,741
Debt service payable from restricted assets	4,921,220	-	-	-
Net OPEB obligation (Note 15)	1,023,070	303,067	180,797	-
Long-term debt - Net of current portion and amount payable from restricted assets (Note 10)	38,475,990	-	41,531	10,022,229
Total noncurrent liabilities	<u>44,420,280</u>	<u>303,067</u>	<u>222,328</u>	<u>10,354,970</u>
Total liabilities	<u>55,799,175</u>	<u>1,917,235</u>	<u>3,689,794</u>	<u>11,300,674</u>
<b>Net Assets</b>				
Invested in capital assets - Net of related debt Restricted (Note 12)	4,378,277	8,649,071	2,918,132	6,909,716
Unrestricted (deficit)	7,237,393	169,558	169,558	-
	2,031,418	2,045,105	(1,154,798)	7,327,053
Total net assets	<u>\$ 13,647,088</u>	<u>\$ 10,863,734</u>	<u>\$ 1,932,892</u>	<u>\$ 14,236,769</u>

**Proprietary Funds  
Statement of Net Assets  
September 30, 2010**

Nonmajor Enterprise	Total Enterprise Funds	Internal Service
\$ 107,921	\$ 7,499,668	\$ 3,678,811
-	8,228	-
-	6,700,104	-
-	-	6,867
2,090	4,167,826	4,359,500
-	3,142,930	-
200,516	1,552,986	-
<u>310,527</u>	<u>23,071,742</u>	<u>8,045,178</u>
-	9,202,285	-
-	-	768,586
-	1,030,048	-
145,000	449,537	-
5,103,540	83,641,949	-
-	1,550,867	-
-	-	248,849
<u>5,248,540</u>	<u>95,874,686</u>	<u>1,017,435</u>
5,559,067	118,946,428	9,062,613
5,240	4,499,887	15,133
34,236	34,236	-
320,000	4,991,976	477,516
-	639,974	-
3,098	1,792,435	-
62,261	169,137	-
-	-	742,516
-	5,703,423	-
<u>424,835</u>	<u>17,831,068</u>	<u>1,235,165</u>
-	332,741	-
-	4,921,220	-
-	1,506,934	-
-	48,539,750	-
-	55,300,645	-
<u>424,835</u>	<u>73,131,713</u>	<u>1,235,165</u>
5,248,540	28,103,736	-
-	7,576,509	-
(114,308)	10,134,470	7,827,448
<u>\$ 5,134,232</u>	<u>\$ 45,814,715</u>	<u>\$ 7,827,448</u>

# City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
<b>Operating Revenue</b>				
Sale of water	\$ -	\$ 3,547,743	\$ -	\$ -
Sewage disposal charges	-	-	-	3,045,350
Sale of electricity	36,169,173	-	-	-
Other sales to customers	-	-	7,717,084	-
Charges to other funds	-	-	-	-
Other miscellaneous revenue	-	-	-	77,871
Total operating revenue	36,169,173	3,547,743	7,717,084	3,123,221
<b>Operating Expenses</b>				
Cost of water	-	943,106	-	-
Cost of sewage treatment	-	-	-	1,460,831
Cost of electrical production	25,588,837	-	-	-
Cost of insurance claims	-	-	-	-
Distribution	1,544,702	544,760	1,199,263	-
Transportation	74,276	19,820	30,316	-
Billing and administrative costs	1,098,041	428,994	619,551	-
Other operation and maintenance costs	4,855,945	940,794	1,596,508	733,016
Cable television royalties	-	-	4,079,321	-
Depreciation	4,577,297	647,559	797,043	528,904
Total operating expenses	37,739,098	3,525,033	8,322,002	2,722,751
<b>Operating (Loss) Income</b>	(1,569,925)	22,710	(604,918)	400,470
<b>Nonoperating Revenue (Expenses)</b>				
Property tax revenue	-	-	-	3,250
Investment and other income	272,869	106,550	94,797	27,436
Interest expense	(1,888,768)	-	(28,658)	(295,631)
Amortization of bond issuance costs	(248,338)	-	-	-
Grant revenue	184,782	-	-	-
Total nonoperating (expenses) revenue	(1,679,455)	106,550	66,139	(264,945)
<b>(Loss) Income - Before transfers</b>	(3,249,380)	129,260	(538,779)	135,525
<b>Capital Contributions</b>	-	166,661	-	-
<b>Change in Net Assets</b>	(3,249,380)	295,921	(538,779)	135,525
<b>Net Assets - Beginning of year</b>	16,896,468	10,567,813	2,471,671	14,101,244
<b>Net Assets - End of year</b>	<u>\$ 13,647,088</u>	<u>\$ 10,863,734</u>	<u>\$ 1,932,892</u>	<u>\$ 14,236,769</u>

**Proprietary Funds**

**Statement of Revenue, Expenses, and Changes in Net Assets**  
**Year Ended September 30, 2010**

Nonmajor Enterprise	Total Enterprise Funds	Internal Service
\$ -	\$ 3,547,743	\$ -
-	3,045,350	-
-	36,169,173	-
994,978	8,712,062	-
-	-	1,094,059
125,908	203,779	-
<u>1,120,886</u>	<u>51,678,107</u>	<u>1,094,059</u>
-	943,106	-
-	1,460,831	-
-	25,588,837	-
-	-	469,297
-	3,288,725	-
-	124,412	-
-	2,146,586	-
799,737	8,926,000	-
-	4,079,321	-
249,895	6,800,698	-
<u>1,049,632</u>	<u>53,358,516</u>	<u>469,297</u>
71,254	(1,680,409)	624,762
-	3,250	-
8	501,660	36,228
(3,157)	(2,216,214)	-
-	(248,338)	-
-	184,782	-
<u>(3,149)</u>	<u>(1,774,860)</u>	<u>36,228</u>
68,105	(3,455,269)	660,990
-	166,661	-
68,105	(3,288,608)	660,990
5,066,127	49,103,323	7,166,458
<u>\$ 5,134,232</u>	<u>\$ 45,814,715</u>	<u>\$ 7,827,448</u>

# City of Wyandotte, Michigan

	Electric	Water	Cable Television
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 35,876,576	\$ 3,570,685	\$ 7,661,673
Payments for interfund services and reimbursements	-	-	-
Payments to suppliers	(27,937,394)	(1,820,472)	(6,320,412)
Payments to employees	(4,454,714)	(913,145)	(1,089,771)
Internal activity - Receipts from other funds	-	-	-
Claims paid	-	-	-
Net cash provided by operating activities	<u>3,484,468</u>	<u>837,068</u>	<u>251,490</u>
<b>Cash Flows from Noncapital Financing Activities</b> - Transfers from (to) other funds	1,129,897	(1,787,314)	657,417
<b>Cash Flows from Capital and Related Financing Activities</b>			
Issuance of bonds	3,866,200	-	-
Receipt of capital grants	184,782	-	-
Property taxes (restricted for capital or capital debt)	-	-	-
Purchase of capital assets - Net of reimbursements	(6,638,494)	(66,619)	(562,901)
Principal and interest paid on capital debt	(5,680,938)	-	(441,551)
Asset constructed for customer - Net of repayment	636,000	-	-
Repayment on advances from other funds	-	-	-
Net cash used in capital and related financing activities	<u>(7,632,450)</u>	<u>(66,619)</u>	<u>(1,004,452)</u>
<b>Cash Flows from Investing Activities</b> - Interest received on investments	<u>272,869</u>	<u>106,550</u>	<u>94,797</u>
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	<u>(2,745,216)</u>	<u>(910,315)</u>	<u>(748)</u>
<b>Cash and Cash Equivalents</b> - Beginning of year	13,584,946	1,192,018	1,403,966
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 10,839,730</u>	<u>\$ 281,703</u>	<u>\$ 1,403,218</u>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 1,976,561	\$ 112,145	\$ 1,233,660
Restricted investments	<u>8,863,169</u>	<u>169,558</u>	<u>169,558</u>
Total cash and cash equivalents	<u>\$ 10,839,730</u>	<u>\$ 281,703</u>	<u>\$ 1,403,218</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (1,569,925)	\$ 22,710	\$ (604,918)
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	4,577,297	647,559	797,043
Bad debt expense	75,000	-	65,000
Changes in assets and liabilities:			
Receivables	(367,597)	22,942	(120,411)
Due from others	-	-	-
Inventories	240,609	14,818	27,297
Prepaid and other assets	45,637	11,628	48,265
Accounts payable	(248,687)	(9,644)	(94,564)
Due to others	151,530	(57,270)	-
Estimated claims liability	-	-	-
Accrued and other liabilities	569,353	184,325	169,139
Equity in joint venture	-	-	-
Deferred revenue	-	-	(12,336)
Customer deposits and other current liabilities	11,251	-	(23,025)
Net cash provided by operating activities	<u>\$ 3,484,468</u>	<u>\$ 837,068</u>	<u>\$ 251,490</u>

**Noncash Capital and Related Financing Activities** - During the year ended September 30, 2010, \$166,661 of asset additions were contributed to the Water Fund.

**Proprietary Funds  
Statement of Cash Flows  
Year Ended September 30, 2010**

Sewage Disposal	Nonmajor	Total	Internal Service
\$ 3,135,486	\$ 1,112,804	\$ 51,357,224	\$ 9,544
(225,518)	-	(225,518)	-
(2,626,474)	(672,131)	(39,376,883)	-
-	(145,799)	(6,603,429)	-
-	-	-	477,516
-	-	-	(219,020)
283,494	294,874	5,151,394	268,040
332,741	-	332,741	(768,586)
-	-	3,866,200	-
-	-	184,782	-
3,250	-	3,250	-
(556,893)	-	(7,824,907)	-
(901,870)	(76,566)	(7,100,925)	-
-	-	636,000	-
-	(126,286)	(126,286)	-
(1,455,513)	(202,852)	(10,361,886)	-
27,436	8	501,660	34,450
(811,842)	92,030	(4,376,091)	(466,096)
4,881,223	15,891	21,078,044	4,144,907
<b>\$ 4,069,381</b>	<b>\$ 107,921</b>	<b>\$ 16,701,953</b>	<b>\$ 3,678,811</b>
\$ 4,069,381	\$ 107,921	\$ 7,499,668	\$ 3,678,811
-	-	9,202,285	-
<b>\$ 4,069,381</b>	<b>\$ 107,921</b>	<b>\$ 16,701,953</b>	<b>\$ 3,678,811</b>
\$ 400,470	\$ 71,254	\$ (1,680,409)	\$ 624,762
528,904	249,895	6,800,698	-
-	-	140,000	-
12,265	-	(452,801)	9,544
(225,518)	(2,090)	(227,608)	(1,094,059)
-	-	282,724	-
(59,099)	(50,221)	(3,790)	-
(198,258)	32,028	(519,125)	11,360
-	-	94,260	477,516
-	-	-	238,917
-	1,220	924,037	-
(175,270)	-	(175,270)	-
-	-	(12,336)	-
-	(7,212)	(18,986)	-
<b>\$ 283,494</b>	<b>\$ 294,874</b>	<b>\$ 5,151,394</b>	<b>\$ 268,040</b>

