

City of Wyandotte, Michigan

**Financial Report
September 30, 2005**

City of Wyandotte, Michigan

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City of Wyandotte, Michigan

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Independent Auditor's Report

To the Honorable Mayor and 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 as of and for the year ended September 30, 2005, 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. 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, 2005 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 schedule 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.

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To the Honorable Mayor and 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 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 January 31, 2006 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.

A handwritten signature in black ink that reads "Plante & Moran, PLLC".

January 31, 2006

City of Wyandotte, Michigan

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, 2005. 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, 2005:

- Property tax revenue is the City's single, largest source of revenue. The City's 2004 taxable value (levied for the 2005 fiscal year) was \$620,484,000 (ad valorem), which represents an increase of \$29,096,000 or 4.9 percent in the current year. Increases in ad valorem taxable values in non-TIFA districts totaled 2.8 percent in the current year.
- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$4,000 this year compared to the reduction of \$388,000 in the prior year. Although this represents a nominal decrease of less than 1 percent in the current year compared to the decrease of 10.2 percent that occurred in the prior year, the cumulative decrease since 2000 is approximately 22.77 percent. Further, the City is receiving approximately \$971,000 less per year than in 2000.
- The City continued the sharing agreement with the Consolidated Tax Increment Finance Authority. This sharing agreement returned approximately \$1,420,000 to the General Fund in the current year compared to \$1,200,000 in the prior year. In addition, the City entered into a sharing agreement with the Downtown Development Authority. This sharing agreement returned approximately \$30,000 to the General Fund. Portions of these funds were used to defray annual operating costs with the remainder being contributed to the City of Wyandotte Retirement System.
- The balance of the City's Reserve for Retiree Health & Life Insurance was inadequate to support the annual costs associated with those expenditures. Consequently, the City transferred \$1,550,000 from the Self-insurance Fund in order to pay the current year's expenditure for retiree health care coverage. In the prior year, the City transferred \$1,600,000 from the Hospital Endowment Reserve of the Retirement System to fund the previous year's retiree health care costs. It is anticipated that these costs will be funded by the General Fund in future years.
- The City utilized the charter-authorized debt millage to fund the repayment of the bonds sold to construct the Department of Public Service facility and to fund the anticipated construction of a new police/court facility. Since the end of the fiscal year, the new police/court project was held in abeyance. Amounts collected for the anticipated debt on that project will be applied against existing outstanding debt of the City.

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

The amended budget of the City's General Fund indicated that an excess of expenditures of approximately \$713,000 was to be expected. The actual results showed an excess of revenues of approximately \$38,000. This positive variance can be primarily attributed to the following items:

- Investment earnings, totaling \$321,000 as compared to \$100,000 in the prior year, exceeded the budgeted amount by approximately \$221,000. This was primarily due to the increases in short-term interest rates of available investment vehicles.
- Reimbursements for services rendered by General Fund employees from the Local Street Fund totaled \$560,000, which exceeded the budgeted amount by \$160,000. This amount was consistent with the reimbursement of \$536,000 in the prior year and reflected additional costs caused by significant snowfall throughout the past two years.
- The City budgeted for legal fees associated with the litigation involving the Downtown Development Authority. The abrupt end to this litigation in June 2005 allowed the City to avoid approximately \$91,000 in anticipated future costs associated with this lawsuit.
- The City has also continued to reduce discretionary spending, eliminating personnel positions when vacancies occur, and reducing certain elements of employer-paid health care coverage.
- 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

Using this Annual Report

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

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

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of September 30, 2005 and 2004 (in thousands of dollars):

	Governmental		Business-type Activities		Total	
	Activities		2005	2004	2005	2004
	2005	2004				
Assets						
Current assets	\$ 40,544	\$ 43,654	\$ 14,809	\$ 13,282	\$ 55,353	\$ 56,936
Noncurrent assets	<u>66,939</u>	<u>71,074</u>	<u>102,689</u>	<u>92,439</u>	<u>169,628</u>	<u>163,513</u>
Total assets	107,483	114,728	117,498	105,721	224,981	220,449
Liabilities						
Current liabilities	25,919	27,777	9,828	7,684	35,747	35,461
Long-term liabilities	<u>4,795</u>	<u>5,375</u>	<u>62,593</u>	<u>52,065</u>	<u>67,388</u>	<u>57,440</u>
Total liabilities	30,714	33,152	72,421	59,749	103,135	92,901
Net Assets						
Invested in capital assets - Net of related debt	60,072	63,973	24,565	25,983	84,637	89,956
Restricted	7,631	4,128	11,622	11,914	19,253	16,042
Unrestricted	<u>9,066</u>	<u>13,475</u>	<u>8,890</u>	<u>8,075</u>	<u>17,956</u>	<u>21,550</u>
Total net assets	\$ 76,769	\$ 81,576	\$ 45,077	\$ 45,972	\$ 121,846	\$ 127,548

The City of Wyandotte, Michigan has combined net assets of \$121 million in the current year compared to \$128 million in the prior year. Business-type activities comprise \$45 million and \$46 million of the total net assets in the respective years.

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes of the net assets during the fiscal years ended September 30, 2005 and 2004 (in thousands of dollars):

	Business-type					
	Governmental Activities		Activities		Total	
	2005	2004	2005	2004	2005	2004
Revenue						
Program revenue:						
Charges for services	\$ 5,141	\$ 5,169	\$ 38,335	\$ 34,381	\$ 43,476	\$ 39,550
Operating grants and contributions	2,049	2,051	-	-	2,049	2,051
Capital grants and contributions	2,220	750	556	447	2,776	1,197
General revenue:						-
Property taxes	10,643	10,508	-	-	10,643	10,508
State-shared revenue	3,436	3,440	-	-	3,436	3,440
Unrestricted investment earnings	569	370	889	649	1,458	1,019
Gain (loss) on sale of assets	(24)	(11)	55	55	31	44
Transfers and other revenue	612	1,288	652	713	1,264	2,001
Total revenue	24,646	23,565	40,487	36,245	65,133	59,810
Program Expenses						
General government	8,721	8,003	-	-	8,721	8,003
Public safety	10,629	8,639	-	-	10,629	8,639
Public works	7,847	6,262	-	-	7,847	6,262
Community and economic development	583	477	-	-	583	477
Recreation and culture	1,565	1,808	-	-	1,565	1,808
Interest on long-term debt	107	180	-	-	107	180
Business-type	-	-	41,381	35,691	41,381	35,691
Total program expenses	29,452	25,369	41,381	35,691	70,833	61,060
Change in Net Assets	\$ (4,806)	\$ (1,804)	\$ (894)	\$ 554	\$ (5,700)	\$ (1,250)

Governmental Activities

The City's total governmental revenues increased by approximately \$1,081,000, or 4.6 percent, in the current year compared to an increase of \$460,000, or 2.0 percent, in the prior year. The current year increase can be almost entirely attributable to the receipt of the loan from the Environmental Protection Agency that is intended to be used for redevelopment of brownfields within the City.

Expenses increased by approximately \$4,083,000, or 16.1 percent, in the current year compared to an increase of \$1,159,000 during the prior year. Current year increases were primarily due to the rising cost of health care insurance, increased contributions to the City's defined benefit retirement plan, planning costs for the construction of a new police/court facility, and inflationary pressures offset by reductions in personnel. Increases in the prior year were attributable to large increases in health care costs and property and liability insurance rates, as well as additional costs to operate the consolidated 27th District Court. To offset this, the City

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

closely monitored its spending in all other areas, including replacement and use of personnel, and deferred nonessential expenditures to future periods.

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 for the year by 13.1 percent due in part to off-system sales (wholesale sales to customers outside the City's geographic boundary). But, operating expenses increased by 22.33 percent as a result of significant increases in fuel and power production costs. Consequently, operating loss increased by approximately \$1,100,000.

The Water Fund's operating revenue increased approximately 23 percent in the current year primarily as a result of implemented rate increases. This resulted in operating income of approximately \$199,000 in the current year as compared to the operating loss of \$119,523 in the prior year.

The Cable Television Fund's operating revenue increased by 5.3 percent, mainly due to an increase in Internet and basic cable revenues of \$172,000 and \$189,000, respectively. The Cable Television Fund's operating income increased by approximately \$158,000 from the prior fiscal year.

The operating results of the Sewage Disposal Fund indicate operating income of \$196,000 in the current year and \$624,000 in the prior year, which is consistent with the City's expectations and rate-setting methodology.

The Municipal Golf Course showed an operating loss of approximately \$87,000 in the current year as compared to \$71,000 in the prior year. The loss was primarily the result of additional maintenance costs at the golf course offset by increased revenue from users of the facility. Unfortunately, the facility continues to operate at a loss which 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.

The city-owned commercial building realized net income of approximately \$344,000, which is positive in light of the City's desire to acquire the building at no cost to the taxpayers.

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 13, 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 2005 include the General Fund, the Major Streets Fund, the Local Streets Fund, and the Solid Waste Disposal Fund.

The General Fund pays for most of the City's governmental services. The most significant is public safety, which incurred expenses of approximately \$8.1 million, or 53.3 percent, of the total General Fund expenditures in the current year as compared to \$7.3 million, or 51 percent, of the total General Fund expenditures in the prior fiscal year. Additional noteworthy expenditures include public works (\$2.51 million, or 16.6 percent, in the current fiscal year as compared to \$2.71 million, or 19 percent, of total expenditures in the prior fiscal year) and recreation and culture (\$1.0 million, or 6.6 percent, of total expenditures in the current fiscal year compared to \$1.10 million, or 7.7 percent, of total expenditures in the prior fiscal year).

The Major and Local Streets Funds are responsible for the construction and maintenance of the road system within the city. Funding for these activities is primarily derived from taxes on motor vehicles and motor vehicle fuels. Expenditures in these funds were used for road construction, resurfacing, maintenance, plowing, salting, cleaning, and traffic services. Expenditures totaled approximately \$1.125 million in the current fiscal year compared to \$970,000 in the prior fiscal year for the Major Streets Fund and \$1.85 million in the current fiscal year and \$2.3 million in the prior fiscal year for the Local Streets Fund. The expenditures for the Major and Local Streets Funds continue to reflect the investment in ensuring the road system within the City is adequately maintained and improved.

The Solid Waste Disposal Fund provides for solid waste rubbish collections and disposal for city residents and businesses. Funding is primarily derived from a tax levy dedicated for solid waste disposal purposes. This tax levy totaled \$1.38 million in the current fiscal year and \$1.31 million in the prior fiscal year. User fees, totaling \$283,000 in the current year and \$294,000 in the prior year, also support certain elements of the disposal programs. Expenditures for rubbish collection and disposal totaled \$1.59 million in the current year and \$1.58 million 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

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

- 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 \$293,000 less than budgeted. This is primarily attributable to the management of personnel costs when vacancies arose which effectively served as a hiring freeze. Also, a significant portion of budgeted legal fees was not expended due to certain litigation being completed earlier than anticipated.

