

# **City of Wyandotte, Michigan**

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**Financial Report**  
**September 30, 2004**

# 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, 2004, 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, 2004 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 7, 2005 on our consideration of the City of Wyandotte, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

January 7, 2005

# 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, 2004. 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, 2004:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$388,000 this year as compared to the reduction of \$250,000 in the prior year. This represents a decrease of 10.2 percent in addition to the 6.1 percent decrease that occurred in the prior year. The City has faced a cumulative decrease of 22.76 percent since 2000.
- Due to the low-interest rate environment and reduction in surplus funds, General Fund investment earnings decreased 9.3 percent in the current year as opposed to the 80 percent decrease that occurred in the prior year. This reduction represented an \$11,000 decrease in revenue in the current year compared to last year. The prior year saw a reduction in revenue of \$95,000 compared to the fiscal year ended September 30, 2002.
- The City reacted to the above reductions in revenue by reducing discretionary spending amounts where possible or holding these amounts to the same level as the prior year, eliminating personnel positions when vacancies occurred, and reducing certain elements of health care coverage. These actions resulted in a General Fund fund balance decrease of \$283,706 in the current year as compared to a decrease of \$44,629 in the prior year.
- Property tax revenue is the City's single, largest source of revenue. The City's 2003 taxable value (levied for the 2004 fiscal year) was \$591,388,000 (ad valorem), which represents an increase of \$18,254,000 or 3.2 percent in the current year. Increases in ad valorem taxable values in non-TIFA districts totaled 1.6 percent in the current year.
- The City continued the sharing agreement with the Consolidated Tax Increment Finance Authority. This sharing agreement returned approximately \$1,200,000 to the General Fund in the current year compared to \$1,161,000 in the prior year. Portions of these funds were used to defray annual operating costs with the remainder being contributed to the City of Wyandotte Retirement System.
- The City's Reserve for Retiree Health & Life Insurance was faced with a deficit position at the beginning of the fiscal year. Consequently, a transfer of \$1,600,000 was made from the Hospital Endowment Reserve of the Retirement System in order to pay the current year's expenditures for retiree health care coverage. Sources of funding for future expenditures have not been identified. Thus, it will be likely that the General Fund will be required to assume the funding of these obligations in the future.

# City of Wyandotte, Michigan

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## Management's Discussion and Analysis (Continued)

- 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.
- In reaction to the difficult financial environment facing the City, a review of the operational environment within the City was undertaken. The purpose of the review was to identify areas of operations that could be improved to provide better customer service at a reduced cost. Numerous recommendations were identified that would yield positive financial results to the City. The City is currently reviewing these issues and prioritizing 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, 2004 and 2003 (in thousands of dollars):

TABLE I

	Governmental		Business-type Activities		Total	
	Activities					
	2004	2003	2004	2003	2004	2003
<b>Assets</b>						
Current assets	\$ 43,654	\$ 42,061	\$ 13,282	\$ 14,029	\$ 56,936	\$ 56,090
Noncurrent assets	<u>71,074</u>	<u>73,126</u>	<u>92,439</u>	<u>94,569</u>	<u>163,513</u>	<u>167,695</u>
Total assets	114,728	115,187	105,721	108,598	220,449	223,785
<b>Liabilities</b>						
Current liabilities	27,777	26,071	7,684	8,664	35,461	34,735
Long-term liabilities	<u>5,375</u>	<u>5,736</u>	<u>52,065</u>	<u>54,515</u>	<u>57,440</u>	<u>60,251</u>
Total liabilities	<u>33,152</u>	<u>31,807</u>	<u>59,749</u>	<u>63,179</u>	<u>92,901</u>	<u>94,986</u>
<b>Net Assets</b>						
Invested in capital assets - Net of related debt	63,973	65,256	25,983	25,773	89,956	91,029
Restricted	4,128	5,271	11,914	9,458	16,042	14,729
Unrestricted	<u>13,475</u>	<u>12,853</u>	<u>8,075</u>	<u>10,188</u>	<u>21,550</u>	<u>23,041</u>
Total net assets	<u>\$ 81,576</u>	<u>\$ 83,380</u>	<u>\$ 45,972</u>	<u>\$ 45,419</u>	<u>\$ 127,548</u>	<u>\$ 128,799</u>

The City of Wyandotte, Michigan has combined net assets of \$128 million in the current year compared to \$129 million in the prior year. Business-type activities comprise \$46 million and \$45 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, 2004 and 2003 (in thousands of dollars):

TABLE 2

	Governmental		Business-type		Total	
	Activities		Activities			
	2004	2003	2004	2003	2004	2003
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 5,169	\$ 5,179	\$ 34,381	\$ 34,082	\$ 39,550	\$ 39,261
Operating grants and contributions	2,051	1,801	-	-	2,051	1,801
Capital grants and contributions	750	821	447	304	1,197	1,125
General revenue:						
Property taxes	10,508	9,968	-	-	10,508	9,968
State-shared revenue	3,440	3,828	-	-	3,440	3,828
Unrestricted investment earnings	370	574	649	1,168	1,019	1,742
Gain (loss) on sale of assets	(11)	(40)	55	(19)	44	(59)
Transfers and other revenue	1,288	974	713	700	2,001	1,674
Total revenue	23,565	23,105	36,245	36,235	59,810	59,340
<b>Program Expenses</b>						
General government	8,003	7,515	-	-	8,003	7,515
Public safety	8,639	8,181	-	-	8,639	8,181
Public works	6,262	6,174	-	-	6,262	6,174
Community and economic development	477	475	-	-	477	475
Recreation and culture	1,808	1,669	-	-	1,808	1,669
Interest on long-term debt	180	196	-	-	180	196
Business-type	-	-	35,691	34,760	35,691	34,760
Total program expenses	25,369	24,210	35,691	34,760	61,060	58,970
<b>Change in Net Assets</b>	<b><u>\$ (1,804)</u></b>	<b><u>\$ (1,105)</u></b>	<b><u>\$ 554</u></b>	<b><u>\$ 1,475</u></b>	<b><u>\$ (1,250)</u></b>	<b><u>\$ 370</u></b>

### Governmental Activities

The City's total governmental revenues increased by approximately \$460,000, or 2.0 percent, in the current year compared to an increase of \$1,184,000, or 8.1 percent, in the prior year. The current year increase can be attributed to the growth in property tax revenue and additional amounts received through the sharing agreements offset by decreases in state-shared revenue, licenses and permits, charges for services, and interest income. The significant increase in the prior year also was primarily due to additional property tax revenue collected and additional amounts received through the sharing agreement with the Tax Increment Finance Authority. Note that the prior year increases in revenue were largely offset by corresponding increases in operating transfers to other funds for nonoperating purposes, which continued during the current year.

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

Expenses increased by approximately \$1,159,000, or 4.79 percent, in the current year compared to an increase of \$1,208,000 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 27<sup>th</sup> District Court. To offset this, the City 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 operating results of the Sewage Disposal Fund indicate operating income of \$623,673 in the current year and \$767,000 in the prior year, which is consistent with the City's expectations and rate-setting methodology.

The Electric Fund's operating revenue declined slightly for the year by 1.31 percent as the residential customer class billings were approximately \$200,000 less than the prior year. Operating expenses increased by 3.0 percent as a result of higher power production costs. Consequently, operating income decreased by approximately \$938,000 or 54 percent.

The Water Fund's operating revenue increased approximately 30.5 percent in the current year, as a result of the Commission reclassifying an infrastructure charge (previously reported as a nonoperating revenue) to a component of the base water utility rates. Unfortunately, the Water Fund again realized an operating loss during this fiscal year of \$119,523 as opposed to last year's operating loss of \$517,000.

The Cable Television Fund's operating revenue increased by 5.3 percent, due mainly to an increase in Internet revenue of \$257,000, or 22 percent. The Cable Television Fund's operating income decreased by approximately \$35,000, or 22 percent, as a result of increases in operating expenses (particularly royalties paid for satellite programming services).

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

The Municipal Golf Course showed an operating loss of approximately \$71,000 in the current year as compared to \$282,000 in the prior year. The improvement in financial performance can be attributed to the reduction in expenditures for personnel and course maintenance from the prior year as well as increased number of green fees. 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 \$190,000, which is positive in light of the City's desire to acquire the building at no cost to the taxpayers.

### 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 2004 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 \$7.3 million, or 51 percent, of the total General Fund expenditures in the current year as compared to \$7.11 million, or 51 percent, of the total General Fund expenditures in the prior fiscal year. Additional noteworthy expenditures include public works (\$2.71 million, or 19 percent, in the current fiscal year as compared to \$2.52 million, or 18 percent, of total expenditures in the prior fiscal year) and recreation and culture (\$1.10 million, or 7.7 percent, of total expenditures in the current fiscal year compared to \$1.14 million, or 8 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 \$970,000 in the current fiscal year compared to \$1.1 million in the prior fiscal year for the Major Streets Fund and \$2.3 million in the current fiscal year and \$1.2 million in the prior fiscal year for the Local Streets Fund. The increase in the expenditures for the Local Streets Fund in the current year was primarily due to a significant joint sealing program and the completion of numerous reconstruction projects, which were deferred from the prior year.

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 \$1.31 million in the current fiscal year and \$1.29 million in the prior fiscal year. User fees, totaling \$294,000 in the current year and \$277,000 in the prior year, also support certain elements of the disposal programs. Expenditures for rubbish collection and disposal totaled \$1.6 million in the current year and \$1.3 million in the prior fiscal year.

# City of Wyandotte, Michigan

## Management's Discussion and Analysis (Continued)

### General Fund Budgetary Highlights

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

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

Even with these adjustments, actual expenditures were \$569,000 less than budgeted. This is primarily attributable to the management of personnel costs when vacancies arose and the hiring freeze, which was implemented during the fiscal year.