# City of Wyandotte, Michigan

## Fiduciary Funds Statement of Net Assets September 30, 2010

	Pension and Other Employee Benefits Trust	Agency
<b>Assets</b>		
Cash and cash equivalents (Note 3)	\$ 2,637,344	\$ 353,894
Investments (Note 3):		
Collateralized mortgage obligations	1,101,361	-
U.S. government securities	5,803,216	-
U.S. government agency obligations	6,142,273	-
Common trust funds/mutual funds	1,392,539	-
Stocks	11,304,448	-
Bonds	12,717,281	-
Foreign stock ADR	17,843,051	-
Foreign government obligations	7,304,839	-
Foreign corporate bonds	982,669	-
Receivables - Net - Accrued interest	301,776	13
Total assets	67,530,797	<b>\$ 353,907</b>
<b>Liabilities</b>		
Accounts payable	267,102	\$ 25
Due to other governmental units	-	4,081
Refundable deposits, bonds, etc.	-	349,801
Total liabilities	267,102	<b>\$ 353,907</b>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 67,263,695</b>	

# City of Wyandotte, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended September 30, 2010

### Additions

Investment income:	
Interest and dividends	\$ 2,453,129
Net increase in fair value of investments	3,714,770
Investment related expenses	<u>(570,213)</u>
Net investment income	5,597,686
Contributions:	
Employer contributions from WDMS	1,222,371
Employee contributions	74,400
Employer contributions from all other funds	<u>4,020,202</u>
Total contributions	<u>5,316,973</u>
Total additions	10,914,659

### Deductions

Benefits:	
Benefit payments	5,448,777
Health benefits	<u>2,543,590</u>
Total benefits	7,992,367
Other deductions - Employee transfers to alternate plan	<u>129,279</u>
Total deductions	<u>8,121,646</u>

<b>Net Increase in Net Assets Held in Trust</b>	2,793,013
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	<u>64,470,682</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<u><b>\$ 67,263,695</b></u>

# City of Wyandotte, Michigan

## Component Units Statement of Net Assets (Deficit) September 30, 2010

	Tax Increment Finance Authorities - Consolidated	Tax Increment Finance Authorities - Downtown	Downtown Development Authority	Brownfield Redevelopment Authority	Downriver Central Dispatch	Total
<b>Assets</b>						
Cash and investments (Note 3)	\$ 4,687,272	\$ 1,085,385	\$ 1,567	\$ 69,074	\$ -	\$ 5,843,298
Receivables - Net Due from primary government (Note 9)	45,729	202	-	10,896	84,837	141,664
Internal balances (Note 9)	72,417	-	-	-	-	72,417
Land held for resale (Note 6)	49,289	-	-	(49,289)	-	-
Note receivable	1,608,829	44,800	-	-	-	1,653,629
	-	400,000	-	-	-	400,000
Total assets	<u>6,463,536</u>	<u>1,530,387</u>	<u>1,567</u>	<u>30,681</u>	<u>84,837</u>	<u>8,111,008</u>
<b>Liabilities</b>						
Accounts payable	393,631	25,979	-	17,028	-	436,638
Due to other governmental units	-	-	-	168,581	-	168,581
Due to primary government (Note 9)	1,205,097	45,418	-	-	84,837	1,335,352
Accrued liabilities and other	4,210	20,649	-	-	-	24,859
Deferred revenue (Note 4)	2,114,355	395,740	-	-	-	2,510,095
Advance from primary government (Note 9)	-	-	-	1,340,001	-	1,340,001
Long-term debt (Note 10)	442,050	306,005	-	-	-	748,055
Total liabilities	<u>4,159,343</u>	<u>793,791</u>	<u>-</u>	<u>1,525,610</u>	<u>84,837</u>	<u>6,563,581</u>
<b>Net Assets (Deficit)</b>						
Restricted - NSP grant land held for resale	30,360	-	-	-	-	30,360
Unrestricted	2,273,833	736,596	1,567	(1,494,929)	-	1,517,067
Total net assets	<u>\$ 2,304,193</u>	<u>\$ 736,596</u>	<u>\$ 1,567</u>	<u>\$ (1,494,929)</u>	<u>\$ -</u>	<u>\$ 1,547,427</u>

# City of Wyandotte, Michigan

	<u>Expenses</u>	<u>Program Revenue</u>
		<u>Charges for Services</u>
<b>Functions/Programs</b>		
Tax Increment Finance Authorities - Consolidated governmental activities:		
Community and economic development	\$ 3,167,855	\$ -
Debt service	<u>80,652</u>	<u>-</u>
Total Tax Increment Finance Authorities - Consolidated governmental activities	3,248,507	-
Tax Increment Finance Authorities - Downtown governmental activities:		
Community and economic development	727,293	16,198
Debt service	<u>16,402</u>	<u>-</u>
Total Tax Increment Finance Authorities - Downtown governmental activities	743,695	16,198
Downtown Development Authority	-	-
Brownfield Redevelopment Authority - Governmental activities:		
Community and economic development	97,179	-
Debt service	<u>45,006</u>	<u>-</u>
Total Brownfield Redevelopment Authority	142,185	-
Downriver Central Dispatch - Governmental activities - Public Safety	<u>119,825</u>	<u>119,825</u>
Total governmental activities	<u>\$ 4,254,212</u>	<u>\$ 136,023</u>
General revenue:		
Property taxes		
Unrestricted investment income		
Miscellaneous		
		Total general revenue
		<b>Change in Net Assets</b>
		<b>Net Assets (Deficit) - Beginning of year</b>
		<b>Net Assets (Deficit) - End of year</b>

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

Net (Expense) Revenue and Changes in Net Assets					
Tax Increment Finance Authorities - Consolidated	Tax Increment Finance Authorities - Downtown	Downtown Development Authority	Brownfield Redevelopment Authority	Downriver Central Dispatch	Total
\$ (3,167,855)	\$ -	\$ -	\$ -	\$ -	\$ (3,167,855)
(80,652)	-	-	-	-	(80,652)
(3,248,507)	-	-	-	-	(3,248,507)
-	(711,095)	-	-	-	(711,095)
-	(16,402)	-	-	-	(16,402)
-	(727,497)	-	-	-	(727,497)
-	-	-	-	-	-
-	-	-	(97,179)	-	(97,179)
-	-	-	(45,006)	-	(45,006)
-	-	-	(142,185)	-	(142,185)
-	-	-	-	-	-
(3,248,507)	(727,497)	-	(142,185)	-	(4,118,189)
4,837,232	587,526	45	159,962	-	5,584,765
5,797	2,800	3	29	-	8,629
80,645	20,435	-	29,517	-	130,597
4,923,674	610,761	48	189,508	-	5,723,991
1,675,167	(116,736)	48	47,323	-	1,605,802
629,026	853,332	1,519	(1,542,252)	-	(58,375)
<b>\$ 2,304,193</b>	<b>\$ 736,596</b>	<b>\$ 1,567</b>	<b>\$ (1,494,929)</b>	<b>\$ -</b>	<b>\$ 1,547,427</b>

# City of Wyandotte, Michigan

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## Notes to Financial Statements September 30, 2010

### Note I - Nature of Business and Significant Accounting Policies

The accounting policies of the City of Wyandotte, 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 used by the City of Wyandotte, Michigan:

#### **Reporting Entity**

The City of Wyandotte, Michigan is governed by an elected six-member council and the mayor. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. 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 (see discussion below for description).

**Blended Component Units** - The Wyandotte Building Authority is governed by a three-member board that is appointed by the mayor with City Council approval. 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.

**Discretely Presented Component Units** - The following component units are reported within the component unit column to emphasize that they are legally separate from the City:

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 nine individuals, is selected by the mayor with approval by the City Council. In addition, the Authority's budget is subject to approval by the City Council.

The Brownfield Redevelopment Authority was created, pursuant to Public Act 381 of 1996, to promote revitalization of environmentally distressed areas within the six-square mile boundary of the City. The Brownfield Redevelopment Authority is funded primarily by property tax revenue captures. The Brownfield Redevelopment Authority is governed by a nine-member board that is appointed by the mayor and confirmed by the City Council.

The Tax Increment Finance Authorities (TIFAs) were created to preserve and continuously improve the areas within the TIFA districts. The Consolidated Development Area TIFAs' governing body and Downtown Development Area TIFAs' governing body, which consist of nine individuals each, are selected by the mayor with approval by the City Council.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

The Economic Development Corporation (EDC) was created to alleviate and prevent conditions of unemployment and to assist and retain local industries and commercial enterprises in their efforts to operate within the City. The EDC's governing body, which consists of nine individuals, is selected by the mayor with approval by the City Council. There was no financial activity related to the EDC in the current year.

The Downriver Central Dispatch (DCD) was created to enhance public safety through the sharing of technology and information resources to support the centralized dispatching of public safety resources. The DCD's governing body consists of one representative appointed by each governmental unit who is a member of the DCD. The DCD's budget is subject to approval by the City.

Separate financial statements for the above discretely presented component units are not prepared.

**Jointly Governed Organizations** - Jointly governed organizations are discussed in Note 7.

#### **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 - Nature of Business and Significant Accounting Policies (Continued)**

#### **Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if they are collected within 60 days of the end of the current fiscal period. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, district court fines, and interest associated with the current fiscal period. Conversely, special assessments, delinquent personal property taxes, federal grant reimbursements, and other amounts will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability. During the year ended September 30, 2010, property tax revenue was recognized for receipts beyond the normal 60 days, because while the majority of the Wayne County delinquent tax sale occurred in October 2010, a portion of the sale totaling approximately \$142,000 did not occur until December 2010. The property tax revenue was recognized in order for the current year revenue recognition not to be misleading. The full amount of this revenue is normally received within 60 days of year end.

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.

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

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

The City reports the following major governmental fund:

**General Fund** - The General Fund is the City's primary operating fund and is used to provide for basic services including the following functions: legislative, judicial, elections, tax collection, property assessment, administration, public safety, engineering, public works, recreation, cultural, and planning. This fund accounts for all financial resources of the general government other than those required to be accounted for in another fund.

The City reports the following major proprietary funds:

**Electric Fund** - The Electric Fund accounts for the activities of providing electric services to the residents (and businesses) of the City.

**Water Fund** - The Water Fund accounts for the activities of the water distribution system.

**Cable Television Fund** - The Cable Television Fund accounts for the activities of providing cable services (and Internet) to the residents (and businesses) of the City.

**Sewage Disposal Fund** - The Sewage Disposal Fund accounts for the operations, maintenance, and improvements to the sewage disposal system in the city. Operations are primarily funded through user charges.