The most significant changes were increased appropriations for legal expenditures (\$230,000), overtime for the police and fire department (\$140,000), and the collective bargaining agreement settlements with fire department employees (85,000), police command officers (\$25,000), and police patrol officers (\$122,000).

Capital Asset and Debt Administration

The City was in the planning stages to construct a new police and district court facility adjacent to the current facility. This project was estimated to cost \$10.3 million and be funded through the sale of general obligation bonds. Subsequent to year end, the City Council held this project in abeyance.

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 or lack of growth in state-shared revenue, escalating health care costs, depletion of reserve funds previously relied upon by the City, and lack of significant growth in property tax revenue due to the impact of Proposal A and the Headlee Amendment. Thus, the City needs to continue to monitor the budget very closely. No local tax increase is expected in the future but the delivery of services may be curtailed if the financial pressures continue.

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, 2005

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
Assets				
Cash and investments (Note 3)	\$ 31,882,871	\$ 6,974,398	\$ 38,857,269	\$ 12,349,902
Receivables - Net:				
Taxes	3,812,476	-	3,812,476	2,362
Special assessments	1,047,521	-	1,047,521	-
Customer	-	4,286,622	4,286,622	-
Accrued interest and other	984,296	-	984,296	126,001
Note receivable	192,624	-	192,624	-
Due from other governmental units	1,863,686	-	1,863,686	-
Accounts receivable from component unit (Note 10)	892,374	-	892,374	-
Accounts receivable from primary government (Note 10)	-	-	-	248,292
Internal balances	(244,045)	244,045	-	-
Fuel, materials, supplies, and other inventories	-	2,671,292	2,671,292	-
Prepaid insurance and other current assets	112,386	632,495	744,881	-
Noncurrent assets:				
Internal balances - Advances (Note 10)	1,031,773	(1,031,773)	-	-
Account receivable from component unit (Note 11)	286,300	-	286,300	-
Restricted assets (Note 5)	-	25,077,469	25,077,469	-
Bond issuance costs (Note 6)	-	1,247,670	1,247,670	-
Real estate inventory (Note 7)	157,967	-	157,967	901,703
Investment in joint venture (Note 8)	1,740,000	-	1,740,000	-
Nondepreciable capital assets (Note 9)	18,135,929	2,383,746	20,519,675	-
Capital assets - Net (Note 9)	45,586,964	75,011,795	120,598,759	-
Total assets	107,483,122	117,497,759	224,980,881	13,628,260
Liabilities				
Accounts payable	1,766,040	3,137,573	4,903,613	1,348,888
Due to other governmental units	8,132,245	-	8,132,245	-
Accounts payable to component units (Note 10)	248,292	-	248,292	-
Accounts payable to primary government (Note 10)	-	-	-	892,374
Accrued and other liabilities	846,217	1,206,411	2,052,628	162,502
Deposits	1,207,001	782,271	1,989,272	-
Deferred revenue (Note 4)	12,559,773	160,328	12,720,101	3,522,494
Compensated absences due within one year	708,379	291,020	999,399	-
Debt due within one year (Note 11)	450,941	4,249,443	4,700,384	845,210
Noncurrent liabilities:				
Liabilities to be paid from restricted assets (Note 5)	-	4,697,593	4,697,593	-
Account payable to primary government (Note 11)	-	-	-	286,300
Long-term general liability and workers' compensation claims (Note 12)	1,015,395	556,696	1,572,091	-
Compensated absences due in more than one year (Note 11)	579,583	-	579,583	-
Debt due in more than one year (Note 11)	3,200,000	57,339,125	60,539,125	3,552,346
Total liabilities	30,713,866	72,420,460	103,134,326	10,610,114
Net Assets				
Invested in capital assets - Net of related debt	60,071,952	24,564,752	84,636,704	-
Restricted:				
Construction, federal, tax levy and other expenditures	6,062,639	2,925,773	8,988,412	-
Major and local streets projects	805,145	-	805,145	-
Debt service	763,821	8,696,324	9,460,145	-
Unrestricted	9,065,699	8,890,450	17,956,149	3,018,146
Total net assets	<u>\$ 76,769,256</u>	<u>\$ 45,077,299</u>	<u>\$ 121,846,555</u>	<u>\$ 3,018,146</u>

City of Wyandotte, Michigan

	Program Revenues					
	Expenses	Operating Grants and		Capital Grants and Contributions		
		Charges for Services	Contributions			
Functions/Programs						
Primary government:						
Governmental activities:						
General government	\$ 8,720,527	\$ 969,684	\$ -	\$ -		
Public safety	10,629,170	1,798,370	37,506	79,360		
Public works	7,847,168	1,550,061	1,934,317	2,115,296		
Community and economic development	583,209	58,000	76,960	25,030		
Recreation and culture	1,565,169	765,312	-	-		
Interest on long-term debt	107,112	-	-	-		
Total governmental activities	29,452,355	5,141,427	2,048,783	2,219,686		
Business-type activities:						
Electric	29,219,141	25,760,613	-	-		
Water	2,698,103	2,896,672	-	275,654		
Cable television	5,598,260	5,777,848	-	-		
Sewage disposal	2,821,127	2,817,832	-	280,000		
Golf course	425,129	337,824	-	-		
Building rental fund	619,288	744,710	-	-		
Total business-type activities	41,381,048	38,335,499	-	555,654		
Total primary government	\$ 70,833,403	\$ 43,476,926	\$ 2,048,783	\$ 2,775,340		
Component units:						
Tax Increment Finance Authorities -						
Consolidated Development Area	\$ 4,495,050	\$ -	\$ -	\$ -		
Tax Increment Finance Authorities -						
Downtown Development Area	776,224	20,341	-	-		
Downtown Development Authority	22,876	-	-	-		
Brownfield Redevelopment Authority	1,416,134	-	-	-		
Total component units	\$ 6,710,284	\$ 20,341	\$ -	\$ -		
General revenues:						
Property taxes						
State-shared revenues						
Unrestricted investment earnings						
Gain (loss) on sale of assets						
Miscellaneous						
Transfers						
Total general revenues and transfers						
Change in Net Assets						
Net Assets - Beginning of year						
Net Assets - End of year						

Statement of Activities
Year Ended September 30, 2005

Net (Expense) Revenue and Changes in Net Assets				
Primary Government				
Governmental Activities	Business-type Activities	Total	Component Units	
\$ (7,750,843)	\$ -	\$ (7,750,843)	\$ -	
(8,713,934)	-	(8,713,934)		
(2,247,494)	-	(2,247,494)		
(423,219)	-	(423,219)		
(799,857)	-	(799,857)		
(107,112)	-	(107,112)		
(20,042,459)	-	(20,042,459)		
- (3,458,528)		(3,458,528)		
- 474,223		474,223		
- 179,588		179,588		
- 276,705		276,705		
- (87,305)		(87,305)		
- 125,422		125,422		
- (2,489,895)		(2,489,895)		
(20,042,459)	(2,489,895)	(22,532,354)		
-	-	-		(4,495,050)
-	-	-		(755,883)
-	-	-		(22,876)
-	-	-		(1,416,134)
-	-	-		(6,689,943)
10,642,757	-	10,642,757		7,086,233
3,436,144	-	3,436,144		-
569,475	888,690	1,458,165		193,789
(24,225)	54,563	30,338		1,634,044
1,263,603	-	1,263,603		82,236
(652,083)	652,083	-		-
15,235,671	1,595,336	16,831,007		8,996,302
(4,806,788)	(894,559)	(5,701,347)		2,306,359
81,576,044	45,971,858	127,547,902		711,787
\$ 76,769,256	\$ 45,077,299	\$ 121,846,555		\$ 3,018,146

City of Wyandotte, Michigan

Governmental Funds Balance Sheet September 30, 2005

	General Fund	Major Streets Fund	Local Streets Fund	Solid Waste Disposal	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments	\$ 25,153,120	\$ 775,909	\$ 264,933	\$ 318,173	\$ 4,615,101	\$ 31,127,236
Receivables:						
Taxes	3,387,909	-	-	228,407	196,160	3,812,476
Special assessments	-	-	-	-	1,047,521	1,047,521
Accrued interest and other	784,208	-	-	32,444	47,110	863,762
Note receivable	-	-	-	-	192,624	192,624
Due from other governmental units	812,814	195,033	72,278	-	783,561	1,863,686
Accounts receivable from component unit (Note 10)	397,030	-	-	66,064	429,280	892,374
Long-term interfund receivable (Note 10)	-	-	-	-	1,031,773	1,031,773
Due from other funds (Note 10)	208,120	1,744	-	1,529,779	1,993,000	3,732,643
Real estate inventory (Note 7)	-	-	-	-	157,967	157,967
Prepaid insurance and other current assets	112,386	-	-	-	-	112,386
Total assets	\$ 30,855,587	\$ 972,686	\$ 337,211	\$ 2,174,867	\$ 10,494,097	\$ 44,834,448
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,008,301	\$ 173,822	\$ 37,606	\$ 115,541	\$ 424,653	\$ 1,759,923
Due to other governmental units	8,132,245	-	-	-	-	8,132,245
Due to other funds (Note 10)	7,630,393	-	161,744	911	99,081	7,892,129
Accounts payable to component units (Note 10)	-	-	-	36,917	211,375	248,292
Accrued and other liabilities	839,029	-	-	-	-	839,029
Deposits	1,207,001	-	-	-	-	1,207,001
Deferred revenue (Note 4)	10,774,419	-	131,580	1,525,944	2,460,734	14,892,677
Total liabilities	29,591,388	173,822	330,930	1,679,313	3,195,843	34,971,296
Fund Balances						
Reserved for:						
Long-term assets	-	-	-	-	1,031,773	1,031,773
Construction and other expenditures	-	-	-	-	3,837,237	3,837,237
Unreserved:						
General Fund	1,264,199	-	-	-	-	1,264,199
Special Revenue Funds (Note 13)	-	798,864	6,281	495,554	2,429,244	3,729,943
Total fund balances	1,264,199	798,864	6,281	495,554	7,298,254	9,863,152
Total liabilities and fund balances	\$ 30,855,587	\$ 972,686	\$ 337,211	\$ 2,174,867	\$ 10,494,097	\$ 44,834,448

City of Wyandotte, Michigan

Governmental Funds
Reconciliation of Fund Balances to the Statement of Net Assets
Year Ended September 30, 2005