The most significant changes were reductions in revenue expectations for state-shared revenue of \$304,000 and investment earnings of \$100,000, additional appropriations for overtime for the police and fire department of \$76,000 and health care costs of \$98,000, and the contract settlement with Public Works employees of \$36,000.

### Capital Asset and Debt Administration

The City is currently in the planning stages to construct a new police and district court facility adjacent to the current facility. This project is estimated to cost \$10.3 million and be funded through the sale of general obligation bonds. It is anticipated that the debt service will be repaid through the use of the charter-authorized debt levy and contributions from the Tax Increment Finance Authority. The charter-authorized debt levy was levied this year to fund the future sale of bonds for this project.

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

The City's budget for next year will continue to face a number of negative factors including reductions in state-shared revenue, lower investment earnings, 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, 2004

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 33,994,742	\$ 5,721,854	\$ 39,716,596	\$ 7,323,318
Receivables - Net:				
Taxes	5,295,305	-	5,295,305	2,467
Special assessments	978,514	-	978,514	-
Customer	-	4,211,858	4,211,858	-
Accrued interest and other	821,263	-	821,263	147,372
Note receivable	218,131	-	218,131	-
Due from other governmental unit	1,472,918	-	1,472,918	-
Accounts receivable from component unit (Note 10)	279,948	-	279,948	-
Accounts receivable from primary government (Note 10)	-	-	-	2,787,705
Internal balances	435,996	(435,996)	-	-
Fuel, materials, supplies, and other inventories	-	2,280,439	2,280,439	-
Prepaid insurance and other current assets	157,093	1,503,359	1,660,452	-
Noncurrent assets:				
Internal balances - Advances (Note 10)	1,231,548	(1,231,548)	-	-
Restricted assets (Note 5)	-	13,078,445	13,078,445	-
Bond issuance costs	-	791,786	791,786	-
Real estate inventory (Note 7)	194,467	-	194,467	1,155,724
Investment in joint venture (Note 8)	1,470,000	-	1,470,000	-
Nondepreciable capital assets (Note 9)	18,277,347	145,000	18,422,347	-
Capital assets - Net (Note 9)	49,900,611	79,655,448	129,556,059	-
Total assets	114,727,883	105,720,645	220,448,528	11,416,586
<b>Liabilities</b>				
Accounts payable	1,958,156	1,914,955	3,873,111	441,340
Due to other governmental units	9,247,975	-	9,247,975	-
Accounts payable to component units (Note 10)	2,787,705	-	2,787,705	-
Accounts payable to primary government (Note 10)	-	-	-	279,948
Accrued and other liabilities	512,291	803,286	1,315,577	176,988
Deposits	1,245,477	706,763	1,952,240	-
Deferred revenue (Note 4)	10,715,341	172,664	10,888,005	4,167,523
Compensated absences due within one year	756,301	606,657	1,362,958	-
Debt due within one year (Note 11)	553,634	3,479,148	4,032,782	1,135,244
Noncurrent liabilities:				
Liabilities to be paid from restricted assets	-	3,585,006	3,585,006	-
Long-term general liability and workers' compensation claims (Note 12)	904,692	562,296	1,466,988	-
Compensated absences due in more than one year (Note 11)	819,326	-	819,326	-
Debt due in more than one year (Note 11)	3,650,941	47,918,012	51,568,953	4,503,756
Total liabilities	33,151,839	59,748,787	92,900,626	10,704,799
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	63,973,383	25,983,288	89,956,671	-
Restricted:				
Construction and other expenditures	2,826,027	3,836,468	6,662,495	-
Major and local streets projects	1,149,237	-	1,149,237	-
Debt service	152,053	8,076,971	8,229,024	-
Unrestricted	13,475,344	8,075,131	21,550,475	711,787
Total net assets	<u>\$ 81,576,044</u>	<u>\$ 45,971,858</u>	<u>\$ 127,547,902</u>	<u>\$ 711,787</u>

# City of Wyandotte, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Functions/Programs</b>				
Primary government:				
Governmental activities:				
General government	\$ 8,002,699	\$ 1,044,809	\$ 16,500	\$ -
Public safety	8,638,807	1,875,032	172,915	130,232
Public works	6,262,470	1,451,433	1,806,730	228,446
Community and economic development	476,691	57,845	54,932	155,267
Recreation and culture	1,807,912	740,223	-	235,580
Interest on long-term debt	180,524	-	-	-
Total governmental activities	25,369,103	5,169,342	2,051,077	749,525
Business-type activities:				
Electric	24,386,757	22,778,734	-	-
Water	2,483,823	2,364,244	-	446,746
Cable television	5,482,980	5,487,979	-	-
Sewage disposal	2,296,758	2,717,504	-	-
Golf course	380,174	309,542	-	-
Building rental fund	660,300	723,025	-	-
Total business-type activities	35,690,792	34,381,028	-	446,746
Total primary government	<u>\$ 61,059,895</u>	<u>\$ 39,550,370</u>	<u>\$ 2,051,077</u>	<u>\$ 1,196,271</u>
Component units:				
Tax Increment Finance Authorities - Consolidated Development Area	\$ 4,578,607	\$ -	\$ -	\$ -
Tax Increment Finance Authorities - Downtown Development Area	884,235	20,974	-	-
Downtown Development Authority	26,975	-	-	-
Total component units	<u>\$ 5,489,817</u>	<u>\$ 20,974</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Gain (loss) on sale of assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
<b>Change in Net Assets</b>				
<b>Net Assets (Deficit) - Beginning of year</b>				
<b>Net Assets - End of year</b>				

## Statement of Activities Year Ended September 30, 2004

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (6,941,390)	\$ -	\$ (6,941,390)	\$ -
(6,460,628)	-	(6,460,628)	-
(2,775,861)	-	(2,775,861)	-
(208,647)	-	(208,647)	-
(832,109)	-	(832,109)	-
(180,524)	-	(180,524)	-
(17,399,159)	-	(17,399,159)	-
-	(1,608,023)	(1,608,023)	-
-	327,167	327,167	-
-	4,999	4,999	-
-	420,746	420,746	-
-	(70,632)	(70,632)	-
-	62,725	62,725	-
-	(863,018)	(863,018)	-
(17,399,159)	(863,018)	(18,262,177)	-
-	-	-	(4,578,607)
-	-	-	(863,261)
-	-	-	(26,975)
-	-	-	(5,468,843)
10,508,259	-	10,508,259	6,550,134
3,440,295	-	3,440,295	-
369,967	649,473	1,019,440	55,501
(11,432)	54,563	43,131	1,137,988
2,000,583	-	2,000,583	488,238
(712,824)	712,824	-	-
15,594,848	1,416,860	17,011,708	8,231,861
(1,804,311)	553,842	(1,250,469)	2,763,018
83,380,355	45,418,016	128,798,371	(2,051,231)
<b>\$ 81,576,044</b>	<b>\$ 45,971,858</b>	<b>\$ 127,547,902</b>	<b>\$ 711,787</b>

# City of Wyandotte, Michigan

## Governmental Funds Balance Sheet September 30, 2004

	General Fund	Major Streets Fund	Local Streets Fund	Solid Waste Disposal	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and investments	\$ 23,571,629	\$ 793,424	\$ 413,846	\$ 664,687	\$ 5,871,471	\$ 31,315,057
Receivables:						
Taxes	4,726,272	-	-	349,082	219,951	5,295,305
Special assessments	-	-	-	-	978,514	978,514
Accrued interest and other	515,630	-	-	21,339	105,616	642,585
Note receivable	-	-	-	-	218,131	218,131
Due from other governmental units	1,073,307	202,009	74,852	-	122,750	1,472,918
Accounts receivable from component unit	-	-	-	-	26,100	26,100
Long-term interfund receivable (Note 10)	-	-	-	-	1,231,548	1,231,548
Due from other funds (Note 10)	525,051	26,585	166,545	1,053,584	943,221	2,714,986
Real estate inventory (Note 7)	-	-	-	-	194,467	194,467
Prepaid insurance and other current assets	157,093	-	-	-	-	157,093
<b>Total assets</b>	<b>\$ 30,568,982</b>	<b>\$ 1,022,018</b>	<b>\$ 655,243</b>	<b>\$ 2,088,692</b>	<b>\$ 9,911,769</b>	<b>\$ 44,246,704</b>
<b>Liabilities and Fund Balances</b>						
<b>Liabilities</b>						
Accounts payable	\$ 976,208	\$ 170,417	\$ 179,567	\$ 292,424	\$ 281,257	\$ 1,899,873
Due to other governmental units	9,247,975	-	-	-	-	9,247,975
Due to other funds (Note 10)	5,539,893	1,837	176,203	717	409,519	6,128,169
Accounts payable to component units	2,587,705	-	-	-	200,000	2,787,705
Accrued and other liabilities	440,916	-	-	-	-	440,916
Deposits	1,245,477	-	-	-	-	1,245,477
Deferred revenue (Note 4)	9,304,545	-	-	1,390,597	1,892,167	12,587,309
<b>Total liabilities</b>	<b>29,342,719</b>	<b>172,254</b>	<b>355,770</b>	<b>1,683,738</b>	<b>2,782,943</b>	<b>34,337,424</b>
<b>Fund Balances</b>						
Reserved for:						
Long-term assets	-	-	-	-	1,231,548	1,231,548
Construction and other expenditures	-	-	-	-	2,978,080	2,978,080
Unreserved:						
General Fund	1,226,263	-	-	-	-	1,226,263
Special Revenue Funds (Note 13)	-	849,764	299,473	404,954	2,919,198	4,473,389
<b>Total fund balances</b>	<b>1,226,263</b>	<b>849,764</b>	<b>299,473</b>	<b>404,954</b>	<b>7,128,826</b>	<b>9,909,280</b>
<b>Total liabilities and fund balances</b>	<b>\$ 30,568,982</b>	<b>\$ 1,022,018</b>	<b>\$ 655,243</b>	<b>\$ 2,088,692</b>	<b>\$ 9,911,769</b>	<b>\$ 44,246,704</b>