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

**Pension and Other Employee Benefit Trust Funds** - The Pension and Other Employee Benefit Trust Funds account for the activities of the retirement system and the trust established to account for costs related to retiree health care.

**Agency Fund** - The Agency Fund accounts for assets held by the City in a trustee capacity. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

**Internal Service Fund** - The Internal Service Fund is used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governments. The City's Internal Service Fund has been established to account for insurance costs associated with workers' compensation and general liability, as well as the self-insured portion of workers' compensation, general liability, and prescription drug coverage for active employees and retirees. The Internal Service Fund is used to account for current coverage and to provide reserves for future catastrophic claims.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

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, except for such activity between the governmental and business-type funds. Eliminations of these charges would distort the direct costs and program revenue reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales, rentals, and services. The Water and Sewage Disposal Funds also recognize 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.

#### **Property Tax Revenue**

Properties are assessed as of December 31. The related property taxes are billed on August 1 of the following year, are due on September 30, become a lien on December 1, and have a final collection date of February 28 before they are added to the county tax rolls.

Property taxes billed on August 1 will be used to finance the following year's operations. As such, these taxes are recorded as deferred revenue in each respective fund at September 30.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

The 2009 taxable valuation of the City totaled \$730,008,394 (a portion of which has been abated or resides in special tax districts), on which taxes levied consisted of 12.0538 mills for operating purposes, 2.5166 mills for debt service, and 2.5166 mills for garbage and rubbish services. In addition, the City levied 3.4130 mills to support drain operation and maintenance. The City has attempted, but has been unable to identify the statutory or constitutional provisions that authorize the levy of this millage. The above levies resulted in approximately \$8,044,000 for operating purposes, \$1,170,000 for debt service, \$1,610,000 for garbage and rubbish services, and \$1,580,000 for drain operation and maintenance. These amounts are recognized in the respective General Fund, Special Revenue Fund, and component unit financial statements as tax revenue. Some amounts are also recognized in the Debt Service Fund through a transfer of tax funds from the General Fund.

#### **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." Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances 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."

All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

**Inventories and Prepaid Items** - Real estate inventories in the Special Revenue Funds and component units are valued at the lower of cost (specific identification, including demolition cost) or market. Inventories of the remaining governmental funds are recorded as expenditures when purchased rather than when consumed. Inventories of the Enterprise Funds are stated at the lower of cost, determined by the average cost method for general inventory and determined by the first-in, first-out method for coal inventory, or market. Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

**Restricted Assets** - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets. Unspent bond proceeds of the Enterprise Funds are required to be set aside for construction. These amounts have also been classified as restricted assets.

**Capital Assets** - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. 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.

Assets are depreciated using the straight-line method over the following useful lives:

Roads and other infrastructure	20 to 25 years
Sidewalks	10 to 60 years
Distribution systems	8 to 50 years
Utility plant and treatment facilities	17 to 35 years
Buildings and building improvements	40 to 50 years
Land improvements	20 to 50 years
Vehicles	4 to 8 years
Machinery and equipment	3 to 35 years

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. Employees may receive payment of the accumulated sick leave and vacation balance at the rate determined by union contracts, which vary from unit to unit. A liability is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

### **Note I - Nature of Business and Significant Accounting Policies (Continued)**

**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. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**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 and expenses during the period. Actual results could differ from those estimates.

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note I - Nature of Business and Significant Accounting Policies (Continued)

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

**Significant Customers** - The City has the following customers that represent significant amounts of operating revenue for the year ended September 30, 2010:

	<u>Electricity Fees</u>	<u>Water Fees</u>	<u>Sewage Fees</u>	<u>Property Taxes</u>
BASF Corporation	24 %	19 %	28 %	9 %
Electric Fund	- %	8 %	- %	- %
Wayne County	8 %	- %	- %	- %
Wyandotte Hospital	5 %	2 %	- %	- %

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### 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 surplus or shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall at October 1, 2009		\$	(78,563)
Current year permit revenue			457,207
Related expenses:			
Direct costs	\$	103,297	
Estimated indirect costs		500,778	604,075
			<u>          </u>
Current year shortfall			<u>(146,868)</u>
Cumulative shortfall at September 30, 2010		\$	<u>(225,431)</u>

**Accumulated Deficit** - The City has accumulated deficits in the Brownfield Redevelopment Authority as well as the Grants Fund. The City also has accumulated unrestricted deficits in the Cable Television, Golf Course, and Building Rental Funds. Management expects the deficit in the Brownfield Redevelopment Authority to be eliminated through the receipt of future tax captures. The deficit in the Grants Fund is related to grant reimbursement revenue that was not received within the 60-day availability period and will be eliminated once the grant revenue is collected.

### 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.

### **Note 3 - Deposits and Investments (Continued)**

The pension and other postemployment benefit 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, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated three banks for the deposit of its funds. The investment policy adopted by the Council and mayor in accordance with Public Act 196 of 1997 has authorized investment in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States, certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution that has offices in Michigan, and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan, interlocal agreements and investment pools, but not the remainder of State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

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

#### **Custodial Credit Risk of Bank Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the City had \$38,601,875 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$5,311,782 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.

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 3 - Deposits and Investments (Continued)

#### Interest Rate Risk

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

Investment	Fair Value	Weighted Average Maturity
U.S. Treasury bills	\$ 504,366	1.73 years
U.S. Federal Agency	246,346	1.41 years
U.S. Treasury bills (pension)	4,295,507	7.77 years
U.S. Federal Agency (pension)	6,415,289	7.98 years
Corporate bonds and notes (pension)	11,683,948	10.73 years
Collateralized mortgage obligations (pension)	1,101,361	26.67 years
Foreign corporate bonds and notes (pension)	359,699	7.47 years
Foreign government obligations (pension)	7,114,168	8.51 years
U.S. Treasury bills (retiree health care)	121,646	5.05 years
U.S. Federal Agency (retiree health care)	156,386	2.41 years
Corporate bonds and notes (retiree health care)	530,513	4.67 years

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 3 - Deposits and Investments (Continued)

#### Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
General government	\$ 6,050,558	AAA	S&P
	470,139	AA+	S&P
	501,988	AA	S&P
	728,587	AA-	S&P
	3,439,925	A+	S&P
	3,438,341	A	S&P
	878,937	A-	S&P
	1,239,608	BBB+	S&P
	1,640,825	BBB	S&P
	773,883	BBB-	S&P
	50,781	BB	S&P
	63,128	BB-	S&P
	92,117	B	S&P
	272,464	CCC	S&P
	12,662,973	AAA	Moody's
	278,032	Aaa	Moody's
	33,163	Aa2	Moody's
	31,690	Aa3	Moody's
	182,691	A1	Moody's
	199,004	A2	Moody's
	26,389	A3	Moody's
	28,465	Baa1	Moody's
	29,111	Baa2	Moody's
	7,513,394	N/A	Unrated
Component units	474,223	Aaa	Moody's

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 3 - Deposits and Investments (Continued)

#### Foreign Currency Risk

Foreign currency risk is the risk that an investment denominated in the currency of a foreign country could reduce its U.S. dollar value as a result of changes in foreign currency exchange rates. The pension system does not restrict the amount of investments in foreign currency. The following deposits and securities are subject to foreign currency risk:

<u>Country</u>	<u>Fair Value of Bonds in U.S. Dollars</u>
Canadian dollar	\$ 768,863
Euro currency	676,872
Australian dollar	1,471,550
Polish zloty	942,610
Swedish krona	644,139
Norwegian krone	536,636
South African rand	180,705
New Zealand dollar	472,632
British pound	742,049
Malaysian ringgit	640,771
South Korean won	587,710
Various	622,970

### Note 4 - Deferred Revenue

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 and Enterprise Funds and component units 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:

	<u>Unavailable - Governmental Activities</u>	<u>Unearned - Governmental Activities</u>	<u>Unearned - Business-type</u>	<u>Unearned - Component Units</u>
Delinquent property taxes	\$ 292,748	\$ -	\$ -	\$ -
Special assessments	655,780	-	-	-
ALS revenue	526,730	-	-	-
Property tax receipts for fiscal year 2010	-	12,616,017	-	2,510,095
Grants receivable	730,460	-	-	-
UDAG	62,975	-	-	-
Other	79,724	-	169,137	-
Total	<u>\$ 2,348,417</u>	<u>\$ 12,616,017</u>	<u>\$ 169,137</u>	<u>\$ 2,510,095</u>

### **Note 5 - Bond Issuance Costs**

During the years ended September 30, 2005 and 2002, the City of Wyandotte Department of Municipal Services incurred bond issuance costs in the amount of \$517,983 and \$931,515, respectively. The 2005 bond issuance costs related to new debt issuances (Series 2005A and 2005B) and the 2002 bond issuance costs related to the 2002 revenue refunding bonds. New refunding bonds were issued by the Department of Municipal Services in 2009 incurring issuance costs in the amount of \$980,518. Amortization expense for the 2002 revenue refunding amounted to \$160,430 for the year ended September 30, 2010. Amortization expense for the 2005 revenue bonds amounted to \$37,848 for the year ended September 30, 2010. Amortization expense for the 2009 refunding bonds amounted to \$50,064 for the year ended September 30, 2010.

### **Note 6 - Land Held for Resale**

The inventory in the General Fund, Special Revenue Funds, and component units consists of real property purchased for resale. The City purchases the property, demolishes or rehabilitates the structure, if any, and resells the property for commercial or residential development. Inventory costs include the costs of land, existing structures, rehabilitation, and demolition. Generally, the acquisition cost of inventory is substantially higher than its fair market value after demolition and site clearing. At September 30, 2010, inventory had a cost of \$1,010,189 and \$19,509,271 and a fair market value of \$160,232 and \$1,653,629 in the Special Revenue Funds and component units, respectively. Included in capital outlay and other expenses of the current year was a provision of \$46,870 and \$2,137,005 to record inventory at the lower of cost or market value in the Special Revenue Funds and component units, respectively. Inventory of \$91,667 was recorded in the General Fund during the year ended September 30, 2010, representing rehabilitation costs associated with properties purchased under the Neighborhood Stabilization Program. In the current year, no sales occurred of properties within the General Fund or Special Revenue Funds and sales of select properties within the component units resulted in a gain on sale of \$64,006 included in miscellaneous income.

### **Note 7 - Joint Ventures**

#### **Southgate-Wyandotte Drainage District**

The City is a member of the Southgate-Wyandotte Drainage District, a joint venture with the City of Southgate that provides drainage services to the residents of Southgate and Wyandotte. The venture is administered by the Wayne County Drainage Board. The City paid approximately \$1,261,000 to Wayne County during the year for operation and maintenance.