Total Fund Balances for Governmental Funds	\$ 9,863,152
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	63,722,893
The investment in joint venture is not recorded in the funds	1,740,000
A portion of special assessment and other receivables is expected to be collected over several years and is not available to pay for current year expenditures	2,332,904
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(3,650,941)
Compensated absences are included as a liability in governmental activities	(1,287,962)
Accrued interest is not recorded in the funds	(7,188)
Internal Service Funds are included as part of governmental activities	<u>4,056,398</u>
Net Assets of Governmental Activities	<u>\$ 76,769,256</u>

City of Wyandotte, Michigan

	General Fund	Major Streets Fund	Local Streets Fund	Solid Waste Disposal
Revenue				
Property taxes	\$ 8,989,872	\$ -	\$ -	\$ 1,378,819
Licenses and permits	498,254	-	-	-
Federal sources	37,506	-	212,745	-
State sources	3,439,474	1,184,600	439,032	-
Charges for services	2,373,131	-	-	282,891
Fines and forfeitures	1,280,408	-	-	-
Interest	321,175	39,007	6,884	15,072
Other	-	146,737	606,968	-
Total revenue	16,939,820	1,370,344	1,265,629	1,676,782
Expenditures				
General government	3,552,087	-	-	250,000
Public safety	8,085,085	-	-	-
Public works	2,509,830	1,125,094	1,854,971	1,336,182
Community and economic development	21,110	-	-	-
Recreation and culture	999,196	-	-	-
Capital outlay	-	-	-	-
Debt service and bond issuance cost	-	-	-	-
Total expenditures	15,167,308	1,125,094	1,854,971	1,586,182
Excess of Revenue Over (Under) Expenditures	1,772,512	245,250	(589,342)	90,600
Other Financing Sources (Uses)				
Transfers in	-	-	296,150	-
Transfers out	(1,734,576)	(296,150)	-	-
Total other financing sources (uses)	(1,734,576)	(296,150)	296,150	-
Net Change in Fund Balance	37,936	(50,900)	(293,192)	90,600
Fund Balances - Beginning of year	1,226,263	849,764	299,473	404,954
Fund Balances - End of year	\$ 1,264,199	\$ 798,864	\$ 6,281	\$ 495,554

Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances
Year Ended September 30, 2005

Nonmajor Governmental Funds	Total Governmental Funds
\$ 784,244	\$ 11,152,935
-	498,254
1,026,793	1,277,044
10,302	5,073,408
-	2,656,022
-	1,280,408
246,257	628,395
<u>720,385</u>	<u>1,474,090</u>
 2,787,981	 24,040,556
 343,169	 4,145,256
59,007	8,144,092
382,197	7,208,274
-	21,110
-	999,196
2,445,098	2,445,098
<u>471,575</u>	<u>471,575</u>
 <u>3,701,046</u>	 <u>23,434,601</u>
 (913,065)	 605,955
 1,082,493	 1,378,643
<u>-</u>	<u>(2,030,726)</u>
 <u>1,082,493</u>	 <u>(652,083)</u>
 169,428	 (46,128)
 <u>7,128,826</u>	 <u>9,909,280</u>
 <u>\$ 7,298,254</u>	 <u>\$ 9,863,152</u>

City of Wyandotte, Michigan

Governmental Funds

Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2005

Net Change in Fund Balances - Total Governmental Funds	\$ (46,128)
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures; the statement of activities reports these costs over the lives of the assets:

Capital asset additions	780,570
Capital asset disposals and adjustments	(165,643)
Depreciation of capital assets	(5,069,992)

Special assessment revenues are recorded in the statement of activities when the assessed project is substantially complete; they are not reported in the funds until collected or collectible within 60 days of year end

69,007

Revenue reported in the statement of activities that does not provide current financial resources and is not reported as revenue in the governmental funds (GASB Statement No. 33)

391,928

Bond principal repayments are reported as expenditures in governmental governmental funds, but not in the statement of activities

553,634

Interest payable is accrued and expensed on the statement of activities, but not in the governmental funds

64,188

Change in accumulated employee sick and vacation pay is expensed when incurred in the statement of activities

287,665

Change in investment in joint venture

270,000

Internal Service Funds are included as governmental activities

(1,942,017)

Change in Net Assets of Governmental Activities

\$ (4,806,788)

City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
Assets				
Current assets:				
Cash and cash equivalents	\$ 966,797	\$ 785,228	\$ 772,527	\$ 4,322,984
Receivables - Customers:				
Billed	1,521,235	144,042	317,885	163,647
Unbilled	1,883,671	256,142	-	-
Other	-	-	-	-
Due from other funds	-	-	-	1,317,156
Fuel, materials, supplies, and other inventories	2,383,682	98,569	189,041	-
Prepaid costs and other current assets	<u>73,069</u>	<u>-</u>	<u>-</u>	<u>442,852</u>
Total current assets	6,828,454	1,283,981	1,279,453	6,246,639
Noncurrent assets:				
Receivable	-	-	-	-
Restricted assets	23,780,738	149,519	1,147,212	-
Bond issuance costs	1,247,670	-	-	-
Capital assets	<u>47,444,633</u>	<u>8,414,499</u>	<u>3,491,301</u>	<u>11,638,465</u>
Total noncurrent assets	<u>72,473,041</u>	<u>8,564,018</u>	<u>4,638,513</u>	<u>11,638,465</u>
Total assets	79,301,495	9,847,999	5,917,966	17,885,104
Liabilities				
Current liabilities:				
Current portion of long-term debt	3,315,000	-	375,000	454,486
Accounts payable	2,211,747	159,034	300,604	457,549
Accrued and other liabilities	742,860	207,971	250,382	-
Compensated absences due within one year	200,187	53,680	37,153	-
Due to other funds	-	730,731	-	-
Deferred revenue	-	-	160,328	-
Deposits payable	<u>587,821</u>	<u>-</u>	<u>194,450</u>	<u>-</u>
Total current liabilities	7,057,615	1,151,416	1,317,917	912,035
Noncurrent liabilities:				
Liabilities to be paid from restricted assets	4,697,593	-	-	-
Long-term general liability and workers' compensation claims	412,964	72,610	71,122	-
Long-term advances from other funds	-	-	-	-
Long-term debt - Net of current portion and amount payable from restricted asset	<u>48,055,885</u>	<u>-</u>	<u>1,916,531</u>	<u>6,920,644</u>
Total noncurrent liabilities	<u>53,166,442</u>	<u>72,610</u>	<u>1,987,653</u>	<u>6,920,644</u>
Total liabilities	60,224,057	1,224,026	3,305,570	7,832,679
Net Assets				
Investment in capital assets - Net of related debt	4,831,527	8,414,499	1,199,770	4,263,335
Restricted	10,325,366	149,519	1,147,212	-
Unrestricted	<u>3,920,545</u>	<u>59,955</u>	<u>265,414</u>	<u>5,789,090</u>
Total net assets	<u>\$ 19,077,438</u>	<u>\$ 8,623,973</u>	<u>\$ 2,612,396</u>	<u>\$ 10,052,425</u>

Proprietary Funds
Statement of Net Assets
September 30, 2005

Golf Course	Building Fund	Rental Fund	Total Enterprise Funds	Internal Service Fund
\$ 81,333	\$ 45,529	\$ 6,974,398	\$ 755,635	
-	-	2,146,809	-	
-	-	2,139,813	-	
-	-	-	120,535	
-	-	1,317,156	3,915,441	
-	-	2,671,292	-	
-	116,574	632,495	-	
81,333	162,103	15,881,963	4,791,611	
			286,300	
-	-	25,077,469	-	
-	-	1,247,670	-	
3,479,834	2,926,809	77,395,541	-	
3,479,834	2,926,809	103,720,680	286,300	
3,561,167	3,088,912	119,602,643	5,077,911	
			6,118	
-	104,957	4,249,443	-	
8,639	-	3,137,573	6,118	
5,198	-	1,206,411	-	
-	-	291,020	-	
-	342,380	1,073,111	-	
-	-	160,328	-	
-	-	782,271	-	
13,837	447,337	10,900,157	6,118	
			4,056,398	
-	-	4,697,593	-	
-	-	556,696	1,015,395	
-	1,031,773	1,031,773	-	
-	446,065	57,339,125	-	
-	1,477,838	63,625,187	1,015,395	
13,837	1,925,175	74,525,344	1,021,513	
3,479,834	2,375,787	24,564,752	-	
-	-	11,622,097	-	
67,496	(1,212,050)	8,890,450	4,056,398	
\$ 3,547,330	\$ 1,163,737	\$ 45,077,299	\$ 4,056,398	

City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
Operating Revenue - Utility and user fees	\$ 25,760,613	\$ 2,896,672	\$ 5,777,848	\$ 2,817,832
Operating Expenses				
Production, pumping, and purification	16,668,762	691,320	-	1,696,080
Distribution	1,013,724	547,943	681,138	-
Cable television royalties	-	-	2,829,405	-
Customer service	140,096	51,281	72,826	-
Office and administration	449,973	207,898	360,750	-
General, maintenance, and miscellaneous	3,628,718	699,356	1,051,797	651,685
Transportation	55,037	24,964	12,457	-
Depreciation	4,910,707	475,341	488,492	274,209
Reinsurance charges and claims (and recoveries)	-	-	-	-
Total operating expenses	26,867,017	2,698,103	5,496,865	2,621,974
Operating Income (Loss)	(1,106,404)	198,569	280,983	195,858
Nonoperating Revenue (Expenses)				
Gain on sale of assets	19,167	193	35,203	-
Interest, infrastructure, and other income	500,352	122,325	107,665	60,544
Interest expense	(2,290,024)	-	(101,395)	(199,153)
Amortization of bond issuance costs	(62,100)	-	-	-
Total nonoperating revenue (expenses)	(1,832,605)	122,518	41,473	(138,609)
Income (Loss) - Before transfers and contributions	(2,939,009)	321,087	322,456	57,249
Transfers In	-	-	-	652,083
Contribution of Fixed Assets	-	275,654	-	280,000
Net Change in Net Assets	(2,939,009)	596,741	322,456	989,332
Net Assets - Beginning of year	22,016,447	8,027,232	2,289,940	9,063,093
Net Assets - End of year	\$ 19,077,438	\$ 8,623,973	\$ 2,612,396	\$ 10,052,425

Proprietary Funds
Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended September 30, 2005