# City of Wyandotte, Michigan

## **Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended September 30, 2004**

<b>Total Fund Balances for Governmental Funds</b>	\$ 9,909,280
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	68,177,958
The investment in joint venture is not recorded in the funds	1,470,000
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	1,871,968
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(4,204,575)
Compensated absences are included as a liability in governmental activities	(1,575,627)
Accrued interest is not recorded in the funds	(71,375)
Internal Service Funds are included as part of governmental activities	<u>5,998,415</u>
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 81,576,044</u></b>

# City of Wyandotte, Michigan

	General Fund	Major Streets Fund	Local Streets Fund	Solid Waste Disposal
<b>Revenue</b>				
Property taxes	\$ 8,280,745	\$ -	\$ -	\$ 1,309,749
Licenses and permits	638,830	-	-	-
Federal sources	57,783	-	32,401	-
State sources	3,446,055	1,240,417	459,192	-
Charges for services	2,288,787	-	-	293,787
Fines and forfeitures	1,214,197	-	-	-
Interest	106,745	196,087	5,819	5,827
Other	-	72,221	738,819	-
Total revenue	16,033,142	1,508,725	1,236,231	1,609,363
<b>Expenditures</b>				
General government	3,138,113	-	-	103,000
Public safety	7,317,515	-	-	-
Public works	2,712,525	970,867	2,291,670	1,477,968
Community and economic development	21,705	-	-	-
Recreation and culture	1,101,775	-	-	-
Capital outlay	-	-	-	-
Debt service and bond issuance cost	-	-	-	-
Total expenditures	14,291,633	970,867	2,291,670	1,580,968
<b>Excess of Revenue Over (Under) Expenditures</b>	1,741,509	537,858	(1,055,439)	28,395
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	310,104	-
Transfers out	(2,025,215)	(310,104)	-	-
Total other financing sources (uses)	(2,025,215)	(310,104)	310,104	-
<b>Net Change in Fund Balance</b>	(283,706)	227,754	(745,335)	28,395
<b>Fund Balances - Beginning of year</b>	1,509,969	622,010	1,044,808	376,559
<b>Fund Balances - End of year</b>	<u>\$ 1,226,263</u>	<u>\$ 849,764</u>	<u>\$ 299,473</u>	<u>\$ 404,954</u>

**Governmental Funds  
Statement of Revenue, Expenditures, and  
Changes in Fund Balances  
Year Ended September 30, 2003**

Nonmajor Governmental Funds	Total Governmental Funds
\$ 812,405	\$ 10,402,899
-	638,830
808,113	898,297
4,328	5,149,992
-	2,582,574
-	1,214,197
197,011	511,489
<u>843,243</u>	<u>1,654,283</u>
2,665,100	23,052,561
178,197	3,419,310
43,827	7,361,342
516,984	7,970,014
-	21,705
-	1,101,775
2,750,173	2,750,173
<u>462,388</u>	<u>462,388</u>
<u>3,951,569</u>	<u>23,086,707</u>
(1,286,469)	(34,146)
934,410	1,244,514
-	<u>(2,335,319)</u>
<u>934,410</u>	<u>(1,090,805)</u>
(352,059)	(1,124,951)
<u>7,480,885</u>	<u>11,034,231</u>
<b><u>\$ 7,128,826</u></b>	<b><u>\$ 9,909,280</u></b>

# 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, 2004

**Net Change in Fund Balances - Total Governmental Funds** \$ (1,124,951)

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	3,168,372
Capital asset disposals	(11,432)
Depreciation of capital assets	(4,961,524)

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 303,580

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) 104,183

Bond principal repayments are reported as financing sources and expenditures (respectively) in governmental funds, but not in the statement of activities 522,305

Interest payable is accrued and expensed on the statement of activities but not in the governmental funds 6,589

Change in accumulated employee sick and vacation pay is expensed when incurred in the statement of activities 14,689

Internal Service Funds are included as governmental activities 173,878

**Change in Net Assets of Governmental Activities** **\$ (1,804,311)**

# City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
<b>Assets</b>				
Current assets:				
Cash and cash equivalents	\$ 1,283,803	\$ 73,983	\$ 766,718	\$ 3,536,809
Receivables - Customers:				
Billed	1,598,957	161,148	290,732	385,050
Unbilled	1,683,671	92,300	-	-
Other	-	-	-	-
Accounts receivable from component unit	-	-	-	-
Due from other funds	-	-	-	541,085
Fuel, materials, supplies, and other inventories	2,121,224	101,860	57,355	-
Prepaid costs and other current assets	60,867	193	23,837	1,091,804
<b>Total current assets</b>	<b>6,748,522</b>	<b>429,484</b>	<b>1,138,642</b>	<b>5,554,748</b>
Noncurrent assets:				
Restricted assets	11,813,353	146,185	1,118,907	-
Bond issuance costs	791,786	-	-	-
Capital assets	49,510,863	8,285,073	3,814,121	11,632,674
<b>Total noncurrent assets</b>	<b>62,116,002</b>	<b>8,431,258</b>	<b>4,933,028</b>	<b>11,632,674</b>
<b>Total assets</b>	<b>68,864,524</b>	<b>8,860,742</b>	<b>6,071,670</b>	<b>17,187,422</b>
<b>Liabilities</b>				
Current liabilities:				
Current portion of long-term debt	2,565,000	-	375,000	442,165
Accounts payable	1,319,794	50,132	255,840	274,382
Accrued and other liabilities	812,358	161,671	387,206	-
Compensated absences due within one year	408,834	116,734	81,089	-
Due to other funds	-	504,973	-	-
Deferred revenue	-	-	172,664	-
Deposits payable	488,363	-	218,400	-
<b>Total current liabilities</b>	<b>5,594,349</b>	<b>833,510</b>	<b>1,490,199</b>	<b>716,547</b>
Noncurrent liabilities:				
Liabilities to be paid from restricted assets	3,585,006	-	-	-
Long-term general liability and workers' compensation claims	-	-	-	-
Long-term advances from other funds	-	-	-	-
Long-term debt - Net of current portion and amount payable from restricted asset	37,668,722	-	2,291,531	7,407,782
<b>Total noncurrent liabilities</b>	<b>41,253,728</b>	<b>-</b>	<b>2,291,531</b>	<b>7,407,782</b>
<b>Total liabilities</b>	<b>46,848,077</b>	<b>833,510</b>	<b>3,781,730</b>	<b>8,124,329</b>
<b>Net Assets</b>				
Investment in capital assets - Net of related debt	6,857,141	8,285,073	1,147,590	3,782,727
Restricted	10,648,347	146,185	1,118,907	-
Unrestricted	4,510,959	(404,026)	23,443	5,280,366
<b>Total net assets</b>	<b>\$ 22,016,447</b>	<b>\$ 8,027,232</b>	<b>\$ 2,289,940</b>	<b>\$ 9,063,093</b>

**Proprietary Funds  
Statement of Net Assets  
September 30, 2003**

Golf Course	Building Rental Fund	Total Enterprise Funds	Internal Service Fund
\$ 45,538	\$ 15,003	\$ 5,721,854	\$ 2,679,685
-	-	2,435,887	-
-	-	1,775,971	-
-	-	-	178,678
-	-	-	253,848
700	-	541,785	3,849,179
-	-	2,280,439	-
-	326,658	1,503,359	-
46,238	341,661	14,259,295	6,961,390
-	-	13,078,445	-
-	-	791,786	-
3,607,900	2,949,817	79,800,448	-
3,607,900	2,949,817	93,670,679	-
3,654,138	3,291,478	107,929,974	6,961,390
-	96,983	3,479,148	-
14,171	636	1,914,955	58,283
4,347	-	1,365,582	-
-	-	606,657	-
985	471,823	977,781	-
-	-	172,664	-
-	-	706,763	-
19,503	569,442	9,223,550	58,283
-	-	3,585,006	-
-	-	-	904,692
-	1,231,548	1,231,548	-
-	549,977	47,918,012	-
-	1,781,525	52,734,566	904,692
19,503	2,350,967	61,958,116	962,975
3,607,900	2,302,857	25,983,288	-
-	-	11,913,439	-
26,735	(1,362,346)	8,075,131	5,998,415
<b>\$ 3,634,635</b>	<b>\$ 940,511</b>	<b>\$ 45,971,858</b>	<b>\$ 5,998,415</b>