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 7 - Joint Ventures (Continued)

The City of Wyandotte has approximately a 50.5 percent interest in the venture. The operations of the fund will be financed through assessments to the participating cities, Wayne County, and the State of Michigan. The City is aware that over the next several years there are preliminary plans for significant system improvements to take place. The City's equity interest in the venture in the amount of \$2,400,000 has been recorded in the government-wide statement of net assets at September 30, 2010.

#### Downriver Sewage Disposal System

The City, along with 12 other communities, jointly participates in the Downriver Sewage Disposal System. The City's share of capital assets, restricted assets (for debt service), and related debt is recorded in the Sewage Disposal Fund. During the year, the City paid approximately \$1,461,000 for operations of the system and \$902,000 for debt service. The City is not aware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City's equity interest in the venture in the amount of \$1,030,048 has been recorded in the proprietary and government-wide statements of net assets at September 30, 2010. Financial statements for the joint venture can be obtained from the administrative offices at 400 Monroe Street, Suite 400, Detroit, MI 48226.

### Note 8 - Capital Assets

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

	Balance October 1, 2009	Additions	Disposals and Adjustments	Balance September 30, 2010
<b>Governmental Activities</b>				
Capital assets not being depreciated - Land	\$ 18,135,929	\$ -	\$ -	\$ 18,135,929
Capital assets being depreciated:				
Roads and other infrastructure	76,641,494	1,990,972	-	78,632,466
Sidewalks	34,628,531	273,520	-	34,902,051
Land improvements	6,043,081	-	-	6,043,081
Buildings and improvements	20,091,608	272,545	-	20,364,153
Machinery, equipment, and vehicles	11,490,699	707,281	(30,206)	12,167,774
Subtotal	148,895,413	3,244,318	(30,206)	152,109,525
Accumulated depreciation:				
Roads and other infrastructure	55,050,780	2,968,303	-	58,019,083
Sidewalks	24,858,228	1,253,637	-	26,111,865
Land improvements	3,073,326	267,634	-	3,340,960
Buildings and improvements	3,565,273	388,142	-	3,953,415
Machinery, equipment, and vehicles	8,481,167	641,480	(30,206)	9,092,441
Subtotal	95,028,774	5,519,196	(30,206)	100,517,764
Net capital assets being depreciated	53,866,639	(2,274,878)	-	51,591,761
Net capital assets	\$ 72,002,568	\$ (2,274,878)	\$ -	\$ 69,727,690

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 8 - Capital Assets (Continued)

	Balance October 1, 2009	Additions	Disposals and Adjustments	Balance September 30, 2010
<b>Business-type Activities</b>				
Capital assets not being depreciated:				
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress	591,506	-	(286,969)	304,537
Subtotal	736,506	-	(286,969)	449,537
Capital assets being depreciated:				
Utility plant	104,186,127	5,764,967	-	109,951,094
Transmission	5,912,572	212,081	-	6,124,653
Pumping	3,935,912	-	-	3,935,912
Purification	5,501,283	-	-	5,501,283
Distribution	54,171,013	1,164,739	-	55,335,752
Transportation	1,661,348	34,749	-	1,696,097
Stores	877,798	-	-	877,798
Cable equipment	1,844,941	534,779	-	2,379,720
Studio	528,489	9,126	-	537,615
General	4,219,240	195,355	-	4,414,595
Buildings	4,154,718	-	-	4,154,718
Land improvements	2,937,427	-	-	2,937,427
Equipment and fixtures	1,493,431	362,741	-	1,856,172
Sewer lines	17,275,523	-	-	17,275,523
Subtotal	208,699,822	8,278,537	-	216,978,359
Accumulated depreciation:				
Utility plant	69,089,808	3,265,980	-	72,355,788
Transmission	4,948,218	124,750	-	5,072,968
Pumping	2,539,829	167,972	-	2,707,801
Purification	3,379,087	90,193	-	3,469,280
Distribution	34,644,638	2,123,977	-	36,768,615
Transportation	1,431,984	92,889	-	1,524,873
Stores	733,407	31,824	-	765,231
Cable equipment	1,332,828	135,277	-	1,468,105
Studio	473,341	11,637	-	484,978
General	2,835,275	114,426	-	2,949,701
Buildings	1,126,503	105,142	-	1,231,645
Land improvements	821,495	58,749	-	880,244
Equipment and fixtures	1,140,738	105,788	-	1,246,526
Sewer lines	2,038,561	372,094	-	2,410,655
Subtotal	126,535,712	6,800,698	-	133,336,410
Net capital assets being depreciated	82,164,110	1,477,839	-	83,641,949
Net capital assets	\$ 82,900,616	\$ 1,477,839	\$ (286,969)	\$ 84,091,486

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 8 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 4,518,797
Public safety	545,307
Public works	171,960
Recreation and culture	283,132
	<u>283,132</u>
Total governmental activities	<u>\$ 5,519,196</u>

Business-type activities:

Electric	\$ 4,577,297
Water	647,559
Cable television	797,043
Sewage disposal	528,904
Golf course	143,609
Building rental	106,286
	<u>106,286</u>
Total business-type activities	<u>\$ 6,800,698</u>

**Construction Commitments** - The City has active construction projects at year end. Commitments with contractors, in which the City expects to utilize bond proceeds, grants, contributions from component units, and other sources, are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Transformer (1)	\$ -	\$ 600,000
Wind turbine (2)	<u>278,617</u>	<u>21,383</u>
Total	<u>\$ 278,617</u>	<u>\$ 621,383</u>

(1) Funded from Electric Fund operational budget

(2) Funded by grants and other sources

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 9 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

#### Due to/from Other Funds

Receivable Fund	Payable Fund	Amount
General Fund	Other governmental funds	\$ 150,508
	Water Fund	354,710
	Total General Fund	505,218
Other governmental funds	General Fund	1,757,295
	Other governmental funds	925,151
	Building Rental Fund	320,000
	Electric Fund	151,530
	Internal Service Fund	477,516
	Total other governmental funds	3,631,492
Water Fund	Electric Fund	1,170,332
	Cable Television Fund	2,048,331
	Total Water Fund	3,218,663
Sewage Disposal	Water Fund	947,073
Golf Course Fund	General Fund	2,090
Internal Service Fund	General Fund	4,359,500
Tax Increment Finance Authorities - Consolidated	Brownfield Redevelopment Authority	49,289

#### Advances from/to Other Funds

Receivable Fund	Payable Fund	Amount
Internal Service Fund	Sewage Disposal Fund	\$ 332,741
	Other governmental funds	435,845
	Total	\$ 768,586

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 9 - Interfund Receivables, Payables, and Transfers (Continued)

#### Due to/from Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
General Fund	Tax Increment Finance Authorities - Consolidated	\$ 1,096,142
	Tax Increment Finance Authorities - Downtown	31,071
	Downriver Central Dispatch	84,837
	Total other governmental funds	1,212,050
Other governmental funds	Tax Increment Finance Authorities - Consolidated	108,955
	Tax Increment Finance Authorities - Downtown	14,347
	Total other governmental funds	123,302
Tax Increment Finance Authorities - Consolidated	Other governmental funds	38,181
	Golf Course Fund	34,236
	Total Tax Increment Finance Authorities - Consolidated	72,417

#### Advances from/to Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
Other governmental funds	Brownfield Redevelopment Authority	\$ 1,091,152
Internal Service Fund	Brownfield Redevelopment Authority	248,849

These balances result from the time lag between the dates that goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 9 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers reported in the fund financial statements are comprised of the following:

Fund Receiving Resources	Fund Providing Resources	Amount
Other governmental funds	General Fund	\$ 1,193,014
	Other governmental funds	673,537
	Total other governmental funds	<u>\$ 1,866,551</u>

The transfer to other governmental funds was primarily to pay the annual debt service for the Department of Public Services facility bonds, the 27<sup>th</sup> District Court and police department facility construction and Yack Arena renovation bonds, the installment purchase agreement for various technology improvements, and the purchase of the Masonic Temple facility. These funds are derived through tax levies. The transfer between the City's two street funds was to redistribute Act 51 revenue from the Major Streets Fund to the Local Streets Fund, where the funds were then spent.

### Note 10 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a reassessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Description	Amount
<b>Governmental Activities:</b>	
<u>General Obligations:</u>	
1999 Building Authority Bonds, issued for \$5,000,000, with interest from 3.75% to 5.75%, maturing in 2013	\$ 1,600,000
2006 Capital Improvement Bonds for public safety, recreation and culture, and court improvements, issued for \$9,495,000, with interest from 4.00% to 4.25%, maturing in 2025	8,595,000
2006 Bank One purchase installment for technology improvements, issued for \$500,000, with interest of 4.28%, maturing in 2011	75,000
Total governmental activity debt	<u>\$ 10,270,000</u>

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 10 - Long-term Debt (Continued)

Description	Amount
<b>Business-type Activities:</b>	
<u>General Obligations:</u>	
1998 Cable television purchase installment, issued for \$3,994,031, with interest of 4.16%, maturing in 2011	\$ 416,531
Downriver sewage disposal system bonds, 13 issues totaling \$22,053,776, with interest from 1.625% to 5.00%, maturing from 2016 to 2028	10,734,707
2007 Cable television purchase installment, issued for \$200,000, with interest of 4.14%, maturing in 2011	80,549
2008 Electric purchase installment, issued for \$2,385,761, with interest of 7.06%, maturing in 2019	2,059,082
2010 Electric purchase installment, issued for \$3,866,200, with interest of 4.25%, maturing in 2019	3,866,200
Subtotal	<u>17,157,069</u>
<u>Revenue Bonds:</u>	
2002 Electric Revenue Refunding Bonds, net of unamortized premium and deferred refunding credit, issued for \$31,990,000, with interest from 3.25% to 5.38%, maturing in 2018	5,778,352
2005A Electric Revenue Bonds, net of unamortized premium, issued for \$6,104,826, with interest from 3.25% to 5.00%, maturing in 2016	3,652,386
2005B Electric Revenue Bonds, net of unamortized premium, issued for \$7,489,013, with interest from 3.50% to 4.50%, maturing in 2025	6,935,293
2009 Revenue Refunding Bonds - Net of unamortized premium and deferred refunding charge	24,615,073
Less amounts payable from restricted assets	<u>(3,895,000)</u>
Subtotal	<u>37,086,104</u>
Total business-type activity debt	<u>\$ 54,243,173</u>

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 10 - Long-term Debt (Continued)

Description	Amount
<b>Component Units:</b>	
<b>General Obligations:</b>	
1999 Brownfield Revitalization Loan, issued for \$944,000, with interest of 2.25%, maturing in 2015	\$ 442,050
2006 Downtown Development Note Payable, issued for \$400,000, with interest of 5.00%, maturing in 2018	306,005
Total component unit activity debt	<u>\$ 748,055</u>

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities -</b>					
General obligations	\$ 11,147,032	\$ -	\$ (877,032)	\$ 10,270,000	\$ 1,020,000
<b>Business-type Activities</b>					
General obligations	\$ 14,582,362	\$ 3,866,200	\$ (1,291,493)	\$ 17,157,069	\$ 1,498,423
Revenue bonds	44,610,408	-	(3,629,304)	40,981,104	4,050,000
Less portion payable from restricted assets	(3,735,000)	-	(160,000)	(3,895,000)	155,000
Total	<u>\$ 55,457,770</u>	<u>\$ 3,866,200</u>	<u>\$ (5,080,797)</u>	<u>\$ 54,243,173</u>	<u>\$ 5,703,423</u>
<b>Component Units</b>					
General obligations	\$ 902,665	\$ -	\$ (154,610)	\$ 748,055	\$ 119,075
Revenue bonds	465,000	-	(465,000)	-	-
Total	<u>\$ 1,367,665</u>	<u>\$ -</u>	<u>\$ (619,610)</u>	<u>\$ 748,055</u>	<u>\$ 119,075</u>

Total interest expense for the year was approximately \$2,760,000.