Golf Course	Building Fund	Rental Fund	Total Enterprise Funds	Internal Service Fund
\$ 337,824	\$ 744,710	\$ 38,335,499	\$ -	
-	-	19,056,162	-	
-	-	2,242,805	-	
-	-	2,829,405	-	
-	-	264,203	-	
-	-	1,018,621	-	
292,804	405,453	6,729,813	1,550,000	
-	-	92,458	-	
132,325	103,845	6,384,919	-	
-	-	-	419,842	
<u>425,129</u>	<u>509,298</u>	<u>38,618,386</u>	<u>1,969,842</u>	
(87,305)	235,412	(282,887)	(1,969,842)	
-	-	54,563	-	
-	97,804	888,690	27,825	
-	(109,990)	(2,700,562)	-	
-	-	(62,100)	-	
-	(12,186)	(1,819,409)	27,825	
(87,305)	223,226	(2,102,296)	(1,942,017)	
-	-	652,083	-	
-	-	555,654	-	
(87,305)	223,226	(894,559)	(1,942,017)	
<u>3,634,635</u>	<u>940,511</u>	<u>45,971,858</u>	<u>5,998,415</u>	
\$ 3,547,330	\$ 1,163,737	\$ 45,077,299	\$ 4,056,398	

City of Wyandotte, Michigan

	Electric	Water	Cable Television
Cash Flows from Operating Activities			
Receipts from customers	\$ 25,638,335	\$ 2,813,778	\$ 5,750,695
Payments to suppliers	(17,285,549)	(1,002,411)	(4,296,030)
Payments to employees	(3,800,024)	(890,000)	(886,149)
Internal activity - Payments to other funds	-	-	-
Claims paid	-	-	-
Other receipts (payments)	-	-	-
Net cash provided by (used in) operating activities	<u>4,552,762</u>	<u>921,367</u>	<u>568,516</u>
Cash Flows from Noncapital Financing Activities - Operating transfer			
Cash Flows from Capital and Related Financing Activities			
Purchase of capital assets	(1,674,228)	(329,113)	(165,672)
Proceeds on long-term debt	13,475,000	-	-
Bond issuance costs paid	(493,483)	-	-
Principal and interest paid on capital debt	(4,710,024)	-	(476,395)
Net cash provided by (used in) capital and related financing activities	<u>6,597,265</u>	<u>(329,113)</u>	<u>(642,067)</u>
Cash Flows from Investing Activities - Interest received on investments			
Net Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents - Beginning of year	<u>11,650,379</u>	<u>714,579</u>	<u>34,114</u>
Cash and Cash Equivalents - End of year	<u>13,097,156</u>	<u>220,168</u>	<u>1,885,625</u>
\$ 24,747,535	\$ 934,747	\$ 1,919,739	
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 966,797	\$ 785,228	\$ 772,527
Restricted investments (Note 3)	23,780,738	149,519	1,147,212
Total cash and cash equivalents	<u>\$ 24,747,535</u>	<u>\$ 934,747</u>	<u>\$ 1,919,739</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (1,106,404)	\$ 198,569	\$ 280,983
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	4,910,707	475,341	488,492
Gain on sale of property and plant	19,167	193	35,203
Changes in assets and liabilities:			
Receivables	(122,278)	(82,894)	(27,153)
Due from other funds			
Due from other governmental units			
Inventory	(262,458)	3,291	(131,686)
Other assets	(12,202)	193	23,837
Accounts payable	891,953	108,902	44,764
Due to other funds	-	161,916	-
Accrued and other liabilities	134,819	55,856	(109,638)
Customer deposits and other current liabilities	99,458	-	(23,950)
Deferred revenue	-	-	(12,336)
Net cash (used in) provided by operating activities	<u>\$ 4,552,762</u>	<u>\$ 921,367</u>	<u>\$ 568,516</u>

Noncash Investing, Capital, and Financing Activities - During the year ended September 30, 2005, the TIFA contributed water lines with a value of \$275,654 to the Water Fund and sewer lines with a value of \$280,000 to the Sewage Disposal Fund.

Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2005

Sewage Disposal						
Fund	Golf Course	Building Rental Fund	Total	Internal Service Fund		
\$ 3,039,235	\$ 337,824	\$ 744,710	\$ 38,324,577	\$ (228,157)		
(2,164,598)	(298,336)	(406,089)	(25,453,013)		-	
			(5,576,173)			
(776,071)	(285)	(329,218)	(1,105,574)		(66,262)	
					(444,429)	
<u>648,952</u>	<u>851</u>	<u>210,084</u>	<u>859,887</u>		<u>(1,213,027)</u>	
747,518	40,054	219,487	7,049,704	(1,951,875)		
652,083	-	-	652,083			
-	(4,259)	(80,837)	(2,254,109)		-	
-	-	-	13,475,000			
-	-	-	(493,483)			
<u>(673,970)</u>	<u>-</u>	<u>(205,928)</u>	<u>(6,066,317)</u>		<u>-</u>	
(673,970)	(4,259)	(286,765)	4,661,091		-	
<u>60,544</u>	<u>-</u>	<u>97,804</u>	<u>888,690</u>		<u>27,825</u>	
786,175	35,795	30,526	13,251,568	(1,924,050)		
3,536,809	45,538	15,003	18,800,299	2,679,685		
\$ 4,322,984	\$ 81,333	\$ 45,529	\$ 32,051,867	\$ 755,635		
\$ 4,322,984	\$ 81,333	\$ 45,529	\$ 25,077,469	\$ 755,635		
\$ 4,322,984	\$ 81,333	\$ 45,529	\$ 32,051,867	\$ 755,635		
\$ 195,858	\$ (87,305)	\$ 235,412	\$ (282,887)	\$ (1,969,842)		
274,209	132,325	103,845	6,384,919		-	
-	-	-	54,563			
221,403	-	-	(10,922)	(228,157)		
(776,071)	700	-	(775,371)	(66,262)		
-	-	-	-	253,848		
-	-	-	(390,853)			
648,952	-	210,084	870,864			
183,167	(5,532)	(636)	1,222,618	(52,165)		
-	(985)	(329,218)	(168,287)			
-	851	-	81,888	110,703		
-	-	-	75,508			
-	-	-	(12,336)			
\$ 747,518	\$ 40,054	\$ 219,487	\$ 7,049,704	\$ (1,951,875)		

City of Wyandotte, Michigan

**Fiduciary Funds
Statement of Net Assets
September 30, 2005**

	Pension Trust	
	Fund	Agency Fund
Assets		
Cash and investments (Note 3):		
Cash and cash equivalents	\$ 2,726,911	\$ 259,821
Corporate bonds	8,437,938	-
U.S. government securities	13,487,655	-
Common and preferred stock	26,485,776	-
Foreign bonds	97,300	-
Foreign government obligations	5,062,780	
Bank investment pool funds	-	1,304,271
Foreign stock investment pools	12,019,434	-
Receivables - Accrued interest	<u>270,526</u>	<u>381</u>
Total assets	68,588,320	<u>\$ 1,564,473</u>
Liabilities		
Due to other governmental units	-	\$ 6,263
Cash bonds and deposits	<u>-</u>	<u>1,558,210</u>
Total liabilities	<u>-</u>	<u>\$ 1,564,473</u>
Net Assets - Held in trust for pension benefits	<u>\$ 68,588,320</u>	

City of Wyandotte, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended September 30, 2005

	Pension Trust Fund
Additions	
Investment income:	
Interest and dividends	\$ 2,011,146
Net appreciation in fair value of investments	5,813,948
Investment expenses	<u>(325,821)</u>
Net investment income	7,499,273
Contributions:	
Employer	719,969
Employees	75,045
Transfer from General and Self-insurance Funds	<u>2,550,000</u>
Total contributions	<u>3,345,014</u>
Total additions	10,844,287
Deductions - Benefit payments	
Pension payments	4,675,893
Health benefits	<u>1,439,765</u>
Total deductions	<u>6,115,658</u>
Net Increase in Plan Assets	4,728,629
Net Assets Held in Trust for Pension Benefits	
Beginning of year	<u>63,859,691</u>
End of year	<u>\$ 68,588,320</u>

City of Wyandotte, Michigan

**Component Units
Statement of Net Assets (Deficit)
September 30, 2005**

	Tax Increment Finance Authorities					Totals
	Consolidated Development Area	Downtown Development Area	Downtown Development Authority	Brownfield Redevelopment Authority		
Assets						
Cash and investments	\$ 9,714,390	\$ 2,624,981	\$ 10,531	\$ -	\$ 12,349,902	
Taxes receivable	-	-	2,362	-	2,362	
Receivables - Other	108,552	17,449	-	-	126,001	
Accounts receivable from primary government (Note 10)	189,477	58,815	-	-	248,292	
Inventory (Note 7)	817,483	84,220	-	-	901,703	
Total assets	10,829,902	2,785,465	12,893	-	13,628,260	
Liabilities						
Accounts payable	575,739	72,554	-	700,595	1,348,888	
Accrued and other liabilities	91,616	70,886	-	-	162,502	
Accounts payable to primary government (Note 10)	432,506	20,365	10,000	429,503	892,374	
Deferred revenue	2,834,268	685,863	2,363	-	3,522,494	
Current portion of long-term debt	350,210	495,000	-	-	845,210	
Long-term debt	2,892,346	660,000	-	-	3,552,346	
Long-term payable to primary government (Note 11)	-	-	-	286,300	286,300	
Total liabilities	7,176,685	2,004,668	12,363	1,416,398	10,610,114	
Net Assets (Deficit) - Unrestricted	\$ 3,653,217	\$ 780,797	\$ 530	\$ (1,416,398)	\$ 3,018,146	

City of Wyandotte, Michigan

Program Revenues

	Charges for Services	Operating Grants/ Contributions
	Expenses	
Tax Increment Finance Authorities - Consolidated Development Area	\$ 4,495,050	\$ -
Tax Increment Finance Authorities - Downtown Development Area	776,224	20,341
Downtown Development Authority	22,876	-
Brownfield Redevelopment Authority	<u>1,416,134</u>	<u>-</u>
Total governmental activities	\$ 6,710,284	\$ 20,341
	\$ -	\$ -

General revenues:

- Property taxes
- Interest revenue
- Gain on sale of asset
- Miscellaneous

Total general revenues

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

**Component Units
Statement of Activities
Year Ended September 30, 2005**

Net (Expense) Revenue and Changes in Net Assets					
Tax Increment Finance Authorities		Downtown Development Authority	Brownfield Redevelopment Authority	Total	
Consolidated Development Area	Downtown Development Area				
\$ (4,495,050)	\$ -	\$ -	\$ -	\$ (4,495,050)	
-	(755,883)	-	-	(755,883)	
-	-	(22,876)	-	(22,876)	
-	-	-	(1,416,134)	(1,416,134)	
(4,495,050)	(755,883)	(22,876)	(1,416,134)	(6,689,943)	
5,751,103	1,334,742	388	-	7,086,233	
155,731	38,180	142	(264)	193,789	
1,634,029	15	-	-	1,634,044	
71,141	11,095	-	-	82,236	
7,612,004	1,384,032	530	(264)	8,996,302	
3,116,954	628,149	(22,346)	(1,416,398)	2,306,359	
536,263	152,648	22,876	-	711,787	
\$ 3,653,217	\$ 780,797	\$ 530	\$ (1,416,398)	\$ 3,018,146	

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of 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.