# City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal	Golf Course
<b>Operating Revenue</b> - Utility and user fees	\$ 22,778,734	\$ 2,364,300	\$ 5,487,979	\$ 2,717,504	\$ 309,542
<b>Operating Expenses</b>					
Production, pumping, and purification	12,454,856	609,312	-	1,486,657	-
Distribution	963,144	509,870	579,434	-	-
Cable television royalties	-	-	2,718,831	-	-
Customer service	169,417	51,392	76,912	-	-
Office and administration	403,983	212,677	397,145	-	-
General, maintenance, and miscellaneous	3,045,262	620,751	1,045,040	340,257	246,510
Transportation	44,027	20,666	7,013	-	-
Depreciation	4,891,967	459,155	541,569	266,917	133,664
Reinsurance charges and claims (and recoveries)	-	-	-	-	-
Total operating expenses	<u>21,972,656</u>	<u>2,483,823</u>	<u>5,365,944</u>	<u>2,093,831</u>	<u>380,174</u>
<b>Operating Income (Loss)</b>	806,078	(119,523)	122,035	623,673	(70,632)
<b>Nonoperating Revenue (Expenses)</b>					
Gain on sale of assets	12,002	876	41,685	-	-
Infrastructure revenue	-	(56)	-	-	-
Interest, infrastructure, and other income	317,888	99,882	67,124	39,137	-
Interest expense	(2,352,001)	-	(117,036)	(202,927)	-
Amortization of bond issuance costs	(62,100)	-	-	-	-
Total nonoperating revenue (expenses)	<u>(2,084,211)</u>	<u>100,702</u>	<u>(8,227)</u>	<u>(163,790)</u>	<u>-</u>
<b>Income (Loss) - Before transfers and contributions</b>	(1,278,133)	(18,821)	113,808	459,883	(70,632)
<b>Transfers In</b>	-	-	-	712,824	-
<b>Contribution of Fixed Assets</b>	-	<u>446,746</u>	-	-	-
<b>Net Change in Net Assets</b>	(1,278,133)	427,925	113,808	1,172,707	(70,632)
<b>Net Assets - Beginning of year</b>	<u>23,294,580</u>	<u>7,599,307</u>	<u>2,176,132</u>	<u>7,890,386</u>	<u>3,705,267</u>
<b>Net Assets - End of year</b>	<u>\$ 22,016,447</u>	<u>\$ 8,027,232</u>	<u>\$ 2,289,940</u>	<u>\$ 9,063,093</u>	<u>\$ 3,634,635</u>

**Proprietary Funds**

**Statement of Revenue, Expenses, and Changes in Net Assets**  
**Year Ended September 30, 2004**

Building Rental Fund	Total Enterprise Funds	Internal Service Fund
\$ 723,025	\$ 34,381,084	\$ -
-	14,550,825	-
-	2,052,448	-
-	2,718,831	-
-	297,721	-
-	1,013,805	-
429,292	5,727,112	-
-	71,706	-
103,845	6,397,117	-
-	-	305,680
<u>533,137</u>	<u>32,829,565</u>	<u>305,680</u>
189,888	1,551,519	(305,680)
-	54,563	-
-	(56)	-
125,442	649,473	101,577
(127,163)	(2,799,127)	-
-	(62,100)	-
<u>(1,721)</u>	<u>(2,157,247)</u>	<u>101,577</u>
188,167	(605,728)	(204,103)
-	712,824	377,981
-	446,746	-
188,167	553,842	173,878
<u>752,344</u>	<u>45,418,016</u>	<u>5,824,537</u>
<u><b>\$ 940,511</b></u>	<u><b>\$ 45,971,858</b></u>	<u><b>\$ 5,998,415</b></u>



# City of Wyandotte, Michigan

	Electric	Water	Cable Television
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 22,590,894	\$ 2,381,124	\$ 5,512,228
Payments to suppliers	(12,956,466)	(718,026)	(3,578,367)
Payments to employees	(4,534,344)	(1,231,795)	(1,241,643)
Internal activity - Payments to other funds	-	-	-
Claims paid	-	-	-
Other receipts (payments)	-	-	-
Net cash provided by (used in) operating activities	5,100,084	431,303	692,218
<b>Cash Flows from Noncapital Financing Activities</b> - Operating transfer	-	-	-
<b>Cash Flows from Capital and Related Financing Activities</b>			
Infrastructure revenue	-	(56)	-
Purchase of capital assets	(2,602,961)	(456,354)	(198,013)
Principal and interest paid on capital debt	(4,305,677)	-	(492,036)
Net cash used in capital and related financing activities	(6,908,638)	(456,410)	(690,049)
<b>Cash Flows from Investing Activities</b> - Interest received on investments	317,888	99,882	67,124
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,490,666)	74,775	69,293
<b>Cash and Cash Equivalents</b> - Beginning of year	14,587,822	145,393	1,816,332
<b>Cash and Cash Equivalents</b> - End of year	<b>\$ 13,097,156</b>	<b>\$ 220,168</b>	<b>\$ 1,885,625</b>
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>			
Cash and investments	\$ 1,283,803	\$ 73,983	\$ 766,718
Restricted investments (Note 3)	11,813,353	146,185	1,118,907
Total cash and cash equivalents	<b>\$ 13,097,156</b>	<b>\$ 220,168</b>	<b>\$ 1,885,625</b>
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>			
Operating income (loss)	\$ 806,078	\$ (119,523)	\$ 122,035
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	4,891,967	459,155	541,569
(Gain) loss on sale of property and plant	12,002	876	(37,483)
Changes in assets and liabilities:			
Receivables	(187,840)	16,824	24,249
Due from other funds	125	-	182,371
Due from other governmental units	-	-	-
Inventory	(339,862)	(13,567)	(14,921)
Other assets	496,444	35,952	141,991
Accounts payable	(597,831)	40,117	(243,716)
Due to other funds	(15,000)	(32,507)	(125)
Accrued and other liabilities	34,001	43,976	(11,416)
Deferred revenue	-	-	(12,336)
Net cash (used in) provided by operating activities	<b>\$ 5,100,084</b>	<b>\$ 431,303</b>	<b>\$ 692,218</b>

**Noncash Investing, Capital, and Financing Activities** - During the year ended September 30, 2004, the TIFA contributed water lines with a value of \$446,746 to the Water Fund.

**Proprietary Funds  
Statement of Cash Flows  
Year Ended September 30, 2004**

Sewage Disposal Fund	Golf Course	Building Rental Fund	Total	Internal Service Fund
\$ 2,717,504	\$ 309,542	\$ 730,994	\$ 34,242,286	\$ 84,491
(1,649,976)	(234,492)	(451,622)	(19,588,949)	-
-	-	-	(7,007,782)	-
523,311	(25,008)	(133,636)	364,667	(377,981)
-	-	-	-	(231,132)
19,436	(954)	(20,979)	(2,497)	257,486
1,610,275	49,088	124,757	8,007,725	(267,136)
712,824	-	-	712,824	377,981
-	-	-	(56)	-
-	(17,544)	(19,701)	(3,294,573)	-
(634,995)	-	(215,554)	(5,648,262)	-
(634,995)	(17,544)	(235,255)	(8,942,891)	-
39,137	-	125,442	649,473	101,577
1,727,241	31,544	14,944	427,131	212,422
1,809,568	13,994	59	18,373,168	2,467,263
<b>\$ 3,536,809</b>	<b>\$ 45,538</b>	<b>\$ 15,003</b>	<b>\$ 18,800,299</b>	<b>\$ 2,679,685</b>
\$ 3,536,809	\$ 45,538	\$ 15,003	\$ 5,721,854	\$ 2,679,685
-	-	-	13,078,445	-
<b>\$ 3,536,809</b>	<b>\$ 45,538</b>	<b>\$ 15,003</b>	<b>\$ 18,800,299</b>	<b>\$ 2,679,685</b>
\$ 623,673	\$ (70,632)	\$ 189,888	\$ 1,551,519	\$ (305,680)
266,917	133,664	103,845	6,397,117	-
-	-	-	(24,605)	-
-	-	7,969	(138,798)	84,491
523,311	(700)	-	705,107	(377,981)
-	-	-	-	257,486
-	-	-	(368,350)	-
19,436	14	(20,979)	672,858	-
176,938	12,018	(22,330)	(634,804)	46,970
-	(24,308)	(133,636)	(205,576)	-
-	(968)	-	65,593	27,578
-	-	-	(12,336)	-
<b>\$ 1,610,275</b>	<b>\$ 49,088</b>	<b>\$ 124,757</b>	<b>\$ 8,007,725</b>	<b>\$ (267,136)</b>

# City of Wyandotte, Michigan

## Fiduciary Funds Statement of Net Assets September 30, 2004

	Pension Trust Fund	Agency Fund
<b>Assets</b>		
Cash and investments (Note 3):		
Cash and cash equivalents	\$ 96,456	\$ 201,588
Corporate bonds	16,455,593	-
U.S. government securities	16,716,044	-
Common and preferred stock	20,434,070	-
U.S. government pooled investment and other bank investment pool funds	-	67,839
Foreign stock investment pools	9,821,665	-
Receivables - Accrued interest	335,863	997
Total assets	63,859,691	<b><u>\$ 270,424</u></b>
<b>Liabilities</b>		
Due to other governmental units	-	\$ 98
Due to other funds	-	57,847
Cash bonds and deposits	-	212,479
Total liabilities	-	<b><u>\$ 270,424</u></b>
<b>Net Assets - Held in trust for pension benefits</b>	<b><u>\$ 63,859,691</u></b>	

# City of Wyandotte, Michigan

## Fiduciary Funds Statement of Changes in Net Assets Year Ended September 30, 2004

	Pension Trust Fund
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 2,093,557
Net appreciation in fair value of investments	3,781,862
Investment expenses	<u>(327,515)</u>
Net investment income	5,547,904
Contributions:	
Employer	488,459
Employees	72,001
Transfer from General Fund	<u>666,643</u>
Total contributions	<u>1,227,103</u>
Total additions	6,775,007
<b>Deductions - Benefit payments</b>	
Pension payments	4,516,056
Health benefits	<u>1,331,566</u>
Total deductions	<u>5,847,622</u>
<b>Net Increase in Plan Assets</b>	927,385
<b>Net Assets Held in Trust for Pension Benefits</b>	
Beginning of year	<u>62,932,306</u>
End of year	<u><u>\$ 63,859,691</u></u>