### Note 10 - Long-term Debt (Continued)

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

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,020,000	\$ 413,686	\$ 1,433,686	\$ 5,548,423	\$ 2,248,767	\$ 7,797,190	\$ 119,075	\$ 24,820	\$ 143,895
2012	950,000	375,800	1,325,800	5,371,845	2,031,038	7,402,883	122,728	21,168	143,896
2013	1,100,000	339,050	1,439,050	5,680,261	1,799,741	7,480,002	126,510	17,386	143,896
2014	600,000	295,050	895,050	5,902,094	1,524,341	7,426,435	130,429	13,467	143,896
2015	600,000	271,050	871,050	6,185,005	1,275,527	7,460,532	134,490	9,405	143,895
2016-2020	3,100,000	946,050	4,046,050	21,405,502	3,015,710	24,421,212	114,823	8,754	123,577
2021-2025	2,400,000	417,600	2,817,600	5,406,350	899,626	6,305,976	-	-	-
2026-2030	500,000	21,250	521,250	2,890,139	10,577	2,900,716	-	-	-
Thereafter	-	-	-	57,450	(8,090)	49,360	-	-	-
*	-	-	-	(308,896)	-	(308,896)	-	-	-
<b>Total</b>	<b>\$ 10,270,000</b>	<b>\$ 3,079,536</b>	<b>\$ 13,349,536</b>	<b>\$ 58,138,173</b>	<b>\$ 12,797,237</b>	<b>\$ 70,935,410</b>	<b>\$ 748,055</b>	<b>\$ 95,000</b>	<b>\$ 843,055</b>

\* Less unamortized discount/premiums on bonds payable and deferred refunding charges

### Electric Fund Revenue Bonds

The 1992 and the 2002 Electric Revenue Refunding Bonds, the 2005 Series A and B Revenue Bonds, and the 2009 Refunding Bonds are payable out of the net revenue of the Electric Fund. During the year, net operating revenue of the system was \$4,396,714 compared to the annual debt service requirement of \$5,674,207. The City has no liability for these bonds if the net revenue pledged should prove insufficient.

An agreement has been entered into with BASF for steam service related to the 2005 Revenue Bonds. This agreement provides for reimbursement to the department for one-half of the principal and associated interest of the 2005 Electric Revenue Bonds (Series A) actually used by the department to fund the construction of the Steam Expansion Project through 2015.

The revenue bond ordinance contains certain covenants and provisions that, among other matters, relate to the following:

- Segregation of proceeds of the revenue bond issue
- Segregation of Electric Fund revenue
- Segregation of assets for debt service payments
- Segregation of assets for construction of improvements to the system
- Periodic transfers of net revenue to those funds segregated for debt service payments
- Sale, lease, or other disposition of all or any substantial part of the system
- Establishment of rates sufficient to provide for required level of debt service coverage
- Adoption of, and adherence to, budgeted operation and maintenance expenses

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 10 - Long-term Debt (Continued)

Included in the current liabilities of the Electric Fund at September 30, 2010 is the portion of the bond principal that was to be transferred within the next year to the bond interest and Redemption Fund for payment of bond principal.

### Note 11 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for claims related to medical benefits. The City is partially uninsured for general liability and workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

**General Liability** - The City currently keeps coverage that limits the maximum loss to \$20,000 per occurrence, except for law enforcement claims, which limits the maximum loss to \$25,000 per occurrence. Losses in excess of these limitations are insured up to a minimum of \$5,000,000 per occurrence depending on the nature of the claim. Losses in excess of the plan limitations are uninsured.

**Workers' Compensation** - The City (including the Department of Municipal Services) is partially uninsured for workers' compensation claims. The terms of the plan are subject to change each policy period. Subsequent to May 31, 1986, there is no aggregate insurance coverage limit. All claims are insured for the per occurrence exposure between the deductible as of June 1, 2002 of \$850,000 and the policy limits equal to state statutory requirements.

The City estimates the liability for general liability, which includes workers' compensation claims. The Department of Municipal Services estimates the liability for workers' compensation claims in the Enterprise Funds. These estimates include claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported. Changes in the estimated liability for the past two fiscal years were as follows:

	2010	2009
<b>Self-insurance Fund</b>		
Estimated liability - Beginning of year	\$ 503,599	\$ 457,562
Incurred claims (including claims incurred but not reported)	469,297	168,739
Claim payments and changes in estimates	(230,380)	(122,702)
Estimated liability - End of year	<u>\$ 742,516</u>	<u>\$ 503,599</u>

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 11 - Risk Management (Continued)

	<u>2010</u>	<u>2009</u>
<b>Department of Municipal Services</b>		
Estimated liability - Beginning of year	\$ 405,867	\$ 421,655
Incurred claims (including claims incurred but not reported)	(80,100)	(38,069)
Claim payments and changes in estimates	<u>31,208</u>	<u>22,281</u>
Estimated liability - End of year	<u>\$ 356,975</u>	<u>\$ 405,867</u>

### Note 12 - Restricted Assets and Restricted and Designated Fund Balance/Net Assets

The balances for the restricted asset accounts are as follows:

	<u>Electric</u>	<u>Water</u>	<u>Cable</u>	<u>Total</u>
Bond proceeds	\$ 599,556	\$ -	\$ -	\$ 599,556
Debt service	8,263,613	-	-	8,263,613
Retiree health care	<u>-</u>	<u>169,558</u>	<u>169,558</u>	<u>339,116</u>
Total	<u>\$ 8,863,169</u>	<u>\$ 169,558</u>	<u>\$ 169,558</u>	<u>\$ 9,202,285</u>

In addition, the current liability payable from restricted assets for the Electric Fund includes \$1,026,220 for interest and \$3,895,000 for bond principal payable.

The Electric Fund assets restricted for debt service are pursuant to the 1992 revenue bond ordinance for revenue bond debt service. In conjunction with the bond ordinance, the Commission passed a resolution to reserve retained earnings in the Electric Fund of \$3,177,372, which represents 125 percent of the average annual debt service requirement for all outstanding bonds.

In the Water and Cable Funds, monies have been restricted to pay future retiree healthcare costs, pursuant to a resolution approved by the Commission.

In the Electric Fund, the Commission pursuant to a resolution authorized the creation of a restricted account for environmental expenses. At September 30, 2010, no monies have been transferred.

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 12 - Restricted Assets and Restricted and Designated Fund Balance/Net Assets (Continued)

Portions of net assets of the Enterprise Funds have been restricted for the following purposes at September 30, 2010:

	Electric	Water	Cable	Total
Debt service	\$ 7,237,393	\$ -	\$ -	\$ 7,237,393
Retiree health care	-	169,558	169,558	339,116
Total	\$ 7,237,393	\$ 169,558	\$ 169,558	\$ 7,576,509

### Note 13 - Defined Benefit Pension Plan

**Plan Description** - The Employees' Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Wyandotte Employees' Retirement System. This plan covers substantially all full-time general employees hired prior to October 1, 1999, all union (AFSCME) general members hired prior to April 1, 2000, all union (IAFF) firefighters hired prior to October 1, 2000, all police and fire dispatchers hired prior to July 1, 2001, and Department of Municipal Services employees hired prior to October 1, 2006. The plan also covers all full-time police employees hired prior to February 1, 1999. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At September 30, 2009, the date of the most recent actuarial valuation, membership consisted of 272 retirees and beneficiaries currently receiving benefits, 31 terminated employees entitled to benefits but not yet receiving them, and 137 current active employees. The plan does not issue a separate financial report. This plan was closed to new employees during the year ended September 30, 2008.

**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. Administrative costs of the plan are financed through investment earnings. Please refer to Note 1 for further significant accounting policies.

**Funding Policy** - The obligation to contribute to and maintain the system for the employees was established by negotiation with the City's collective bargaining units and requires no contribution from the employees, except for certain police officers who are members of the patrol and command bargaining units. As of March 1, 1999 for patrol members and February 1, 2001 for command members, all eligible police officers that were hired after October 1, 1982 but prior to February 1, 1999 are required to contribute 5 percent of their qualified wages to the plan. The funding policy provides for periodic employer contributions at actuarially determined rates.

### Note 13 - Defined Benefit Pension Plan (Continued)

**Annual Pension Costs** - For the year ended September 30, 2010, the City's annual pension cost of \$2,417,692 for the plan was equal to the required contribution of \$3,063,175, less interest of \$645,483 on the net pension asset. The City's actual contribution for the year ended September 30, 2010 was \$2,588,385, which consisted of contributions from Municipal Service of \$649,458 and transfers from other funds of \$1,938,927. The pension cost for the three most recent years is included within this footnote.

**Actuarial Methods and Assumptions** - The annual required contribution was determined as part of an actuarial valuation at September 30, 2008, using the aggregate method. Significant actuarial assumptions used include (i) a 7.5 investment rate of return and (ii) projected salary increases of 4.5 percent to 9.6 percent per year, which include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period is 8 years and 17 years for the Municipal Service and general and police and fire divisions, respectively.