The Wyandotte Municipal Service Commission consists of five members appointed by the mayor to operate the electric, water, and cable systems on behalf of the City. The operations of these systems are accounted for as Enterprise Funds in the City's financial systems.

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.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

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 and 11 individuals, respectively, are selected by the mayor with approval by the City Council.

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.

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

Jointly Governed Organization - 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 \$1,696,000 for operations of the system and \$674,000 for debt service. The City is aware that over the next several years there are preliminary plans for significant system improvements to take place. Currently, it is the plan for those improvements to be funded through an increase to the system charge currently in place. The City is not aware of any other circumstances that would cause an additional benefit or burden to the participating governments in the near future, except as discussed in Note 16. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund, and fiduciary fund, 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.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

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 revenues 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 and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred revenue" liability.

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

The City reports the following major governmental funds:

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.

Major Streets Fund - The Major Streets Fund accounts for the construction, maintenance, and operation of the major street system within the city limits. A major street usually exhibits higher traffic volumes than local streets and typically leads to urban collectors (Wayne County or State roads). This fund accounts for the financial resources derived from the state gas and weight tax revenues that are restricted for use on major streets.

Local Streets Fund - The Local Streets Fund accounts for the construction and maintenance of the local street system within the city limits. A local street is typically not used for trip destination but rather to access living dwellings or other local establishments. This fund accounts for the financial resources derived from the state gas and weight tax revenues that are restricted for use on local streets.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Solid Waste Disposal Fund - The Solid Waste Disposal Fund accounts for services to provide for solid waste pickup and disposal for city residents and businesses, including recycling efforts. It is funded primarily through the millage rate levied on the tax bills and various user charges.

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.

Golf Course Fund - The Golf Course Fund accounts for the operations of Wyandotte Shores Golf Course.

Building Rental Fund - The Building Rental Fund accounts for the operations of the commercial building located at 3200 Biddle Avenue.

Additionally, the City reports the following fund types:

Pension Trust Fund - The Pension Trust Fund accounts for the activities of the City's defined benefit pension plan. The plan accumulates resources for pension benefit payments to qualified employees.

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.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

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 the City's participation in the Michigan Municipal League for costs associated with workers' compensation, general liability, and hospital malpractice claims. The Internal Service Fund is used to account for current coverage and to provide reserves for future catastrophic claims.

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 (GASB). 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 revenues 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 and producing and delivering goods 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 Sewer 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.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

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.

The 2004 taxable valuation of the City totaled \$767,327,003 (a portion of which has been abated or resides in special tax districts), on which taxes levied consisted of 12.1193 mills for operating purposes, 2.5303 mills for debt service, 2.5303 mills for garbage and rubbish services, and 1.5213 mills for the sewer judgment levy. In addition, the City levied 1.2988 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 \$6,643,000 for operating purposes, \$1,082,000 for debt service, \$1,379,000 for garbage and rubbish services, \$545,000 for drain operation and maintenance, and \$652,000 for the sewer judgment levy. These amounts are recognized in the respective General Fund, Special Revenue Fund, Debt Service Fund, Enterprise Fund, and component unit financial statements as tax revenue.

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." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are 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."

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

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.

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

Capital Assets - Capital assets, which include property, plant, equipment, 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

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note I - Summary of Significant Accounting Policies (Continued)

Compensated Absences (Vacation and Sick Leave) - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. 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.

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.

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.

Significant Customers - The City has the following customers that represent significant amounts of operating revenue for the year ended September 30, 2005:

	Utility Fees			Property
	Electricity	Water	Sewage	Taxes
BASF Corporation	18%	15%	20%	9%
Wayne County	8%	4%	- %	- %
Electric Fund	- %	2%	- %	- %
Wyandotte Hospital	- %	2%	- %	- %

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - 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. Beginning January 1, 2000, 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 activity since January 1, 2000 is as follows:

Cumulative shortfall - Beginning of year	\$ (432,830)
Current year building permit revenue	620,379
Related expenditures:	
Direct costs	\$ 227,870
Estimated indirect costs	<u>433,669</u>
Total construction code expenditures	<u>661,539</u>
Cumulative shortfall - End of year	<u>\$ (473,990)</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 3 - Deposits and Investments

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

The pension trust fund is also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, 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 board 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:

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 3 - Deposits and Investments (Continued)

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 \$7,847,634 of bank deposits (certificates of deposit, checking and savings accounts) that were uninsured and uncollateralized. In addition, the City's component units had \$1,734,238 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.

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	Maturity
U.S. government agency securities:		
T-bills	\$ 615,693	0.60 years
Federal agency	407,035	0.86 years
U.S. government agency securities (pension):		
T-bills	6,647,119	2.06 years
Federal agency	4,734,189	3.10 years
Asset-backed obligations	2,106,347	22.31 years
Corporate bonds and notes (pension)	8,437,938	3.93 years
Foreign bonds and notes (pension)	97,300	1.65 years
Foreign government obligations (pension)	5,062,780	31.77 months

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

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:

Fair Value	Fair Value	Rating	Rating Organization
General government	\$ 5,891,902	AAA	S&P
	132,690	AAAm	S&P
	99,997	AA+	S&P
	22,618,432	A+	S&P
	2,097,916	A	S&P
	842,002	A-	S&P
	240,450	BBB+	S&P
	725,396	BBB	S&P
	241,375	BBB-	S&P
	25,711,262	AAAm	Moody's
	18,909,453	N/A	Unrated
Component units	10,420,593	AAA	S&P

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:

Fair Value of Corporate Bonds in U.S. Dollars	Country
\$ 1,244,053	Canadian dollar
1,004,488	Austrian dollar
966,688	Euro currency
615,717	Polish zloty
348,699	British pound
337,684	New Zealand dollar
545,451	Various

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 3 - Deposits and Investments (Continued)

Public Act 314 of 1965, as amended in Public Act 485 in 1996, limits foreign holdings in retirement systems to 20 percent of system assets. The foreign holdings in the City's retirement system accounted for approximately 25 percent of total system assets at September 30, 2006.

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 funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable - Governmental Activities	Unearned - Governmental Activities	Unearned - Unearned - Business-type	Component Units
Delinquent property taxes	\$ 139,796	\$ -	\$ -	\$ -
Special assessments	1,047,262	-	-	-
ALS receivables	287,088	-	-	-
Land contract receivables	-	-	-	104,047
Due from other governmental units	-	-	-	-
Property tax receipts for fiscal year 2005	-	12,559,773	-	3,418,447
Grants receivable	547,177	-	-	-
Other	311,581	-	160,328	-
Total	\$ 2,332,904	\$ 12,559,773	\$ 160,328	\$ 3,522,494

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 5 - Restricted Assets

The balances of restricted asset accounts are as follows:

	Business-type Activities
Investments:	
Bond proceeds	\$ 12,302,230
Restricted for debt service	9,849,466
Restricted for capital outlay	1,878,809
Restricted for retiree health care	<u>1,046,964</u>
Total restricted assets	25,077,469
Less current liabilities payable from restricted assets:	
Accrued interest payable	(1,177,642)
Bond principal payable	(2,565,000)
Construction costs payable	<u>(954,951)</u>
Total current liabilities payable from restricted assets	<u>(4,697,593)</u>
Net restricted assets	<u>\$ 20,379,876</u>

Included in the above investment is approximately \$8,300,000 restricted to a 1992 Municipal Service Commission revenue bond ordinance for revenue bond debt service. In conjunction with the bond ordinance, the Municipal Service Commission passed a resolution to reserve retained earnings of \$4,741,766, which represents the maximum annual debt service requirement for all outstanding bonds. Assets have also been restricted in the Electric Fund for future capital improvements and to assist in paying future bond principal and interest payments pursuant to a resolution approved by the Commission.

Assets have been restricted in the Cable Fund to assist in paying future principal and interest payments on the installment purchase contract.

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

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 6 - Bond Issuance Costs

During the years ended September 30, 2005 and 2002, the Department of Municipal Services paid bond issuance costs of \$517,983 and \$931,515, respectively. The debt issuances related to the 2005 Series A and Series B revenue bonds and the 2002 revenue refunding bonds. The following is a summary of the outstanding balance as of September 30, 2005:

Bond issuance costs	\$ 1,449,498
Less accumulated amortization	<u>(201,828)</u>
Total	<u>\$ 1,247,670</u>

For the year ended September 30, 2005, amortization expense was \$62,100.

Note 7 - Real Estate Inventory

The inventory in the Special Revenue Funds and component units consists of real property purchased for resale. The City purchases the property, demolishes the structure, if any, and resells the property for commercial or residential development. Inventory costs include the costs of land, existing structures, and demolition. Generally, the acquisition cost of inventory is substantially higher than its fair market value after demolition and site clearing. At September 30, 2005, inventory had a cost of \$1,129,115 and \$9,991,356 and a fair market value of \$157,967 and \$901,703 in the Special Revenue Funds and component units, respectively. Included in capital outlay and other expenses of the current year was a provision of \$36,500 and \$337,471 to record inventory at the lower of cost or market value in the Special Revenue Funds and component units, respectively.

Note 8 - Joint Venture

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 \$1,179,000 to Wayne County during the year for operation and maintenance.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 8 - Joint Venture (Continued)

The City of Wyandotte has approximately a 51 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 \$1,740,000 has been recorded in the government-wide statement of net assets at September 30, 2005.