# City of Wyandotte, Michigan

## Component Units Statement of Net Assets September 30, 2004

	Tax Increment Finance Authorities			Totals
	Consolidated Development Area	Downtown Development Area	Downtown Development Authority	
<b>Assets</b>				
Cash and investments	\$ 5,445,626	\$ 1,869,609	\$ 8,083	\$ 7,323,318
Taxes receivable	-	-	2,467	2,467
Receivables - Other	130,001	17,371	-	147,372
Accounts receivable from primary government	2,188,105	599,600	-	2,787,705
Internal balances	(250)	(14,545)	14,795	-
Inventory (Note 7)	1,071,504	84,220	-	1,155,724
Total assets	8,834,986	2,556,255	25,345	11,416,586
<b>Liabilities</b>				
Accounts payable	424,516	16,824	-	441,340
Accrued and other liabilities	104,777	72,211	-	176,988
Accounts payable to primary government	279,948	-	-	279,948
Deferred revenue	3,280,482	884,572	2,469	4,167,523
Current portion of long-term debt	860,244	275,000	-	1,135,244
Long-term debt	3,348,756	1,155,000	-	4,503,756
Total liabilities	8,298,723	2,403,607	2,469	10,704,799
<b>Net Assets - Unrestricted</b>	<b>\$ 536,263</b>	<b>\$ 152,648</b>	<b>\$ 22,876</b>	<b>\$ 711,787</b>

# City of Wyandotte, Michigan

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	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>
Tax Increment Finance Authorities - Consolidated Development Area	\$ 4,578,607	\$ -	\$ -
Tax Increment Finance Authorities - Downtown Development Area	884,235	20,974	-
Downtown Development Authority	<u>26,975</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u><b>\$ 5,489,817</b></u>	<u><b>\$ 20,974</b></u>	<u><b>\$ -</b></u>

General revenues:  
 Property taxes  
 Interest revenue  
 Gain on sale of asset  
 Miscellaneous

Total general revenues

**Change in Net Assets**

**Net Assets (Deficit) - Beginning of year**

**Net Assets - End of year**

**Component Units  
Statement of Activities  
Year Ended September 30, 2004**

Net (Expense) Revenue and Changes in Net Assets				
Tax Increment Finance Authorities				
Consolidated Development Area	Downtown Development Area	Downtown Development Authority	Total	
\$ (4,578,607)	\$ -	\$ -	\$ (4,578,607)	
-	(863,261)	-	(863,261)	
-	-	(26,975)	(26,975)	
(4,578,607)	(863,261)	(26,975)	(5,468,843)	
5,307,097	1,208,509	34,528	6,550,134	
44,476	10,830	195	55,501	
1,137,988	-	-	1,137,988	
95,597	392,641	-	488,238	
6,585,158	1,611,980	34,723	8,231,861	
2,006,551	748,719	7,748	2,763,018	
(1,470,288)	(596,071)	15,128	(2,051,231)	
<b>\$ 536,263</b>	<b>\$ 152,648</b>	<b>\$ 22,876</b>	<b>\$ 711,787</b>	

## **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 11 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.



## **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. There was no financial activity related to the Brownfield Redevelopment Authority in the current year.

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 \$1,486,657 for operations of the system and \$634,995 for debt service. The City is unaware of any 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.

## **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.

## **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.

## **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.

## **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.

## **Note I - Summary of Significant Accounting Policies (Continued)**

### **Property Tax Revenue**

Property taxes 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 2003 taxable valuation of the City totaled \$637,497,427, on which taxes levied consisted of 12.1619 mills for operating purposes, 2.2400 mills for debt service, 2.5392 mills for garbage and rubbish services, 1.7112 mills for the sewer judgment levy, and 1.7688 mills for the DDA. In addition, the City levied 1.3934 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 \$6,264,000 for operating purposes, \$932,000 for debt service, \$1,307,000 for garbage and rubbish services, \$574,000 for drain operation and maintenance, \$711,000 for the sewer judgment levy, and \$34,000 for the DDA. 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."

### 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 sidewalks	20 to 25 years
Other infrastructure	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
Improvements other than buildings	20 to 50 years
Vehicles	4 to 8 years
Machinery and equipment	3 to 35 years

### Note I - Summary of Significant Accounting Policies (Continued)

**Compensated Absences (Vacation and Sick Leave)** - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. 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, 2004:

	Utility Fees			Property
	Electricity	Water	Sewage	Taxes
BASF Corporation	19%	14%	14%	12%
Wayne County	9%	5%	- %	- %
Electric Fund	- %	2%	- %	- %



### 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		\$ (543,920)
Current year building permit revenue		755,060
Related expenditures:		
Direct costs	\$ 226,307	
Estimated indirect costs	<u>417,663</u>	
Total construction code expenditures		<u>643,970</u>
Cumulative shortfall - End of year		<u><u>\$ (432,830)</u></u>

### Note 3 - Deposits and Investments

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

The City has designated three banks for the deposit of local unit funds. The investment policy adopted by the Board in accordance with Public Act 196 of 1997 has authorized investment in the following items described above, bonds, securities, and other direct obligations of the United States government or any agency or instrumentality of the U.S., and mutual funds.

The City of Wyandotte, Michigan's deposits and investment policies are in accordance with statutory authority.

At year end, the deposits and investments were reported in the basic financial statements in the following categories:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total Primary Government	Component Units
Cash and investments	\$ 33,994,742	\$ 5,721,854	\$ 63,793,255	\$ 103,509,851	\$ 7,323,318
Restricted assets	-	13,078,445	-	13,078,445	-
Total	<u>\$ 33,994,742</u>	<u>\$ 18,800,299</u>	<u>\$ 63,793,255</u>	<u>\$ 116,588,296</u>	<u>\$ 7,323,318</u>

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

The breakdown between deposits and investments for the City is as follows:

	Primary Government	Component Units
Bank deposits (checking accounts, savings accounts, and certificates of deposit)	\$ 7,312,123	\$ 2,169,539
Investments in securities, mutual funds, and similar vehicles	109,271,813	5,153,779
Petty cash or cash on hand	<u>4,360</u>	<u>-</u>
Total	<u>\$ 116,588,296</u>	<u>\$ 7,323,318</u>

The bank balance of the City's deposits is approximately \$10,947,000, of which \$700,000 is covered by federal depository insurance and approximately \$10,247,000 is uninsured and uncollateralized.

The City believes that due to the dollar amounts of the 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.

The component units' deposits had a bank balance of approximately \$2,170,000, of which \$400,000 was covered by federal depository insurance and approximately \$1,770,000 was uninsured and uncollateralized.

Investments are categorized into these three categories of credit risk:

Category 1 - Insured or registered, with securities held by the City or its agent in the City's name;

Category 2 - Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the City's name; and

Category 3 - Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

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

At year end, the City's investment balances were categorized as follows:

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Corporate bonds	\$ -	\$ 16,455,593	\$ -	\$ 16,455,593
U.S. government securities	-	16,716,044	-	16,716,044
Common and preferred stock	-	20,434,070	-	20,434,070
Subtotal	<u>\$ -</u>	<u>\$ 53,605,707</u>	<u>\$ -</u>	<u>53,605,707</u>
Investments not subject to categorization*:				
U.S. government pooled investment and other bank investment pool funds				45,844,441
Foreign stock investment pools				<u>9,821,665</u>
Total primary government				<u>\$ 109,271,813</u>
Component units - Bank investment pool funds				<u>\$ 5,153,779</u>

\* These investments are not categorized because they are not evidenced by securities that exist in physical or book entry form. Management believes these investments comply with the investment authority noted above.

The foreign stock investment pools are registered with the SEC. The bank investment pools are regulated by the Michigan Banking Act. The fair value of the position in the bank investment pools and U.S. government investment pools is the same as the value of the pool shares.

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

Included in the Pension Trust Fund investments at September 30, 2004 are the following:

- Approximately \$10,609,000 of securities issued by the Federal National Mortgage Association (FNMA) and approximately \$1,237,000 issued by the Federal Home Loan Mortgage Corporation (FHLMC). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer moderate credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.
- Asset-backed securities of approximately \$2,203,000. These securities are backed by credit card or other receivables and typically include credit enhancements in the form of overcollateralization, third-party letters of credit, seller recourse, insurance company guarantees, and/or senior subordinated structures. These securities are generally considered to offer moderate credit risk, but such risk varies depending on the type of asset being securitized and the extent and nature of the credit enhancement. Prepayment of these “pay through” securities could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

Included in the primary government investments at September 30, 2004 are the following:

- Approximately \$1,349,000 of securities issued by the Federal National Mortgage Association (FNMA) and approximately \$444,000 issued by the Federal Home Loan Mortgage Corporation (FHLMC). These investments are usually not backed by the full faith and credit of the U.S. government, but are generally considered to offer moderate credit risks. The yields provided by these mortgage-related securities historically have exceeded the yields on other types of U.S. government securities with comparable maturities, in large measure due to the potential for prepayment. Prepayment could result in difficulty in reinvesting the prepaid amounts in investments with comparable yields.

### 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 - Business-type	Unearned - Component Units
Delinquent property taxes	\$ 128,467	\$ -	\$ -	\$ -
Special assessments	978,255	-	-	-
ALS receivables	252,544	-	-	-
Land contract receivables	-	-	-	128,784
Due from other governmental units	119,132	-	-	-
Property tax receipts for fiscal year 2004	-	10,715,341	-	4,038,739
Grants receivable	106,400	-	-	-
Other	287,170	-	172,664	-
Total	<u>\$ 1,871,968</u>	<u>\$ 10,715,341</u>	<u>\$ 172,664</u>	<u>\$ 4,167,523</u>

### Note 5 - Restricted Assets

The balances of restricted asset accounts are as follows:

	Business-type Activities
Investments:	
Restricted for debt service	\$ 9,241,977
Restricted for capital outlay	2,813,320
Restricted for retiree health care	1,023,148
Total restricted assets	13,078,445
Less current liabilities payable from restricted assets:	
Accrued interest payable	(1,165,006)
Bond principal payable	(2,420,000)
Total current liabilities payable from restricted assets	(3,585,006)
Net restricted assets	<u>\$ 9,493,439</u>

### Note 5 - Restricted Assets (Continued)

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 \$4,687,364, 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.