**Reserves** - As of September 30, 2010, the plan's contribution, retirement benefit payments, and Special Retirement Fund reserves have been fully funded as follows:

Legally required reserves:	
Reserve for employees' contributions	\$ 1,110,559
Reserve for retired benefit payments	48,889,938
Additional reserves:	
Reserve for employer contributions	8,018,553
Reserve for Special Retirement Fund	418,521
Reserve for endowment	<u>6,793,279</u>
Total reserves	<u>\$ 65,230,850</u>

Pension cost for the three most recent years is as follows:

	<u>2008</u>	<u>2009</u>	<u>2010</u>
Annual pension costs (APC)	\$ 3,263,202	\$ 2,451,389	\$ 2,417,692
Percentage of APC contributed	100%	102.7%	107.1%
Net pension asset	\$ 6,556,316	\$ 6,622,586	\$ 6,793,279

### Note 13 - Defined Benefit Pension Plan (Continued)

The following table reconciles the net pension asset from the beginning of the year to the end of the year:

Annual recommended contribution	\$ 3,063,175
Interest on the prior year's net pension asset	<u>(645,483)</u>
Annual pension cost	2,417,692
Amounts contributed - Payments of pension contribution	<u>(2,588,385)</u>
Increase in net pension asset	170,693
Pension asset - Beginning of year	<u>6,622,586</u>
Pension asset - End of year	<u><u>\$ 6,793,279</u></u>

Funded status and funding progress for actuarial valuation as of September 30, 2009:

Actuarial value of assets	\$ 62,495,960
Actuarial accrued liability (AAL) (entry age)	\$ 80,852,846
Unfunded AAL (UAAL)	\$ 18,356,886
Funded ratio	77.3%
Covered payroll	\$ 8,288,276
UAAL as a percentage of covered payroll	221.5%

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 values of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The following are condensed financial statements for the pension plan and postemployment healthcare plan:

	Pension Trust	Retiree Health Care	Total
<b>Statement of Net Assets</b>			
Cash and investments	\$ 65,132,780	\$ 2,096,241	\$ 67,229,021
Other assets	293,776	8,000	301,776
Liabilities	<u>(195,706)</u>	<u>(71,396)</u>	<u>(267,102)</u>
Net assets	<u><u>\$ 65,230,850</u></u>	<u><u>\$ 2,032,845</u></u>	<u><u>\$ 67,263,695</u></u>

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 13 - Defined Benefit Pension Plan (Continued)

	<u>Pension Trust</u>	<u>Retiree Health Care</u>	<u>Total</u>
<b>Statement of Changes in Net Assets</b>			
Investment income	\$ 5,429,386	\$ 168,300	\$ 5,597,686
Contributions	2,662,785	2,654,188	5,316,973
Benefit payments and deductions	<u>(5,578,056)</u>	<u>(2,543,590)</u>	<u>(8,121,646)</u>
Changes in net assets	<u>\$ 2,514,115</u>	<u>\$ 278,898</u>	<u>\$ 2,793,013</u>

### Note 14 - Defined Contribution Pension Plan

The City established a defined contribution pension plan under Section 401(a) of the Internal Revenue Code for the following employees:

- Police patrol officers hired on or after February 1, 1999
- Police command officers hired on or after February 1, 1999
- Nonunion administrative employees hired on or after October 1, 1999
- Nonunion administrative employees hired prior to October 1, 1999 who elected to transfer their accrued benefits from the defined benefit plan
- Technical, clerical, and AFSCME local 894 members hired on or after April 1, 2000
- Wyandotte firefighters IAFF local 356 members hired on or after October 1, 2000
- Police and fire dispatchers hired on or after July 1, 2001
- Police and fire dispatchers hired prior to July 1, 2002 who elected to transfer their accrued benefits from the defined benefit plan
- Department of Municipal Services employees hired on or after October 1, 2006
- Department of Municipal Services union employees hired prior to October 1, 2006 who elected to transfer their accrued benefits from the defined benefit plan
- Department of Municipal Services non-union employees hired prior to January 1, 2008 who elected to transfer their accrued benefits from the defined benefit plan

In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Investments are managed by a third party, and investment decisions are made by the individual employees. As established by the City of Wyandotte through collective bargaining agreements, the City and the employees contribute a percentage of employees' qualified earnings in the amount of 10 and 5 percent, respectively.

### **Note 14 - Defined Contribution Pension Plan (Continued)**

The employee contribution percentages noted above represent the required contribution. Employees are not permitted to contribute additional amounts. The City withholds from the employee earnings and remits to the plan each pay period. The City's contributions for each employee (plus interest allocated to the employee's account) are fully vested after five years of service.

In accordance with the above requirements, the City contributed approximately \$515,000 during the current year, and the employees contributed approximately \$257,500.

During the year ended September 30, 2010, three Department of Municipal Services employees previously enrolled in the defined benefit plan elected to switch to the defined contribution plan.

### **Note 15 - Other Postemployment Benefits**

**Plan Description** - The City provides retiree healthcare benefits to eligible employees and their spouses. Benefits are provided to nearly all employees upon retirement. Currently, the plan has 480 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). During the year ended September 30, 2008, the City settled collective bargaining agreements with employees of the Department of Public Service represented by AFSCME and police and fire dispatchers represented by POAM. These settlements eliminated retiree health care for new hires. This provision was also extended to non-union employees of the City. During the year ended September 30, 2009, the City settled the collective bargaining agreement with the Wyandotte firefighters IAFF Local 356 which also eliminated retiree health care for new hires.

This is a single employer defined benefit plan administered by the City. The benefits are provided under collective bargaining agreements (or other legal authority for providing benefits). The plan does not issue a separate stand-alone financial statement. Administrative costs are paid by the plan through employer contributions.

**Funding Policy** - The collective bargaining agreements and contracts require contributions from employees. Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. For the fiscal year ended September 30, 2019, the City made payments for postemployment health benefit premiums of approximately \$2,544,000, of which \$1,971,000 and \$573,000 was paid by the Retiree Health Care Fund and the Enterprise Funds, respectively. In the current year, the General Fund transferred approximately \$2,081,000 to the Retiree Health Care trust.

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2010

### Note 15 - Other Postemployment Benefits (Continued)

**Funding Progress** - For the year ended September 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 30, 2006. 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)	\$ 5,801,315
Interest on the prior year's net OPEB obligation	<u>131,307</u>
Annual OPEB cost	5,932,622
Amounts contributed:	
Payments of current premiums	(572,913)
Transfers from General Fund	<u>(2,081,275)</u>
Increase in net OPEB obligation	3,278,434
OPEB obligation - Beginning of year	<u>2,917,917</u>
OPEB obligation - End of year	<u><u>\$ 6,196,351</u></u>

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Annual OPEB Costs	Employer Contributions		Net OPEB Obligation
				Percentage of ARC Contributed	Percentage OPEB Costs Contributed	
9/30/09	9/30/06	\$ 5,528,269	\$ 5,528,269	47.2 %	47.2 %	\$ 2,917,917
9/30/10	9/30/06	5,801,315	5,932,622	47.8 %	44.7 %	6,196,351

The funding progress of the plan is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll* (c)	UAAL as a Percentage of Covered Payroll
9/30/06	\$ 1,796,917	\$ 87,665,241	\$ 85,868,324	2.1 %	\$ 9,828,031	873.7 %
9/30/09	1,753,947	71,968,845	70,214,898	2.4 %	*	*

### Note 15 - Other Postemployment Benefits (Continued)

\*The September 30, 2009 valuation amortizes the unfunded actuarial accrued liability as a level dollar amount, not the level percentage used in the September 30, 2006 valuation; therefore, the covered payroll and UAAL as a percentage of covered payroll are not reported in the valuation.

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

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

In the September 30, 2006 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 12 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at September 30, 2006 was 30 years.

In the September 30, 2009 actuarial valuation, the entry age actuarial 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 4.5 percent after 10 years. Both rates included a 4.5 percent inflation assumption. The UAAL is being amortized as a level dollar amount on a closed basis. The remaining amortization period at September 30, 2009 was 30 years.

### Note 16 - Contingent Liabilities

The City has been named as a defendant in numerous claims and lawsuits requesting damages of various amounts, the majority of which do not state a specific maximum. The various proceedings have not yet progressed to a point where a legal opinion can be reached as to the ultimate liability, if any, after consideration of available insurance, where applicable, that may result from the resolution of these matters. The City has not recorded an estimate of this liability at September 30, 2010.

The City of Wyandotte Department of Municipal Services (the "Department") has entered into various contracts for the purchase and transportation of coal which is used by the Electric Fund. Under the terms of the contracts, the Department is subject to minimum purchase and transportation requirements. During the current year, the Department failed to meet certain minimum transportation requirements and was assessed a deficiency penalty totaling \$329,868. This amount has been included in the operating expenses of the Electric Fund.

In March 2005, United Skilled Trades, Inc. (UST) filed a suit against the City of Wyandotte Department of Municipal Services (the "Department") and others. UST alleged that it was owed money from the Department for services rendered pursuant to a contract for repair of a turbine. UST alleged that the Department is indebted to them in the amount of \$1,100,000. The Department vigorously defended its position that no material amounts were due to UST. On February 21, 2008, the Department received a decision in the case. The Court's bench verdict denied most of the claims of UST but did award two of its claims. The Court also ordered that any monies owing UST from this award be reduced by the Department's legal fees and other applicable costs. UST disputed the decision. In March 2010, the judge clarified and amended the earlier bench verdict and entered a judgment awarding \$1.2 million to UST. In May 2010, the Department filed motions to alter and amend judgment for a new trial; however, this was denied by the Circuit Court. On June 2, 2010, the Department filed a claim of appeal with the Michigan Court of Appeals and as of January 19, 2011, all briefs were filed. As of the date of this report, the Department awaits argument in the Wayne County Circuit Court. The Department expects the award amount to be reduced. Management's estimate of the liability due UST has been recorded in the financial statements of the Electric Fund as of September 30, 2010.

### **Note 16 - Contingent Liabilities (Continued)**

The City of Wyandotte Department of Municipal Services has received a notice of violation from the U.S. Environmental Protection Agency (EPA) related to the electric power plant. The Department is in the process of finalizing a settlement with the EPA that will provide for a timetable for the installation of significant additional equipment to the power plant, which the Department estimates will cost between \$8 million and \$10 million. Based on the status of the pending settlements, the Department anticipates that the equipment installation will be completed by 2014. As part of the negotiations with the EPA, the Department has already completed numerous projects at the electric power plant to improve its compliance. Management does not believe that it is likely that the ultimate outcome of these discussions will result in any significant fines or costs related to prior periods in excess of amounts currently recorded in the financial statements.