Note 9 - Capital Assets

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

	Balance		Balance	
	October 1, 2004		Disposals and Adjustments	September 30, 2005
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,135,929	\$ -	\$ -	\$ 18,135,929
Construction in progress	141,418	-	141,418	-
Subtotal	18,277,347	-	141,418	18,135,929
Capital assets being depreciated:				
Roads and other infrastructure	64,171,672	-	-	64,171,672
Sidewalks	33,498,481	26,238	-	33,524,719
Land improvements	5,122,679	23,981	5,600	5,141,060
Buildings and improvements	6,937,655	-	17,591	6,920,064
Machinery, equipment, and vehicles	9,861,752	730,351	185,586	10,406,517
Subtotal	119,592,239	780,570	208,777	120,164,032
Accumulated depreciation	69,691,628	5,069,992	184,552	74,577,068
Net capital assets being depreciated	49,900,611	(4,289,422)	24,225	45,586,964
Net capital assets	\$ 68,177,958	\$ (4,289,422)	\$ 165,643	\$ 63,722,893

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 9 - Capital Assets (Continued)

	Balance October 1, 2004	Additions	Disposals and Adjustments	Balance September 30, 2005
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress	-	2,238,746	-	2,238,746
Subtotal	145,000	2,238,746	-	2,383,746
Capital assets being depreciated:				
Utility plant	92,292,956	432,182	-	92,725,138
Transmission	5,768,155	29,613	-	5,797,768
Pumping	2,859,963	289,619	-	3,149,582
Purification	3,752,785	-	-	3,752,785
Distribution	43,000,760	465,703	451	43,466,012
Transportation	1,550,031	65,077	38,857	1,576,251
Stores	775,490	2,056	-	777,546
Cable equipment	997,599	182,200	-	1,179,799
Studio	468,622	4,273	-	472,895
General	2,904,253	223,630	-	3,127,883
Buildings	4,154,718	-	-	4,154,718
Land improvements	2,937,427	-	-	2,937,427
Equipment and fixtures	1,140,162	85,096	-	1,225,258
Sewer lines	11,570,121	-	-	11,570,121
Subtotal	174,173,042	1,779,449	39,308	175,913,183
Accumulated depreciation:				
Utility plant	51,147,075	3,881,973	-	55,029,048
Transmission	4,126,216	169,652	-	4,295,868
Pumping	1,822,976	113,869	-	1,936,845
Purification	2,882,023	104,295	-	2,986,318
Distribution	27,071,483	1,257,077	451	28,328,109
Transportation	1,108,593	101,654	38,857	1,171,390
Stores	538,675	40,770	-	579,445
Cable equipment	581,005	111,935	-	692,940
Studio	406,139	20,152	-	426,291
General	2,334,391	111,346	-	2,445,737
Buildings	564,553	103,172	-	667,725
Land improvements	527,751	58,749	-	586,500
Equipment and fixtures	727,286	74,248	-	801,534
Sewer lines	679,428	274,210	-	953,638
Subtotal	94,517,594	6,423,102	39,308	100,901,388
Net capital assets being depreciated	79,655,448	(4,643,653)	-	75,011,795
Net capital assets	\$ 79,800,448	\$ (2,404,907)	\$ -	\$ 77,395,541

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 9 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 4,260,362
Public safety	340,266
Public works	244,109
Recreation and culture	<u>225,255</u>
Total governmental activities	<u>\$ 5,069,992</u>

Business-type activities:

Electric	\$ 4,948,890
Water	475,341
Cable television	488,492
Sewage disposal	274,209
Golf course	132,325
Building rental	<u>103,845</u>
Total business-type activities	<u>\$ 6,423,102</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 10 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances is as follows:

Receivable Fund	Payable Fund	Amount
Due to/from other funds:		
General Fund	Other nonmajor governmental funds	\$ 48,120
General Fund	Local Streets Fund	160,000
Major Streets Fund	Local Streets Fund	1,744
Solid Waste Disposal Fund	General Fund	1,454,407
Solid Waste Disposal Fund	Water Fund	65,393
Solid Waste Disposal Fund	Other nonmajor governmental funds	9,979
Other nonmajor governmental funds	General Fund	1,608,726
Other nonmajor governmental funds	Solid Waste Disposal Fund	911
Other nonmajor governmental funds	Building Rental Fund	342,381
Other nonmajor governmental funds	Other nonmajor governmental funds	40,982
Sewage Disposal Fund	General Fund	652,083
Sewage Disposal Fund	Water Fund	665,073
Internal Service Fund	General Fund	<u>3,915,441</u>
	Total	\$ <u>8,965,240</u>

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.

Advances to/from Other Funds

Receivable Fund	Payable Fund	Amount
Urban Development Action Grant Fund	Building Rental Fund	\$ <u>1,031,773</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 10 - Interfund Receivables, Payables, and Transfers (Continued)

Due to/from Primary Government and Component Units

Receivable Fund	Payable Fund	Amount
Primary government - General Fund	Component Unit - Tax Increment Finance Authority Consolidated Development Area	\$ 387,030
Primary government - General Fund	Component Unit - Downtown Development Authority	10,000
Primary government - Public Improvement Fund	Component Unit - Downtown Development Authority	41
Primary government - Solid Waste Disposal	Component Unit - Tax Increment Finance Authority Consolidated Development Area	66,064
Primary government - EPA Cooperative Agreement Fund	Component Unit - Brownfield Development Authority	<u>429,239</u>
Total primary government		\$ <u>892,374</u>
Component Unit - Tax Increment Finance Authority Consolidated Development Area	Primary government - Southgate Wyandotte Drain O&M	\$ 189,477
Component Unit - Tax Increment Finance Authority Downtown Development Authority	Primary government - Southgate Drain Wyandotte Drain O&M	21,898
Component Unit - Tax Increment Finance Authority Downtown Development Authority	Primary government - Solid Waste Disposal	<u>36,917</u>
Total component units		\$ <u>248,292</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 10 - Interfund Receivables, Payables, and Transfers (Continued)

Interfund Transfers

	Transfers Out				
	Major Streets				
	General Fund	Fund	Total		
Transfers in:					
Local Streets Fund	\$ -	\$ 296,150	\$ 296,150		
Sewage Fund	652,083	-	652,083		
Other governmental funds	<u>1,082,493</u>	-	<u>1,082,493</u>		
Total	\$ 1,734,576	\$ 296,150	\$ 2,030,726		

The transfer from the General Fund to the Sewage Fund was to pay the annual debt service for the court-ordered improvements to the Wyandotte wastewater treatment plant. The funds were derived from the judgment levy on the property tax bills. The transfer to other governmental funds was primarily to pay the annual debt service for the Department of Public Services facility bonds and the debt service for the installment purchase agreement for the fire aerial truck. 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 11 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 11 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

	Interest Rate	Maturing Through	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
General obligation bond - Building Authority Bonds - Amount of issue - \$5,000,000	3.75%-5.75%	2013	\$ 3,800,000	\$ -	\$ 300,000	\$ 3,500,000	\$ 300,000
2003 Bank One purchase installment - Fire equipment - Amount - \$753,093	2.53%	2006	404,575	-	253,634	150,941	150,941
Total governmental activities			\$ 4,204,575	\$ -	\$ 553,634	\$ 3,650,941	\$ 450,941
Business-type activities:							
Cable Television Limited Tax General Obligation Installment purchase contract - Amount of issue - \$3,994,031	4.16%	2011	\$ 2,666,531	\$ -	\$ 375,000	\$ 2,291,531	\$ 375,000
State Revolving Fund - Downriver Sewage Disposal System:							
Amount of issue - \$1,610,332	2.50%	2016	1,034,251	-	69,641	964,610	79,537
Amount of issue - \$4,691,934	2.25%	2019	3,684,975	-	209,221	3,475,754	214,985
Amount of issue - \$1,168	2.25%	2018	869	-	53	816	56
Amount of issue - \$474,845	2.25%	2021	415,338	-	54,056	361,282	21,503
Amount of issue - \$1,094,717	2.25%	2021	914,122	-	47,753	866,369	49,130
Amount of issue - \$864,574	2.25%	2021	746,096	-	37,380	708,716	37,887
Downriver Sewage Disposal System - Completion Bond - Amount of issue - \$1,223,935	4.90%-5%	2019	1,046,932	-	49,349	997,583	51,388
Installment Loan - Bank	8.06%	2010	654,324	-	103,302	551,022	104,957
Revenue bonds:							
1992 Electric Revenue and Revenue Refunding Bond - Amount of issue - \$61,185,000	6.25%	2009	12,045,000	-	2,125,000	9,920,000	2,400,000
2002 Electric Revenue and Revenue Refunding Bond - Net of unamortized premium and deferred refunding credit - Amount of issue - \$31,990,000	3.25%-5.38%	2018	30,608,722	167,916	354,592	30,422,046	315,000
2005A Electric Revenue Bond - Amount of issue - \$6,104,826	3.25%-5.0%	2016	-	6,104,826	-	6,104,826	600,000
2005B Electric Revenue Bond - Amount of issue - \$7,489,013	3.5%-4.5%	2025	-	7,489,013	-	7,489,013	-
Total business-type activities before excluding restricted assets			53,817,160	\$ 13,761,755	\$ 3,425,347	64,153,568	\$ 4,249,443
Less portion payable from restricted assets			(2,420,000)			(2,565,000)	
Total business-type activities			\$ 51,397,160			\$ 61,588,568	
Component units:							
Limited Tax Development Refunding Bonds, Series 1992 - Amount of issue - \$11,940,000	6.25%-6.375%	2010	\$ 3,265,000	\$ -	\$ 275,000	\$ 2,990,000	\$ 265,000
Downtown Development Refunding Bonds Series 1992	6.2%-6.25%	2009	1,430,000	-	860,000	570,000	495,000
Brownfield Revitalization Loan	2.25%	2015	944,000	-	106,444	837,556	85,210
Total component units			\$ 5,639,000	\$ -	\$ 1,241,444	\$ 4,397,556	\$ 845,210

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 11 - Long-term Debt (Continued)

Annual debt service requirements to maturity, excluding unamortized discount/premiums on bonds payable, deferred refunding charges and current amounts already provided for in restricted assets, for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities			Component Unit Activities		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2006	\$ 450,941	\$ 155,326	\$ 606,267	\$ 4,252,492	\$ 2,748,196	\$ 7,000,688	\$ 845,210	\$ 238,460	\$ 1,083,670
2007	300,000	136,800	436,800	4,431,721	2,532,712	6,964,433	827,127	188,892	1,016,019
2008	350,000	119,550	469,550	4,622,700	2,318,707	6,941,407	899,087	137,570	1,036,657
2009	450,000	103,800	553,800	4,685,218	2,074,268	6,759,486	876,092	84,965	961,057
2010	500,000	84,000	584,000	4,622,831	1,797,812	6,420,643	558,141	42,946	601,087
2011-2015	1,600,000	128,250	1,728,250	23,964,656	6,802,262	30,766,918	391,899	34,119	426,018
2016-2020	-	-	-	15,028,238	1,907,986	16,936,224	-	-	-
2021-2025	-	-	-	2,545,712	302,922	2,848,634	-	-	-
Total	\$ 3,650,941	\$ 727,726	\$ 4,378,667	\$ 64,153,568	\$ 20,484,865	\$ 84,638,433	\$ 4,397,556	\$ 726,952	\$ 5,124,508

Electric Fund Revenue Bonds

The 1992 and the 2002 Electric Revenue Refunding bonds are payable out of the net revenue of the Electric Fund. 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 2010.