### Note 6 - Bond Issuance Costs

During the year ended September 30, 2002, the Department of Municipal Services paid bond issuance costs related to the 2002 revenue refunding bonds. The following is a summary of the outstanding balance as of September 30, 2004:

Bond issuance costs	\$ 931,515
Less accumulated amortization	<u>(139,729)</u>
Total	<u>\$ 791,786</u>

For the year ended September 30, 2004, 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, 2004, inventory had a cost of \$1,386,784 and \$12,308,697 and a fair market value of \$194,467 and \$1,155,724 in the Special Revenue Funds and component units, respectively. Included in capital outlay and other expenses of the current year was a provision of \$61,171 and \$491,576 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 \$1,478,000 to Wayne County during the year for operation and maintenance.

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 unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future. The City's equity interest in the venture has been recorded at September 30, 2004.

### Note 9 - Capital Assets

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

	Balance October 1, 2003	Additions	Disposals and Adjustments	Balance September 30, 2004
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 18,146,294	\$ -	\$ 10,365	\$ 18,135,929
Construction in progress	-	141,418	-	141,418
Subtotal	18,146,294	141,418	10,365	18,277,347
Capital assets being depreciated:				
Infrastructure	62,370,048	1,801,624	-	64,171,672
Sidewalks	33,498,481	-	-	33,498,481
Land improvements	4,599,179	523,500	-	5,122,679
Buildings	6,969,655	-	32,000	6,937,655
Machinery and equipment	9,407,443	701,830	247,521	9,861,752
Subtotal	116,844,806	3,026,954	279,521	119,592,239
Accumulated depreciation	65,008,558	4,961,524	278,454	69,691,628
Net capital assets being depreciated	51,836,248	(1,934,570)	1,067	49,900,611
Net capital assets	<u>\$ 69,982,542</u>	<u>\$ (1,793,152)</u>	<u>\$ 11,432</u>	<u>\$ 68,177,958</u>



# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2004

### Note 9 - Capital Assets (Continued)

	Balance October 1, 2003	Additions	Disposals and Adjustments	Balance September 30, 2004
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress	118,879	-	118,879	-
Subtotal	263,879	-	118,879	145,000
Capital assets being depreciated:				
Utility plant	90,622,064	1,670,892	-	92,292,956
Transmission	5,768,155	-	-	5,768,155
Pumping	2,708,530	151,433	-	2,859,963
Purification	3,689,061	63,724	-	3,752,785
Distribution	41,303,280	1,824,390	126,910	43,000,760
Transportation	1,812,395	18,710	281,074	1,550,031
Stores	737,825	37,665	-	775,490
Cable equipment	952,790	44,809	-	997,599
Studio	452,546	16,076	-	468,622
General	2,844,065	60,188	-	2,904,253
Buildings	4,135,018	19,700	-	4,154,718
Land improvements	2,937,427	-	-	2,937,427
Equipment and fixtures	1,122,619	17,543	-	1,140,162
Sewer lines	11,570,121	-	-	11,570,121
Subtotal	170,655,896	3,925,130	407,984	174,173,042
Accumulated depreciation:				
Utility plant	47,261,881	3,885,194	-	51,147,075
Transmission	3,954,784	171,432	-	4,126,216
Pumping	1,716,309	106,667	-	1,822,976
Purification	2,779,396	102,627	-	2,882,023
Distribution	25,940,660	1,271,971	141,148	27,071,483
Transportation	1,269,146	120,521	281,074	1,108,593
Stores	499,973	38,702	-	538,675
Cable equipment	461,933	119,072	-	581,005
Studio	376,715	29,424	-	406,139
General	2,247,140	87,251	-	2,334,391
Buildings	461,381	103,172	-	564,553
Land improvements	469,002	58,749	-	527,751
Equipment and fixtures	651,699	75,587	-	727,286
Sewer lines	452,680	226,748	-	679,428
Subtotal	88,542,699	6,397,117	422,222	94,517,594
Net capital assets being depreciated	82,113,197	(2,471,987)	(14,238)	79,655,448
Net capital assets	\$ 82,377,076	\$ (2,471,987)	\$ 104,641	\$ 79,800,448

### Note 9 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 4,188,240
Public safety	310,022
Public works	226,470
Recreation and culture	<u>236,792</u>
Total governmental activities	<u>\$ 4,961,524</u>
Business-type activities:	
Electric	\$ 4,891,967
Water	459,155
Cable television	541,569
Sewage disposal	266,917
Golf course	133,664
Building rental	<u>103,845</u>
Total business-type activities	<u>\$ 6,397,117</u>

### 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	Local Streets Fund	\$ 176,203
General Fund	Golf Course Fund	985
General Fund	Building Rental Fund	129,443
General Fund	Other nonmajor governmental funds	218,420
Major Streets Fund	General Fund	194
Major Streets Fund	Other nonmajor governmental funds	26,391
Local Streets Fund	Major Streets Fund	1,837
Local Streets Fund	Other nonmajor governmental funds	164,708
Solid Waste Disposal Fund	General Fund	1,053,584
Other nonmajor governmental funds	General Fund	600,824
Other nonmajor governmental funds	Solid Waste Disposal Fund	17
Other nonmajor governmental funds	Building Rental Fund	342,380
Sewage Fund	General Fund	36,112
Sewage Fund	Water Fund	504,973
Golf Course Fund	Solid Waste Disposal Fund	700
Internal Service Fund	General Fund	<u>3,849,179</u>
	Total	<u>\$ 7,105,950</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>\$ 1,231,548</u>

# City of Wyandotte, Michigan

## Notes to Financial Statements September 30, 2004

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

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

Receivable Fund	Payable Fund	Amount
Primary government - Other nonmajor governmental funds	Component Unit - Tax Increment Finance Authority Consolidated Development Area	\$ 26,100
Primary government - Internal Service Fund	Component Unit - Tax Increment Finance Authority Consolidated Development Area	<u>253,848</u>
Total primary government		<u>\$ 279,948</u>
Component unit - Tax Increment Finance Authority Consolidated Development Area	Primary government - General Fund	\$ 1,988,105
Component Unit - Tax Increment Finance Authority Consolidated Development Area	Primary government - Other nonmajor governmental funds	<u>200,000</u>
Total Tax Increment Finance Authority Consolidated		<u>\$ 2,188,105</u>
Component Unit - Tax Increment Finance Authority Downtown Development Authority	Primary government - General Fund	<u>\$ 599,600</u>

#### Interfund Transfers

	Transfers Out		
	General Fund	Major Streets Fund	Total
Transfers in:			
Local Streets Fund	\$ -	\$ 310,104	\$ 310,104
Sewage Fund	712,824	-	712,824
Internal Service Fund	377,981	-	377,981
Other governmental funds	<u>934,410</u>	<u>-</u>	<u>934,410</u>
Total	<u>\$ 2,025,215</u>	<u>\$ 310,104</u>	<u>\$ 2,335,319</u>

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

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 from the General Fund to the Internal Service Fund was to pay for liability claims and to maintain adequate reserves for potential liability issues. 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 were 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.

### 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
<b>Governmental activities:</b>							
General obligation bond - Building Authority Bonds							
Amount of issue - \$5,000,000	3.75 - 5.75%	2013	\$ 4,075,000	\$ -	\$ 275,000	\$ 3,800,000	\$ 300,000
2003 Bank One purchase installment - Fire equipment -							
Amount - \$753,093	2.53%	2006	651,880	-	247,305	404,575	253,634
Vested employee benefits	N/A	N/A	1,590,316	-	14,689	1,575,627	756,301
<b>Total governmental activities</b>			<b>\$ 6,317,196</b>	<b>\$ -</b>	<b>\$ 536,994</b>	<b>\$ 5,780,202</b>	<b>\$ 1,309,935</b>
<b>Business-type activities:</b>							
Cable Television Limited Tax General Obligation							
Installment purchase contract - Amount of issue - \$3,994,031	4.16%	2011	\$ 3,041,531	\$ -	\$ 375,000	\$ 2,666,531	\$ 375,000
State Revolving Fund - Downriver Sewage Disposal System:							
Amount of issue - \$1,610,332	2.50%	2016	1,117,101	-	82,850	1,034,251	77,005
Amount of issue - \$4,691,934	2.25%	2019	3,890,467	-	205,492	3,684,975	210,180
Amount of issue - \$1,168	2.25%	2018	922	-	53	869	53
Amount of issue - \$474,845	2.25%	2021	435,348	-	20,010	415,338	20,444
Amount of issue - \$1,094,717	2.25%	2021	960,957	-	46,835	914,122	47,753
Amount of issue - \$864,574	2.25%	2021	782,978	-	36,882	746,096	37,381
Downriver Sewage Disposal System - Completion							
Bond - Amount of issue - \$1,223,935	4.90 - 5.12%	2019	1,094,241	-	47,309	1,046,932	49,349
Installment Loan - Bank	8.06%	2010	735,351	-	81,027	654,324	96,983
Revenue bonds:							
1992 Electric Revenue and Revenue Refunding Bond - Amount of issue - \$61,185,000	6.25%	2009	14,045,000	-	2,000,000	12,045,000	2,260,000
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	30,500,398	167,916	59,592	30,608,722	305,000
<b>Total business-type activities before excluding restricted assets</b>			<b>56,604,294</b>	<b>\$ 167,916</b>	<b>\$ 2,955,050</b>	<b>53,817,160</b>	<b>\$ 3,479,148</b>
Less portion payable from restricted assets			(2,000,000)			(2,420,000)	
<b>Total business-type activities</b>			<b>\$ 54,604,294</b>			<b>\$ 51,397,160</b>	
<b>Component units:</b>							
Limited Tax Development Refunding Bonds, Series 1992 - Amount of issue - \$11,940,000	6.25-6.375%	2010	\$ 4,135,000	\$ -	\$ 870,000	\$ 3,265,000	\$ 860,000
Downtown Development Refunding Bonds Series 1992 (continued)	6.2-6.25%	2009	1,720,000	-	290,000	1,430,000	275,000
Brownfield Revitalization Loan	2.25%	2015	944,000	-	-	944,000	244
<b>Total component units</b>			<b>\$ 6,799,000</b>	<b>\$ -</b>	<b>\$ 1,160,000</b>	<b>\$ 5,639,000</b>	<b>\$ 1,135,244</b>