## **Required Supplemental Information**

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# City of Wyandotte, Michigan

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

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 9,791,833	\$ 9,791,833	\$ 9,889,970	\$ 98,137
Licenses and permits	570,450	570,450	340,618	(229,832)
Federal grants	-	702,023	62,023	(640,000)
State-shared revenue and grants	2,866,562	2,908,132	2,966,420	58,288
Other charges for services	3,455,844	3,545,532	3,591,148	45,616
Other fines and forfeitures	1,763,000	1,876,000	1,573,278	(302,722)
Investment income	250,000	50,000	45,139	(4,861)
Transfers out	(965,727)	(788,327)	(1,193,014)	(404,687)
Other revenue	2,520,900	2,520,900	2,577,551	56,651
Total revenue	20,252,862	21,176,543	19,853,133	(1,323,410)
<b>Expenditures</b>				
General government:				
Legislative	117,954	112,017	103,129	8,888
Judicial	1,079,810	1,049,489	952,327	97,162
Financial services and administration	461,113	404,003	394,103	9,900
General government	1,331,335	1,296,335	1,223,905	72,430
Assessor	205,258	202,578	192,818	9,760
City clerk	233,902	234,960	233,614	1,346
Treasurer	126,878	125,429	106,867	18,562
City commissions	29,056	29,056	23,122	5,934
Elections	43,607	43,042	26,863	16,179
Public safety:				
Police and civil defense	4,808,305	4,790,596	4,513,962	276,634
Dispatch	-	104,125	34,988	69,137
Fire	2,782,020	2,750,229	2,650,153	100,076
Public works:				
Engineering and D.P.S.	954,774	934,775	881,550	53,225
Other public works activities	3,064,054	2,880,511	2,741,397	139,114
Community and economic development				
	-	580,686	353,503	227,183
Recreation and culture:				
Recreation	697,127	708,574	678,366	30,208
Swimming pool	14,742	14,742	11,621	3,121
Yack Arena	431,853	429,401	419,984	9,417
Youth assistance	45,145	44,849	44,558	291
Historical commission	168,057	166,657	161,850	4,807
Other functions	4,020,202	4,133,661	4,094,784	38,877
Total expenditures	20,615,192	21,035,715	19,843,464	1,192,251
<b>Net Change in Fund Balance</b>	<b>\$ (362,330)</b>	<b>\$ 140,828</b>	<b>\$ 9,669</b>	<b>\$ (131,159)</b>

# City of Wyandotte, Michigan

## Required Supplemental Information Employee Pension Plan Schedule of Funding Progress Year Ended September 30, 2010

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
9/30/04	\$ 57,814,081	\$ 72,165,278	\$ 14,351,197	80.1	\$ 10,428,270	137.6
9/30/05	58,988,538	79,228,316	20,239,778	74.5	9,654,771	209.6
9/30/06	62,339,944	81,536,737	19,196,793	76.5	9,828,031	195.3
9/30/07	66,089,831	81,426,795	15,336,964	81.2	9,885,835	155.1
9/30/08	63,311,358	79,817,705	16,506,347	79.3	8,539,612	193.3
9/30/09	62,495,960	80,852,846	18,356,886	77.3	8,288,276	221.5

\* Using market value excluding health benefit, special retirement, and endowment reserves

The schedule of employer contributions is as follows:

Fiscal Year Ended	Municipal Service Contribution	Contribution from Other Funds	Annual Required Contribution	Percentage Contributed (Percent)
9/30/05	\$ 925,667	\$ 1,796,657	\$ 2,722,324	100.0
9/30/06	657,324	2,081,665	2,738,989	100.0
9/30/07	807,962	2,402,158	3,210,120	100.0
9/30/08	756,613	2,506,589	3,263,202	100.0
9/30/09	494,056	2,023,603	2,862,580	88.0
9/30/10	649,458	1,938,927	3,063,175	84.5

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of September 30, 2019, the latest actuarial valuation, follows:

Actuarial cost method***	Entry age
Amortization method***	N/A
Remaining amortization period***	N/A
Asset valuation method	4-year smoothed market

# City of Wyandotte, Michigan

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## Required Supplemental Information Employee Pension Plan Schedule of Funding Progress (Continued) Year Ended September 30, 2010

Actuarial assumptions:

Investment rate of return	7.5%
Projected salary increases	4.5% - 9.6%
Includes inflation at	4.5%

\*\*\* Effective with the September 30, 2003 valuation, the aggregate cost method was implemented for general and police/fire groups. The aggregate cost method was phased in over the next four years and was fully implemented beginning with the September 30, 2006 valuation. Note that the aggregate cost method does not create an actuarial accrued liability. As a result, the above schedules continue to show the entry age normal cost method liability.

# City of Wyandotte, Michigan

## Note to Required Supplemental Information Year Ended September 30, 2010

**Budgetary Information** - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund and Special Revenue Funds except that operating transfers and debt proceeds have been included in the "revenue" and "expenditures" categories, rather than as "other financing sources (uses)." All annual appropriations lapse at fiscal year end. The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are approved by the City Council.

The budget process is initiated in March, when the departments are given information and guidelines to assist them in formulating their budget requests. The department heads summarize departmental appropriation requests and submit them to the mayor on or before June 1. During the month of June, the mayor reviews the appropriation requests, meets with the departments, and puts together the budget. The budget is submitted to the City Council in early July. During the next month, the City Council reviews the budget and considers any changes. After a public hearing, the final budget is adopted by resolution no later than September 30.

The budget document presents information by fund, function, department, and line items. The legal level of budgetary control adopted by the governing body is the department level.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

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

	Budget Statement	Reimbursing Transfers from Other Funds	Operating Transfers	Operating Statement
General Fund:				
Total revenue	\$ 19,853,133	\$ (2,128,400)	\$ 1,193,014	\$ 18,917,747
Total expenditures	(19,843,464)	2,128,400	-	(17,715,064)
Other financing uses	-	-	(1,193,014)	(1,193,014)
Net change in fund balance	<u>\$ 9,669</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,669</u>

## **Other Supplemental Information**

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# City of Wyandotte, Michigan

Nonmajor Special Revenue Funds							
	Major Streets	Local Streets	Solid Waste Disposal	Construction	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant
<b>Assets</b>							
Cash and investments	\$ 146,516	\$ 86,752	\$ 2,454,781	\$ 204,225	\$ 60,847	\$ 221,400	\$ 426,445
Receivables - Net:							
Taxes	-	-	232,393	-	2,742	-	-
Special assessments	-	-	-	-	-	-	-
Accrued interest	-	-	-	-	-	30	-
Other	-	-	11,338	-	3,696	-	1,566
Due from other governmental units	367,070	119,595	-	-	-	-	60,000
Due from component units	-	-	6,089	-	-	-	-
Due from other funds	-	2,551	518,472	477,516	485,970	10	526,370
Land held for resale	-	-	-	-	-	-	115,995
Note receivable	-	-	-	-	-	-	61,409
Advance to component unit	-	-	-	-	-	-	180,914
<b>Total assets</b>	<b>\$ 513,586</b>	<b>\$ 208,898</b>	<b>\$3,223,073</b>	<b>\$ 681,741</b>	<b>\$ 553,255</b>	<b>\$ 221,440</b>	<b>\$ 1,372,699</b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 78,701	\$ 16,353	\$ 157,259	\$ 62,681	\$ 30,413	\$ 1,479	\$ 17,500
Due to component units	-	-	38,181	-	-	-	-
Due to other funds	150,693	58,725	-	353,091	71,046	-	-
Advances from other funds	-	-	-	-	435,845	-	-
Refundable deposits, bonds, etc.	-	-	-	-	-	-	-
Deferred revenue	180,044	50,321	1,474,063	-	2,742	-	62,975
<b>Total liabilities</b>	<b>409,438</b>	<b>125,399</b>	<b>1,669,503</b>	<b>415,772</b>	<b>540,046</b>	<b>1,479</b>	<b>80,475</b>
<b>Fund Balances (Deficit)</b>							
Reserved for:							
Noncurrent receivables	-	-	-	-	-	-	180,914
Land held for resale	-	-	-	-	-	-	115,995
Unreserved, reported in							
Debt Service Funds	-	-	-	-	-	-	-
Special Revenue Funds	104,148	83,499	1,553,570	265,969	13,209	219,961	995,315
<b>Total fund balances (deficit)</b>	<b>104,148</b>	<b>83,499</b>	<b>1,553,570</b>	<b>265,969</b>	<b>13,209</b>	<b>219,961</b>	<b>1,292,224</b>
<b>Total liabilities and fund balances (deficit)</b>	<b>\$ 513,586</b>	<b>\$ 208,898</b>	<b>\$3,223,073</b>	<b>\$ 681,741</b>	<b>\$ 553,255</b>	<b>\$ 221,440</b>	<b>\$ 1,372,699</b>

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

Nonmajor Special Revenue Funds							Nonmajor Debt Service Fund	Total
Grants	Public Improvement	Southgate- Wyandotte Drain O&M	Sidewalk and Alley Paving	Special Events	Building Authority Improvement	EPA Cooperative Agreement	DPS Building Bonds and Police and Court Bonds	Nonmajor Governmental Funds
\$ 10,813	\$ 86,902	\$ 1,382,242	\$ 1,743,470	\$ 132,381	\$ 672,308	\$ 172,013	\$ 100,210	\$ 7,901,305
-	-	300,054	3,114	-	-	-	26,596	564,899
-	-	-	656,129	-	-	-	-	656,129
-	-	119	-	-	-	-	-	149
-	-	-	23,578	-	-	-	-	40,178
38,704	-	-	-	-	-	9,054	-	594,423
-	-	115,365	1,848	-	-	-	-	123,302
98,463	-	498,064	19,632	-	320,000	-	684,444	3,631,492
-	44,237	-	-	-	-	-	-	160,232
-	-	-	-	-	-	-	-	61,409
-	-	-	-	-	-	910,238	-	1,091,152
<b>\$ 147,980</b>	<b>\$ 131,139</b>	<b>\$2,295,844</b>	<b>\$2,447,771</b>	<b>\$ 132,381</b>	<b>\$ 992,308</b>	<b>\$1,091,305</b>	<b>\$ 811,250</b>	<b>\$14,824,670</b>
\$ 61,799	\$ 1,350	\$ -	\$ 58,045	\$ 30,559	\$ 15	\$ -	\$ 138	\$ 516,292
-	-	-	-	-	-	-	-	38,181
42,007	-	-	-	97	-	-	400,000	1,075,659
-	-	-	-	-	-	-	-	435,845
-	20	-	-	-	-	-	-	20
56,425	-	1,565,748	668,220	-	-	9,055	26,596	4,096,189
160,231	1,370	1,565,748	726,265	30,656	15	9,055	426,734	6,162,186
-	-	-	-	-	-	910,238	-	1,091,152
-	44,237	-	-	-	-	-	-	160,232
-	-	-	-	-	-	-	384,516	384,516
(12,251)	85,532	730,096	1,721,506	101,725	992,293	172,012	-	7,026,584
(12,251)	129,769	730,096	1,721,506	101,725	992,293	1,082,250	384,516	8,662,484
<b>\$ 147,980</b>	<b>\$ 131,139</b>	<b>\$2,295,844</b>	<b>\$2,447,771</b>	<b>\$ 132,381</b>	<b>\$ 992,308</b>	<b>\$1,091,305</b>	<b>\$ 811,250</b>	<b>\$14,824,670</b>