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, 2005

Note 11 - Long-term Debt (Continued)

Included in the current assets of the Electric Fund at September 30, 2005 is approximately \$259,000 earmarked for future repairs of the system pursuant to the ordinance. Also included in the current liabilities of the Electric Fund at September 30, 2005 is that 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.

During the current year, the Self-insurance Fund advanced \$286,300 to the Brownfield Redevelopment Fund. The Brownfield Redevelopment Fund will repay the advance with future tax captures.

Note 12 - 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 and participates in a general liability insurance plan with the Michigan Municipal League. The City is partially uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

General Liability - The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts. Currently, the plan limits the City's maximum loss to \$20,000 per occurrence. Losses in excess of these limitations are insured up to \$5,000,000 per occurrence and are uninsured above that level.

In conjunction with the sale of the Wyandotte General Hospital operation in previous years, the City retained the liability for all medical malpractice claims, asserted and unasserted, that occurred prior to May 1, 1988. The City has recorded an estimate of this liability in the Internal Service Funds at September 30, 2005. The ultimate liability with respect to these claims could differ materially from the amounts currently provided for in the basic financial statements.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 12 - Risk Management (Continued)

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 May 31, 1986 of \$300,000 (\$400,000 and \$850,000 as of June 1, 1990 and 2002, respectively) and the policy limits equal to State statutory requirements.

The City estimates the liability for general liability, which includes medical malpractice and workers' compensation claims, and the Department of Municipal Services estimates the liability for workers' compensation claims in the Enterprise Funds 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:

	Self-insurance Fund	Enterprise Funds
	Department of All Remaining Funds	
	Municipal Services	
Estimated liability - October 1, 2003	\$ 877,114	\$ 449,924
Incurred claims (including claims incurred but not reported)	315,330	143,419
Claim payments and changes in estimates	<u>(287,752)</u>	<u>(31,047)</u>
Estimated liability - September 30, 2004	904,692	562,296
Incurred claims (including claims incurred but not reported)	421,938	(21,823)
Claim payments and changes in estimates	<u>(311,235)</u>	<u>16,223</u>
Estimated liability - September 30, 2005	<u>\$ 1,015,395</u>	<u>\$ 556,696</u>

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 13 - Restricted and Designated Fund Balance/Net Assets

Portions of net assets of the Enterprise Funds have been restricted for the following purposes at September 30, 2005:

	<u>Electric</u>	<u>Water</u>	<u>Cable</u>	<u>Total</u>
Debt service	\$ 7,698,631	\$ -	\$ 997,693	\$ 8,696,324
Capital improvements	1,878,809	-	-	1,878,809
Retiree health care	<u>747,926</u>	<u>149,519</u>	<u>149,519</u>	<u>1,046,964</u>
Total	<u>\$ 10,325,366</u>	<u>\$ 149,519</u>	<u>\$ 1,147,212</u>	<u>\$ 11,622,097</u>

Fund balance has been designated in the Equipment and Replacement Fund in the amount of \$150,941 for future payments for the fire aerial truck installment loan. Therefore, \$98,503 of fund balance at September 30, 2005 is unreserved and undesignated.

Note 14 - 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) fire fighters hired prior to October 1, 2000, all police and fire dispatchers hired prior to July 1, 2001, and Department of Municipal Services employees. 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, 2004, the date of the most recent actuarial valuation, membership consisted of 262 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 201 current active employees. The plan does not issue a separate financial report.

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

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 14 - Pension Plan (Continued)

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. Administrative costs of the plan are financed through investment earnings.

Annual Pension Costs - For the year ended September 30, 2005, the City's annual pension cost of \$2,722,324 for the plan was equal to the required and actual contribution. The annual pension costs consist of contributions from Municipal Service of \$719,969 and transfers from the endowment reserves of \$2,002,355. The annual required contribution was determined as part of an actuarial valuation at September 30, 2002, using the entry actual age cost 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 13 years and 22 years for the Municipal Service and General and Police and Fire divisions, respectively.

Reserves - As of September 30, 2005, 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	\$ 569,436
Reserve for retired benefit payments	39,442,210

Additional reserves:

Reserve for employer contributions	21,541,741
Reserve for Special Retirement Fund	371,533
Reserve for retiree health benefits	325,878
Reserve for endowment	6,337,522

Total reserves	\$ 68,588,320
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City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 14 - Pension Plan (Continued)

	2003	2004	2005
Annual pension costs (APC)	\$ 2,083,416	\$ 2,285,116	\$ 2,722,324
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Note 15 - 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 346 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

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 percent and 5 percent, respectively.

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.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 15 - Defined Contribution Pension Plan (Continued)

In accordance with the above requirements, the City contributed approximately \$263,000 during the current year, and the employees contributed approximately \$131,000.

Note 16 - Contingencies

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, 2005.

The City was named as a defendant in a lawsuit alleging violations of the Clean Water Act occurring in the Downriver Sewage Treatment System. Several other communities, including Wayne County, were also named as defendants. The estimated total cost of the projects is approximately \$324,000,000, with the City's share estimated to be approximately \$11,000,000, which approximates total expenditures to date. The City has issued approximately \$10,510,000 in debt to fund this project. In addition, the City may have other significant sewer commitments under the Clean Water Act; the amount of these commitments cannot presently be determined.

Note 17 - Postemployment Benefits

The City provides postemployment health care benefits to nearly all employees upon retirement in accordance with labor contracts. Currently, 258 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$1,971,000, of which \$1,485,000 and \$486,000 was paid by the Employees' Retirement System and the Enterprise Funds, respectively.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2005

Note 17 - Postemployment Benefits (Continued)

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending September 30, 2009.

Required Supplemental Information

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2005

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 1,226,263	\$ 1,226,263	\$ 1,226,263	\$ -
Revenues				
Property taxes	8,832,673	8,822,673	8,989,872	167,199
Federal sources	-	-	37,506	37,506
State receipts, revenues, and other sources	<u>6,950,335</u>	<u>7,025,552</u>	<u>7,256,435</u>	<u>230,883</u>
Total revenues	15,783,008	15,848,225	16,283,813	435,588
Expenditures				
Legislative	164,514	173,251	167,649	5,602
Judicial	773,102	773,961	809,366	(35,405)
Financial services and administration	358,093	361,774	360,707	1,067
General government	<u>1,373,500</u>	<u>1,604,384</u>	<u>1,592,104</u>	<u>12,280</u>
Assessor	180,874	180,662	181,299	(637)
City Clerk	258,413	258,125	257,446	679
Community relations	19,335	44,334	44,440	(106)
Treasurer	258,855	258,374	220,372	38,002
Police and civil defense	4,495,009	4,644,094	4,572,903	71,191
Fire	2,655,619	2,937,084	3,019,782	(82,698)
Engineering and D.P.S.	1,070,824	1,090,241	1,061,069	29,172
Public works	<u>2,880,102</u>	<u>2,903,816</u>	<u>2,765,971</u>	<u>137,845</u>
Recreation	544,015	566,081	517,304	48,777
Swimming pool	56,025	56,025	43,342	12,683
Yack arena	441,644	441,189	410,837	30,352
Youth assistance	43,700	43,636	41,771	1,865
Historical commission	92,162	85,589	78,614	6,975
City commissions	18,377	26,983	21,110	5,873
Elections	<u>75,510</u>	<u>88,826</u>	<u>79,791</u>	<u>9,035</u>
Total expenditures	15,759,673	16,538,429	16,245,877	292,552
Fund Balance - End of year	<u>\$ 1,249,598</u>	<u>\$ 536,059</u>	<u>\$ 1,264,199</u>	<u>\$ 728,140</u>

City of Wyandotte, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds - Major Streets Fund
Year Ended September 30, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 849,764	\$ 849,764	\$ 849,764	\$ -
Revenues				
State sources	1,225,734	1,225,734	1,251,693	25,959
Interest income	5,000	5,000	39,007	34,007
Other	<u>54,166</u>	<u>54,166</u>	<u>79,644</u>	<u>25,478</u>
Total revenues	1,284,900	1,284,900	1,370,344	85,444
Expenditures				
Public works	1,019,500	1,424,820	1,125,094	299,726
Transfers to other funds	<u>306,433</u>	<u>306,433</u>	<u>296,150</u>	<u>10,283</u>
Total expenditures	<u>1,325,933</u>	<u>1,731,253</u>	<u>1,421,244</u>	<u>310,009</u>
Fund Balance - End of year	<u>\$ 808,731</u>	<u>\$ 403,411</u>	<u>\$ 798,864</u>	<u>\$ 395,453</u>

City of Wyandotte, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds - Local Streets Fund
Year Ended September 30, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 299,473	\$ 299,473	\$ 299,473	\$ -
Revenues				
Federal sources	-	-	212,745	212,745
State sources	453,221	453,221	439,032	(14,189)
Interest income	7,000	7,000	6,884	(116)
Transfer from other funds and other	<u>306,433</u>	<u>306,433</u>	<u>903,118</u>	<u>596,685</u>
Total revenues	766,654	766,654	1,561,779	795,125
Expenditures - Public works	<u>700,000</u>	<u>779,293</u>	<u>1,854,971</u>	<u>(1,075,678)</u>
Fund Balance - End of year	<u>\$ 366,127</u>	<u>\$ 286,834</u>	<u>\$ 6,281</u>	<u>\$ (280,553)</u>

City of Wyandotte, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds - Solid Waste Disposal Fund
Year Ended September 30, 2005**

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 404,954	\$ 404,954	\$ 404,954	\$ -
Revenues				
Property taxes	1,085,014	1,085,014	1,082,328	(2,686)
TIFA sharing agreement	293,999	293,999	296,491	2,492
Dumpster billings	210,000	210,000	213,126	3,126
Service fees	30,388	30,388	32,060	1,672
Rubbish tags	36,000	36,000	37,705	1,705
Interest income	7,300	7,300	15,072	7,772
Total revenues	1,662,701	1,662,701	1,676,782	14,081
Expenditures				
Administration	250,000	250,000	250,000	-
Rubbish collection	801,000	801,000	774,914	26,086
Dumping fees	390,800	395,800	387,808	7,992
Recycling fees	8,500	8,500	5,442	3,058
Tag program costs	22,000	22,000	16,608	5,392
Household hazardous waste program	10,000	5,000	-	5,000
Capital equipment	180,000	180,000	151,410	28,590
Total expenditures	<u>1,662,300</u>	<u>1,662,300</u>	<u>1,586,182</u>	<u>76,118</u>
Fund Balance - End of year	\$ 405,355	\$ 405,355	\$ 495,554	\$ 90,199

City of Wyandotte, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress September 30, 2005