### 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
2005	\$ 553,634	\$ 178,608	\$ 732,242	\$ 3,482,922	\$ 2,473,700	\$ 5,956,622	\$ 1,135,244	\$ 394,050	\$ 1,529,294
2006	450,941	155,326	606,267	3,652,492	2,287,674	5,940,166	845,210	238,460	1,083,670
2007	300,000	136,800	436,800	3,831,721	2,091,690	5,923,411	827,127	188,892	1,016,019
2008	350,000	119,550	469,550	4,022,700	1,884,923	5,907,623	899,087	137,570	1,036,657
2009	450,000	103,800	553,800	3,835,218	1,665,788	5,501,006	876,092	84,965	961,057
2010-2014	2,100,000	212,250	2,312,250	19,498,106	6,099,453	25,597,559	952,139	74,724	1,026,863
2015-2019	-	-	-	14,196,905	1,443,416	15,640,321	104,101	2,342	106,443
2020-2023	-	-	-	258,374	3,323	261,697	-	-	-
Total	\$ 4,204,575	\$ 906,334	\$ 5,110,909	\$ 52,778,438	\$ 17,949,967	\$ 70,728,405	\$ 5,639,000	\$ 1,121,003	\$ 6,760,003

### 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.

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

### **Note 11 - Long-term Debt (Continued)**

Included in the current assets of the Electric Fund at September 30, 2004 is approximately \$253,000 earmarked for future repairs of the system pursuant to the ordinance. Also included in the current liabilities of the Electric Fund at September 30, 2004 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.

### **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, 2004. The ultimate liability with respect to these claims could differ materially from the amounts currently provided for in the basic financial statements.



### 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
	All Remaining Funds	Department of Municipal Services
Estimated liability - October 1, 2002	\$ 1,452,060	\$ 526,104
Incurred claims (including claims incurred but not reported)	208,023	39,645
Claim payments and changes in estimates	<u>(782,969)</u>	<u>(115,825)</u>
Estimated liability - September 30, 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	<u>\$ 904,692</u>	<u>\$ 562,296</u>

### 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, 2004:

	Electric	Water	Cable	Total
Debt service	\$ 7,104,249	\$ -	\$ 972,722	\$ 8,076,971
Capital improvements	2,813,320	-	-	2,813,320
Retiree health care	730,778	146,185	146,185	1,023,148
Total	<u>\$ 10,648,347</u>	<u>\$ 146,185</u>	<u>\$ 1,118,907</u>	<u>\$ 11,913,439</u>

Fund balance has been designated in the Equipment and Replacement Fund in the amount of \$413,159 for future payments for the fire aerial truck installment loan. Therefore, \$84,656 of fund balance at September 30, 2004 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, 2003, 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 205 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.

### 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 competitive 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, 2004, the City's annual pension cost of \$2,285,116 for the plan was equal to the required and actual contribution. The annual pension costs consist of contributions from Municipal Service of \$488,459 and transfers from the endowment reserves of \$1,796,657. 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 14 years and 23 years for the Municipal Service and General and Police and Fire divisions, respectively.

**Reserves** - As of September 30, 2004, 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	\$ 468,526
Reserve for retired benefit payments	38,372,772
Additional reserves:	
Reserve for employer contributions	17,749,044
Reserve for Special Retirement Fund	743,103
Reserve for retiree health benefits	68,415
Reserve for endowment	6,457,831
	<hr/>
Total reserves	\$ 63,859,691

### Note 14 - Pension Plan (Continued)

	2002	2003	2004
Annual pension costs (APC)	\$ 2,089,676	\$ 2,083,416	\$ 2,285,116
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.

## **Note 15 - Defined Contribution Pension Plan (Continued)**

In accordance with the above requirements, the City contributed approximately \$255,000 during the current year, and the employees contributed approximately \$127,000.

## **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, 2004.

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. Under terms of a federal consent decree, the communities are required to undertake construction projects to expand the capacity of the system and eliminate any violations of the Clean Water Act. The estimated total cost of the projects is approximately \$298,500,000, with the City's share estimated to be approximately \$11,000,000, which approximates total expenditures to date. The City has issued approximately \$9,962,000 in debt to fund this project and anticipates additional debt issuances of approximately \$840,000 in the near future. 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 \$1,349,000, of which \$854,000 and \$495,000 was paid by the Employees' Retirement System and the Enterprise Funds, respectively.

## **Note 17 - Postemployment Benefits (Continued)**

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, 2008.

## **Required Supplemental Information**

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# City of Wyandotte, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended September 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 1,352,794	\$ 1,509,969	\$ 1,509,969	\$ -
<b>Revenues</b>				
Property taxes	7,193,132	8,278,931	8,280,745	1,814
Federal sources	-	16,500	57,783	41,283
State receipts, revenues, and other sources	8,350,303	7,047,938	6,536,201	(511,737)
Total revenues	15,543,435	15,343,369	14,874,729	(468,640)
<b>Expenditures</b>				
Legislative	159,581	165,716	161,280	4,436
Judicial	808,258	826,598	804,461	22,137
Financial services and administration	364,057	376,222	368,069	8,153
General government	1,280,629	1,288,629	1,182,942	105,687
Assessor	180,312	184,443	177,683	6,760
City Clerk	247,166	251,472	247,804	3,668
Community relations	97,791	99,988	98,055	1,933
Treasurer	253,355	258,283	250,320	7,963
Police and civil defense	4,507,109	4,537,414	4,410,357	127,057
Fire	2,665,779	2,642,717	2,581,837	60,880
Engineering and D.P.S.	1,065,975	1,069,730	1,037,900	31,830
Public works	2,643,103	2,736,006	2,645,654	90,352
Recreation	589,954	577,526	551,495	26,031
Swimming pool	69,179	69,179	54,361	14,818
Yack arena	415,960	442,327	413,471	28,856
Youth assistance	42,917	44,461	41,724	2,737
Historical commission	90,435	94,439	91,351	3,088
City commissions	23,261	24,575	21,705	2,870
Elections	31,215	37,711	17,966	19,745
Total expenditures	15,536,036	15,727,436	15,158,435	569,001
<b>Fund Balance - End of year</b>	<b>\$ 1,360,193</b>	<b>\$ 1,125,902</b>	<b>\$ 1,226,263</b>	<b>\$ 100,361</b>



# City of Wyandotte, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Streets Fund Year Ended September 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance - Beginning of year</b>	\$ 258,230	\$ 622,010	\$ 622,010	\$ -
<b>Revenues</b>				
State sources	1,192,937	1,192,937	1,240,417	47,480
Interest income	10,000	4,000	196,087	192,087
Other	<u>111,347</u>	<u>111,347</u>	<u>72,221</u>	<u>(39,126)</u>
Total revenues	1,314,284	1,308,284	1,508,725	200,441
<b>Expenditures</b>				
Public works	819,734	1,490,694	970,867	519,827
Transfers to other funds	<u>320,000</u>	<u>298,234</u>	<u>310,104</u>	<u>(11,870)</u>
Total expenditures	<u>1,139,734</u>	<u>1,788,928</u>	<u>1,280,971</u>	<u>507,957</u>
<b>Fund Balance - End of year</b>	<b><u>\$ 432,780</u></b>	<b><u>\$ 141,366</u></b>	<b><u>\$ 849,764</u></b>	<b><u>\$ 708,398</u></b>

# City of Wyandotte, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Streets Fund Year Ended September 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ 1,130,429	\$ 1,044,808	\$ 1,044,808	\$ -
<b>Revenues</b>				
Federal sources	-	-	32,401	32,401
State sources	445,191	445,191	459,192	14,001
Interest income	15,000	7,200	5,819	(1,381)
Transfer from other funds	<u>298,234</u>	<u>298,234</u>	<u>1,048,923</u>	<u>750,689</u>
Total revenues	758,425	750,625	1,546,335	795,710
<b>Expenditures</b>				
Public works	415,000	1,588,218	2,291,670	(703,452)
Transfers to other funds	<u>360,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>775,000</u>	<u>1,588,218</u>	<u>2,291,670</u>	<u>(703,452)</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 1,113,854</u></u>	<u><u>\$ 207,215</u></u>	<u><u>\$ 299,473</u></u>	<u><u>\$ 92,258</u></u>