# City of Wyandotte, Michigan

Nonmajor Special Revenue Funds							
	Major Streets	Local Streets	Solid Waste Disposal	Construction	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant
<b>Revenue</b>							
Property taxes	\$ -	\$ -	\$ 1,618,669	\$ -	\$ 598	\$ -	\$ -
Federal grants	36,599	-	-	-	-	-	-
State-shared revenue and grants	1,094,150	405,190	-	-	-	32,056	-
Contribution from component unit	72,304	591,981	-	-	-	-	-
Other charges for services	-	-	229,455	-	-	-	-
Investment income	-	75	2,217	41	104	512	44,230
Other revenue	92,612	-	-	-	44,350	-	37,000
<b>Total revenue</b>	<b>1,295,665</b>	<b>997,246</b>	<b>1,850,341</b>	<b>41</b>	<b>45,052</b>	<b>32,568</b>	<b>81,230</b>
<b>Expenditures - Current</b>							
General government	-	-	-	-	-	-	61,870
Public safety	-	-	-	-	435,845	45,910	-
Public works	800,060	1,240,141	1,629,306	-	7,291	-	-
Community and economic development - Community redevelopment (CDBG, etc)	-	-	-	-	-	-	-
Recreation and culture	-	-	-	143,974	-	-	-
Debt service	-	-	-	13,920	81,342	-	-
<b>Total expenditures</b>	<b>800,060</b>	<b>1,240,141</b>	<b>1,629,306</b>	<b>157,894</b>	<b>524,478</b>	<b>45,910</b>	<b>61,870</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>495,605</b>	<b>(242,895)</b>	<b>221,035</b>	<b>(157,853)</b>	<b>(479,426)</b>	<b>(13,342)</b>	<b>19,360</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	273,537	-	22,600	485,970	-	-
Transfers out	(273,537)	-	-	-	-	-	-
<b>Net Change in Fund Balances</b>	<b>222,068</b>	<b>30,642</b>	<b>221,035</b>	<b>(135,253)</b>	<b>6,544</b>	<b>(13,342)</b>	<b>19,360</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>(117,920)</b>	<b>52,857</b>	<b>1,332,535</b>	<b>401,222</b>	<b>6,665</b>	<b>233,303</b>	<b>1,272,864</b>
<b>Fund Balances (Deficit) - End of year</b>	<b>\$ 104,148</b>	<b>\$ 83,499</b>	<b>\$ 1,553,570</b>	<b>\$ 265,969</b>	<b>\$ 13,209</b>	<b>\$ 219,961</b>	<b>\$ 1,292,224</b>

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

Nonmajor Special Revenue Funds							Nonmajor Debt Service Fund	Total Nonmajor Governmental Funds
Grants	Public Improvement	Southgate- Wyandotte Drain O&M	Sidewalk and Alley Paving	Special Events	Building Authority Improvement	EPA Cooperative Agreement	DPS Building Bonds and Police and Court Bonds	
\$ -	\$ -	\$ 1,587,593	\$ -	\$ -	\$ -	\$ -	\$ 8,240	\$ 3,215,100
104,517	-	-	-	-	-	69,291	-	210,407
-	-	-	-	-	-	-	-	1,531,396
-	-	-	28,260	-	-	-	-	692,545
-	-	-	-	-	-	-	-	229,455
-	101	2,474	28,420	524	670	20,079	933	100,380
-	4,815	-	178,020	217,465	-	-	-	574,262
104,517	4,916	1,590,067	234,700	217,989	670	89,370	9,173	6,553,545
-	-	-	100,000	-	91,306	-	275	253,451
-	-	-	-	-	-	-	-	481,755
-	36,238	1,298,889	273,520	-	-	-	-	5,285,445
118,241	-	-	-	-	-	-	-	118,241
-	-	-	-	275,706	-	-	-	419,680
-	-	-	-	-	-	-	1,246,850	1,342,112
118,241	36,238	1,298,889	373,520	275,706	91,306	-	1,247,125	7,900,684
(13,724)	(31,322)	291,178	(138,820)	(57,717)	(90,636)	89,370	(1,237,952)	(1,347,139)
-	-	-	-	-	-	-	1,084,444	1,866,551
-	-	-	-	-	-	-	(400,000)	(673,537)
(13,724)	(31,322)	291,178	(138,820)	(57,717)	(90,636)	89,370	(553,508)	(154,125)
1,473	161,091	438,918	1,860,326	159,442	1,082,929	992,880	938,024	8,816,609
<b><u>\$ (12,251)</u></b>	<b><u>\$ 129,769</u></b>	<b><u>\$ 730,096</u></b>	<b><u>\$ 1,721,506</u></b>	<b><u>\$101,725</u></b>	<b><u>\$ 992,293</u></b>	<b><u>\$1,082,250</u></b>	<b><u>\$ 384,516</u></b>	<b><u>\$ 8,662,484</u></b>

# City of Wyandotte, Michigan

## Other Supplemental Information Combining Statement of Net Assets Nonmajor Enterprise Funds September 30, 2010

	Golf Course	Building Rental	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 207	\$ 107,714	\$ 107,921
Due from other funds	2,090	-	2,090
Prepaid expenses and other assets	-	200,516	200,516
	2,297	308,230	310,527
Total current assets			
Noncurrent assets - Capital assets:			
Assets not subject to depreciation	-	145,000	145,000
Assets subject to depreciation - Net	2,886,390	2,217,150	5,103,540
	2,888,687	2,670,380	5,559,067
Total assets			
<b>Liabilities - Current</b>			
Accounts payable	5,240	-	5,240
Due to component units	34,236	-	34,236
Due to other funds	-	320,000	320,000
Accrued liabilities and other	1,878	1,220	3,098
Deferred revenue	-	62,261	62,261
	41,354	383,481	424,835
Total liabilities			
<b>Net Assets</b>			
Invested in capital assets	2,886,390	2,362,150	5,248,540
Unrestricted	(39,057)	(75,251)	(114,308)
	\$ 2,847,333	\$ 2,286,899	\$ 5,134,232
Total net assets			

# City of Wyandotte, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Nonmajor Enterprise Funds Year Ended September 30, 2010

	<u>Golf Course</u>	<u>Building Rental</u>	<u>Total</u>
<b>Operating Revenue</b>			
Other sales to customers	\$ 314,602	\$ 680,376	\$ 994,978
Other miscellaneous revenue	-	125,908	125,908
Total operating revenue	<u>314,602</u>	<u>806,284</u>	<u>1,120,886</u>
<b>Operating Expenses</b>			
Other operation and maintenance costs	351,013	448,724	799,737
Depreciation	143,609	106,286	249,895
Total operating expenses	<u>494,622</u>	<u>555,010</u>	<u>1,049,632</u>
<b>Operating (Loss) Income</b>	(180,020)	251,274	71,254
<b>Nonoperating Revenue (Expenses)</b>			
Investment and other income	-	8	8
Interest expense	-	(3,157)	(3,157)
<b>Change in Net Assets</b>	(180,020)	248,125	68,105
<b>Net Assets - Beginning of year</b>	<u>3,027,353</u>	<u>2,038,774</u>	<u>5,066,127</u>
<b>Net Assets - End of year</b>	<u><u>\$ 2,847,333</u></u>	<u><u>\$ 2,286,899</u></u>	<u><u>\$ 5,134,232</u></u>

# City of Wyandotte, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended September 30, 2010

	Golf Course	Building Rental	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 312,512	\$ 800,292	\$ 1,112,804
Payments to suppliers	(173,186)	(498,945)	(672,131)
Payments to employees	(145,799)	-	(145,799)
Net cash provided by (used in) operating activities	(6,473)	301,347	294,874
<b>Cash Flows from Capital and Related Financing Activities</b>			
Principal and interest paid on capital debt	-	(76,566)	(76,566)
Repayment of advances from other funds	-	(126,286)	(126,286)
Net cash used in capital and related financing activities	-	(202,852)	(202,852)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	-	8	8
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(6,473)	98,503	92,030
<b>Cash and Cash Equivalents</b> - Beginning of year	6,680	9,211	15,891
<b>Cash and Cash Equivalents</b> - End of year	<u>\$ 207</u>	<u>\$ 107,714</u>	<u>\$ 107,921</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>			
Operating (loss) income	\$ (180,020)	\$ 251,274	\$ 71,254
Adjustments to reconcile operating (loss) income to net cash from operating activities:			
Depreciation and amortization	143,609	106,286	249,895
Changes in assets and liabilities:			
Due from others	(2,090)	-	(2,090)
Prepaid and other assets	-	(50,221)	(50,221)
Accounts payable	32,028	-	32,028
Accrued and other liabilities	-	1,220	1,220
Customer deposits and other current liabilities	-	(7,212)	(7,212)
Net cash (used in) provided by operating activities	<u>\$ (6,473)</u>	<u>\$ 301,347</u>	<u>\$ 294,874</u>

# City of Wyandotte, Michigan

## Other Supplemental Information Statement of Assets and Liabilities Fiduciary Funds September 30, 2010

	Pension Trust Funds		
	Pension Trust	Retiree Health Care	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 2,606,031	\$ 31,313	\$ 2,637,344
Investments:			
Collateralized mortgage obligations	1,101,361	-	1,101,361
U.S. government securities	5,680,789	122,427	5,803,216
U.S. government agency obligations	5,984,391	157,882	6,142,273
Common trust funds/mutual funds	901,481	491,058	1,392,539
Stocks	10,539,123	765,325	11,304,448
Bonds	12,189,045	528,236	12,717,281
Foreign stock ADR	17,843,051	-	17,843,051
Foreign government obligations	7,304,839	-	7,304,839
Foreign corporate bonds	982,669	-	982,669
Receivables - Net - Accrued interest	293,776	8,000	301,776
Total assets	65,426,556	2,104,241	67,530,797
<b>Liabilities - Accounts payable</b>	195,706	71,396	267,102
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 65,230,850</b>	<b>\$ 2,032,845</b>	<b>\$ 67,263,695</b>

# City of Wyandotte, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended September 30, 2010

	Pension Trust	Retiree Health Care	Total
<b>Additions</b>			
Investment income:			
Interest and dividends	\$ 2,389,632	\$ 63,497	\$ 2,453,129
Net increase in fair value of investments	3,609,967	104,803	3,714,770
Investment related expenses	(570,213)	-	(570,213)
Net investment income	5,429,386	168,300	5,597,686
Contributions:			
Employer contributions from WDMS	649,458	572,913	1,222,371
Employee contributions	74,400	-	74,400
Employer contributions from all other funds	1,938,927	2,081,275	4,020,202
Net contributions	2,662,785	2,654,188	5,316,973
Total additions	8,092,171	2,822,488	10,914,659
<b>Deductions</b>			
Benefits:			
Benefit payments	5,448,777	-	5,448,777
Health benefits	-	2,543,590	2,543,590
Net benefits	5,448,777	2,543,590	7,992,367
Other deductions - Employee transfers to alternate plan	129,279	-	129,279
Total deductions	5,578,056	2,543,590	8,121,646
<b>Net Increase in Net Assets Held in Trust</b>	2,514,115	278,898	2,793,013
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	62,716,735	1,753,947	64,470,682
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 65,230,850</b>	<b>\$ 2,032,845</b>	<b>\$ 67,263,695</b>