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial		Accrued		UAAL as a Percentage of Covered Payroll		
	Actuarial Value of Assets*	(a)	Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	Percentage of Covered Payroll
	(b)	(b-a)	(a/b)	(c)			
General Employees' Retirement System							
9/30/99	\$ 54,091,559	\$ 62,986,041	\$ 8,894,482	85.9	\$ 11,854,018	75.0	
9/30/00	59,693,454	65,871,242	6,177,788	90.6	12,120,752	51.0	
9/30/01	58,154,932	66,253,096	8,098,164	87.8	10,773,220	75.2	
9/30/02	57,402,504	68,250,392	10,847,888	84.1	10,902,873	99.5	
9/30/03	57,557,323	73,253,459	15,696,136	78.6	10,730,847	146.3	
9/30/04	57,814,081	72,165,278	14,351,197	80.1	10,428,270	137.6	

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

City of Wyandotte, Michigan

Required Supplemental Information Schedule of Employer Contributions September 30, 2005

The schedule of employer contributions is as follows:

Year Ended September 30	Municipal Service Contribution	Reclassification from Endowment Reserve**	Annual Required Contribution	Percentage Contributed (Percent)
2000	\$ 422,488	\$ 1,588,651	\$ 2,011,139	100
2001	447,954	1,564,375	2,012,329	100
2002	437,575	1,652,101	2,089,676	100
2003	444,947	1,638,469	2,083,416	100
2004	488,459	1,796,657	2,285,116	100
2005	925,667	1,796,657	2,722,324	100

** The endowment reserve represents prepaid employer contributions deposited by the City during the year ended September 30, 1990.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of September 31, 2004, the latest actuarial valuation, follows:

Actuarial cost method	Entry age - Municipal services Aggregate - General and police and fire
Amortization method	Level percent, closed
Remaining amortization period	22 years - General and police and fire divisions 13 years - Municipal services division
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases***	4.5% - 9.6%
***Includes inflation at	4.5%

City of Wyandotte, Michigan

Note to Required Supplemental Information September 30, 2005

Note - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except that operating and reimbursing transfers and retirement system contributions have been included in the "revenue" and/or "expenditure" 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. During the current year, the City amended the budget after year end.

Following is a reconciliation of the budget statement of the General Fund and other major funds to the operating statement:

	Budget Statement	Operating Transfers	Retirement System Contributions	Reimbursing Transfers from Other Funds	Operating Statement
General Fund:					
Total revenue	\$ 16,283,813	\$ 1,734,576	\$ 1,000,000	\$ (2,078,569)	\$ 16,939,820
Total expenditures	16,245,877	-	1,000,000	(2,078,569)	15,167,308
Major Streets Fund - Total expenditures					
	1,421,244	(296,150)	-	-	1,125,094
Local Streets Fund - Total revenue					
	1,561,779	(296,150)	-	-	1,265,629

City of Wyandotte, Michigan

Note to Required Supplemental Information September 30, 2005

Note - Stewardship, Compliance, and Accountability (Continued)

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

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Judicial	\$ 773,961	\$ 809,366
Assessor	180,662	181,299
Community relations	44,334	44,440
Fire	2,937,084	3,019,782
Local Streets Fund - Public works	779,293	1,854,971

The variance in the General Fund - Judicial department is primarily due to the increased costs resulting from the sharing agreement with the City of Riverview. Most of this amount will be refunded to the City based on the Joint Management Agreement with the City of Riverview. The remaining General Fund variances were due to increased payroll costs occurring as a result of the partial week that ended the fiscal year. This partial week was not budgeted for in these departments.

The variance in the Local Streets Fund was the result of construction projects originally budgeted to be expended in other funds being assumed by the Local Streets Fund.

The City has an accumulated deficit in the Brownfield Redevelopment Authority Component Unit. The deficit will be eliminated through the receipt of future tax captures.

Other Supplemental Information

City of Wyandotte, Michigan

Nonmajor Special Revenue Funds

	Equipment and Replacement	Drug Law Enforcement	Development Action Grant	Public Grants	Urban Improvement
Assets					
Cash and investments	\$ 346,729	\$ 117,873	\$ 280,118	\$ 63,970	\$ 138,577
Receivables:					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest and other	3,734	-	-	-	1,668
Note receivable	-	-	192,624	-	-
Due from other governmental units	-	-	60,000	152,800	-
Accounts receivable from component units	-	-	-	-	41
Long-term interfund receivable	-	-	1,031,773	-	-
Due from other funds	-	-	-	19,511	-
Real estate inventory	-	-	113,730	-	44,237
Total assets	<u>\$ 350,463</u>	<u>\$ 117,873</u>	<u>\$ 1,678,245</u>	<u>\$ 236,281</u>	<u>\$ 184,523</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 52,564	\$ 805	\$ 127	\$ 1,041	\$ -
Due to other funds	48,455	1,570	-	34,424	-
Accounts payable to component units	-	-	-	-	-
Deferred revenue	-	-	192,624	81,801	-
Total liabilities	101,019	2,375	192,751	117,266	-
Fund Balances					
Reserved:					
Noncurrent interfund receivable	-	-	1,031,773	-	-
Construction, debt service, and other	150,941	115,498	-	119,015	-
Unreserved	98,503	-	453,721	-	184,523
Total fund balances	<u>249,444</u>	<u>115,498</u>	<u>1,485,494</u>	<u>119,015</u>	<u>184,523</u>
Total liabilities and fund balances	<u>\$ 350,463</u>	<u>\$ 117,873</u>	<u>\$ 1,678,245</u>	<u>\$ 236,281</u>	<u>\$ 184,523</u>

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2005

										Nonmajor	
										Nonmajor Debt	Capital Projects
										Service Fund	Fund
Nonmajor Special Revenue Funds										Total Nonmajor	
Southgate-Wyandotte Drain O&M	Sidewalk and Alley Paving	Special Events	Building Improvement	EPA Cooperative Agreement Fund	DPS Building Bonds	Construction				Governmental Funds	
\$ 1,902,070	\$ 961,596	\$ 294,423	\$ 176,865	\$ -	\$ 31,328	\$ 301,552	\$ 4,615,101				
170,970	25,190	-	-	-	-	-	-			196,160	
-	1,047,521	-	-	-	-	-	-			1,047,521	
23,482	9,327	946	7,953	-	-	-	-			47,110	
-	-	-	-	-	-	-	-			192,624	
-	-	-	-	570,761	-	-	-			783,561	
-	-	-	-	429,239	-	-	-			429,280	
-	-	-	-	-	-	-	-			1,031,773	
851,334	25,547	-	342,380	-	732,493	21,735	1,993,000				
-	-	-	-	-	-	-	-			157,967	
\$ 2,947,856	\$ 2,069,181	\$ 295,369	\$ 527,198	\$ 1,000,000	\$ 763,821	\$ 323,287	\$ 10,494,097				
\$ 235,730	\$ 12,807	\$ 33,552	\$ 48,526	\$ -	\$ 39,501	\$ 424,653					
-	-	14,632	-	-	-	-				99,081	
211,375	-	-	-	-	-	-				211,375	
724,025	1,081,781	-	7,953	372,550	-	-	-			2,460,734	
1,171,130	1,094,588	48,184	56,479	372,550	-	39,501	3,195,843				
-	-	-	-	-	-	-	-			1,031,773	
1,776,726	-	-	-	627,450	763,821	283,786	3,837,237				
-	974,593	247,185	470,719	-	-	-	-			2,429,244	
1,776,726	974,593	247,185	470,719	627,450	763,821	283,786	7,298,254				
\$ 2,947,856	\$ 2,069,181	\$ 295,369	\$ 527,198	\$ 1,000,000	\$ 763,821	\$ 323,287	\$ 10,494,097				

City of Wyandotte, Michigan

Nonmajor Special Revenue Funds

	Urban				
	Equipment and Replacement	Drug Law Enforcement	Development Action Grant	Public Grants	Public Improvement
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	54,458	-	326,894	17,991
State grants and distributions	-	-	-	10,302	-
Interest	50,131	1,972	77,920	-	1,689
Other	-	24,902	27,007	-	21,541
Total revenue	50,131	81,332	104,927	337,196	41,221
Expenditures					
General government	-	-	15,000	21,400	-
Public safety	-	59,007	-	-	-
Public works	-	-	44,633	273,007	37,226
Capital outlay and other	298,502	-	237,274	-	-
Debt service and bond issuance costs	-	-	-	-	-
Total expenditures	298,502	59,007	296,907	294,407	37,226
Excess of Revenue Over (Under) Expenditures	(248,371)	22,325	(191,980)	42,789	3,995
Other Financing Sources - Operating transfers in	-	-	-	-	-
Net Change in Fund Balance	(248,371)	22,325	(191,980)	42,789	3,995
Fund Balances - Beginning of year	497,815	93,173	1,677,474	76,226	180,528
Fund Balances - End of year	<u>\$ 249,444</u>	<u>\$ 115,498</u>	<u>\$ 1,485,494</u>	<u>\$ 119,015</u>	<u>\$ 184,523</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended September 30, 2005

								Nonmajor	
								Nonmajor Debt	Capital Projects
								Service Fund	Fund
Nonmajor Special Revenue Funds									
						EPA			
Southgate-		Sidewalk and		Building		Cooperative			Total Nonmajor
Wyandotte		Alley Paving	Special Events	Authority	Improvement	Agreement	DPS Building		Governmental
Drain O&M						Fund	Bonds	Construction	Funds
\$ 548,460	\$ 235,784	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 784,244
-	-	-	-	-	627,450	-	-	-	1,026,793
-	-	-	-	-	-	-	-	-	10,302
51,950	39,118	7,965	7,640	-	-	850	7,022	246,257	
-	291,719	271,248	83,968	-	-	-	-	720,385	
600,410	566,621	279,213	91,608	627,450		850	7,022	2,787,981	
25,000	100,000	181,769	-	-	-	-	-	343,169	
-	-	-	-	-	-	-	-	59,007	
-	27,331	-	-	-	-	-	-	382,197	
1,178,548	-	221,003	509,771	-	-	-	-	2,445,098	
-	-	-	-	-	-	471,575	-	471,575	
1,203,548	127,331	402,772	509,771	-	-	471,575	-	3,701,046	
(603,138)	439,290	(123,559)	(418,163)	627,450		(470,725)	7,022	(913,065)	
-	-	-	-	-	-	1,082,493	-	1,082,493	
(603,138)	439,290	(123,559)	(418,163)	627,450		611,768	7,022	169,428	
2,379,864	535,303	370,744	888,882	-	-	152,053	276,764	7,128,826	
\$ 1,776,726	\$ 974,593	\$ 247,185	\$ 470,719	\$ 627,450	\$ 763,821	\$ 283,786	\$ 7,298,254		