# City of Wyandotte, Michigan

## Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Solid Waste Disposal Fund Year Ended September 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
<b>Fund Balance</b> - Beginning of year	\$ 283,914	\$ 376,559	\$ 376,559	\$ -
<b>Revenues</b>				
Property taxes	1,294,346	1,056,385	1,058,001	1,616
TIFA sharing agreement	-	237,961	251,748	13,787
Dumpster billings	199,010	200,664	211,411	10,747
Service fees	28,941	28,941	41,524	12,583
Rubbish tags	43,748	33,748	40,852	7,104
Interest income	4,000	7,400	5,827	(1,573)
Total revenues	<u>1,570,045</u>	<u>1,565,099</u>	<u>1,609,363</u>	<u>44,264</u>
<b>Expenditures</b>				
Administration	103,000	103,000	103,000	-
Rubbish collection	801,000	801,000	784,011	16,989
Dumping fees	321,000	412,950	385,711	27,239
Recycling fees	48,300	16,800	16,411	389
Tag program costs	25,000	25,000	16,105	8,895
Household hazardous waste program	10,000	10,000	3,207	6,793
Capital equipment	<u>220,000</u>	<u>276,816</u>	<u>272,523</u>	<u>4,293</u>
Total expenditures	<u>1,528,300</u>	<u>1,645,566</u>	<u>1,580,968</u>	<u>64,598</u>
<b>Fund Balance</b> - End of year	<u><u>\$ 325,659</u></u>	<u><u>\$ 296,092</u></u>	<u><u>\$ 404,954</u></u>	<u><u>\$ 108,862</u></u>

# City of Wyandotte, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress September 30, 2004

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<b>General Employees' Retirement System</b>						
9/30/98	\$ 49,023,780	\$ 58,849,787	\$ 9,826,007	83.3	\$ 11,563,657	85.0
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

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

# City of Wyandotte, Michigan

## Required Supplemental Information Schedule of Employer Contributions September 30, 2004

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)
1999	\$ 581,527	\$ 1,688,139	\$ 2,269,666	100
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

\*\* 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, 2003, 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, 2004

### 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 sales of fixed assets 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	Reimbursements from Other Funds	Operating Statement
General Fund:					
Total revenue	\$ 14,874,729	\$ 2,025,215	\$ 666,643	\$ (1,533,445)	\$ 16,033,142
Total expenditures	15,158,435	-	666,643	(1,533,445)	14,291,633
Major Streets Fund - Total expenditures	1,280,971	(310,104)	-	-	970,867
Local Streets Fund - Total revenue	1,546,335	(310,104)	-	-	1,236,231
Total	<u>\$ 32,860,470</u>	<u>\$ 1,405,007</u>	<u>\$ 1,333,286</u>	<u>\$ (3,066,890)</u>	<u>\$ 32,531,873</u>

# City of Wyandotte, Michigan

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## Note to Required Supplemental Information September 30, 2004

### 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>
Local Streets Fund - Public works	\$ 1,588,218	\$ 2,291,670

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.

## **Other Supplemental Information**

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# City of Wyandotte, Michigan

## Nonmajor Special Revenue Funds

	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant	Grants	Public Improvement
<b>Assets</b>					
Cash and investments	\$ 627,003	\$ 95,980	\$ 360,725	\$ 158,559	\$ 157,309
Receivables:					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest and other	245	-	-	-	-
Note receivable	-	-	218,131	-	-
Due from other governmental units	-	-	60,000	62,750	-
Accounts receivable from component units	-	-	26,100	-	-
Long-term interfund receivable	-	-	1,231,548	-	-
Due from other funds	24,016	-	-	-	450
Real estate inventory	-	-	150,230	-	44,237
	<u>-</u>	<u>-</u>	<u>150,230</u>	<u>-</u>	<u>44,237</u>
Total assets	<u>\$ 651,264</u>	<u>\$ 95,980</u>	<u>\$ 2,046,734</u>	<u>\$ 221,309</u>	<u>\$ 201,996</u>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 153,449	\$ 1,999	\$ 127	\$ 15,723	\$ 21,468
Due to other funds	-	808	151,002	66,610	-
Accounts payable to component units	-	-	-	-	-
Deferred revenue	-	-	218,131	62,750	-
	<u>-</u>	<u>-</u>	<u>218,131</u>	<u>62,750</u>	<u>-</u>
Total liabilities	153,449	2,807	369,260	145,083	21,468
<b>Fund Balances</b>					
Reserved:					
Noncurrent interfund receivable	-	-	1,231,548	-	-
Construction and other expenditures	-	93,173	-	76,226	-
Unreserved	497,815	-	445,926	-	180,528
	<u>497,815</u>	<u>-</u>	<u>445,926</u>	<u>-</u>	<u>180,528</u>
Total fund balances	497,815	93,173	1,677,474	76,226	180,528
	<u>497,815</u>	<u>93,173</u>	<u>1,677,474</u>	<u>76,226</u>	<u>180,528</u>
Total liabilities and fund balances	<u>\$ 651,264</u>	<u>\$ 95,980</u>	<u>\$ 2,046,734</u>	<u>\$ 221,309</u>	<u>\$ 201,996</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
September 30, 2004**

Nonmajor Special Revenue Funds				Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Southgate- Wyandotte Drain O&M	Sidewalk and Alley Paving	Special Events	Building Authority Improvement	DPS Building Bonds	Construction	
\$ 2,421,115	\$ 648,614	\$ 410,795	\$ 547,624	\$ 127,482	\$ 316,265	\$ 5,871,471
198,540	21,411	-	-	-	-	219,951
-	978,514	-	-	-	-	978,514
22,816	74,422	180	7,953	-	-	105,616
-	-	-	-	-	-	218,131
-	-	-	-	-	-	122,750
-	-	-	-	-	-	26,100
-	-	-	-	-	-	1,231,548
531,731	20,073	-	342,380	24,571	-	943,221
-	-	-	-	-	-	194,467
<b><u>\$ 3,174,202</u></b>	<b><u>\$ 1,743,034</u></b>	<b><u>\$ 410,975</u></b>	<b><u>\$ 897,957</u></b>	<b><u>\$ 152,053</u></b>	<b><u>\$ 316,265</u></b>	<b><u>\$ 9,911,769</u></b>
\$ -	\$ 7,637	\$ 40,231	\$ 1,122	\$ -	\$ 39,501	\$ 281,257
-	191,099	-	-	-	-	409,519
200,000	-	-	-	-	-	200,000
594,338	1,008,995	-	7,953	-	-	1,892,167
794,338	1,207,731	40,231	9,075	-	39,501	2,782,943
-	-	-	-	-	-	1,231,548
2,379,864	-	-	-	152,053	276,764	2,978,080
-	535,303	370,744	888,882	-	-	2,919,198
2,379,864	535,303	370,744	888,882	152,053	276,764	7,128,826
<b><u>\$ 3,174,202</u></b>	<b><u>\$ 1,743,034</u></b>	<b><u>\$ 410,975</u></b>	<b><u>\$ 897,957</u></b>	<b><u>\$ 152,053</u></b>	<b><u>\$ 316,265</u></b>	<b><u>\$ 9,911,769</u></b>

# City of Wyandotte, Michigan

## Nonmajor Special Revenue Funds

	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant	Grants	Public Improvement
<b>Revenue</b>					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	94,500	5,591	-	535,079	-
State grants and distributions	-	-	-	4,328	-
Interest	44,851	538	81,933	-	1,326
Other	-	30,141	50,426	-	156,130
<b>Total revenue</b>	<b>139,351</b>	<b>36,270</b>	<b>132,359</b>	<b>539,407</b>	<b>157,456</b>
<b>Expenditures</b>					
General government	-	-	15,000	18,945	-
Public safety	-	43,827	-	-	-
Public works	-	-	-	344,549	152,646
Capital outlay and other	737,953	-	112,660	-	-
Debt service and bond issuance costs	-	-	-	-	-
<b>Total expenditures</b>	<b>737,953</b>	<b>43,827</b>	<b>127,660</b>	<b>363,494</b>	<b>152,646</b>
<b>Excess of Revenue Over (Under)</b>					
<b>Expenditures</b>	(598,602)	(7,557)	4,699	175,913	4,810
<b>Other Financing Sources - Operating transfers in</b>	<b>448,928</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>(149,674)</b>	<b>(7,557)</b>	<b>4,699</b>	<b>175,913</b>	<b>4,810</b>
<b>Fund Balances (Deficit) - Beginning of year</b>	<b>647,489</b>	<b>100,730</b>	<b>1,672,775</b>	<b>(99,687)</b>	<b>175,718</b>
<b>Fund Balances - End of year</b>	<b>\$ 497,815</b>	<b>\$ 93,173</b>	<b>\$ 1,677,474</b>	<b>\$ 76,226</b>	<b>\$ 180,528</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes**  
**in Fund Balances - Nonmajor Governmental Funds**  
**Year Ended September 30, 2004**

Nonmajor Special Revenue Funds				Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	Total Nonmajor Governmental Funds
Southgate-Wyandotte Drain O&M	Sidewalk and Alley Paving	Special Events	Building Authority Improvement	DPS Building Bonds	Construction	
\$ 577,807	\$ 234,598	\$ -	\$ -	\$ -	\$ -	\$ 812,405
96,286	76,657	-	-	-	-	808,113
-	-	-	-	-	-	4,328
32,054	25,412	4,739	4,412	235	1,511	197,011
-	46,138	259,943	300,465	-	-	843,243
706,147	382,805	264,682	304,877	235	1,511	2,665,100
25,000	78,000	41,252	-	-	-	178,197
-	-	-	-	-	-	43,827
-	19,789	-	-	-	-	516,984
1,102,570	-	345,259	376,047	-	75,684	2,750,173
-	-	-	-	462,388	-	462,388
1,127,570	97,789	386,511	376,047	462,388	75,684	3,951,569
(421,423)	285,016	(121,829)	(71,170)	(462,153)	(74,173)	(1,286,469)
-	-	-	-	485,482	-	934,410
(421,423)	285,016	(121,829)	(71,170)	23,329	(74,173)	(352,059)
2,801,287	250,287	492,573	960,052	128,724	350,937	7,480,885
<b>\$ 2,379,864</b>	<b>\$ 535,303</b>	<b>\$ 370,744</b>	<b>\$ 888,882</b>	<b>\$ 152,053</b>	<b>\$ 276,764</b>	<b>\$ 7,128,826</b>