

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name: City of Wyandotte	County Wayne
Audit Date September 30, 2003	Opinion Date January 26, 2004	Date Accountant Report Submitted To State: March 3, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input checked="" type="checkbox"/> yes <input type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Hwy	City Southfield	State MI	ZIP 48034
Accountant Signature <i>Plante & Moran, PLLC</i>			

City of Wyandotte, Michigan

Financial Report
September 30, 2003

City of Wyandotte, Michigan

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Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

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, as of and for the year ended September 30, 2003, 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'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 as of September 30, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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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'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, 2004 on our consideration of the City of Wyandotte's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. 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.

As described in Note 18, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and related statements, as of October 1, 2002.

Plante & Moran, PLLC

January 26, 2004

City of Wyandotte, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Wyandotte's financial performance provides an overview of the City's financial activities for the fiscal year ended September 30, 2003. 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, 2003:

- State-shared revenue, our second largest revenue source, was reduced by the State of Michigan by approximately \$250,000 this year. This represents a decrease of 6.1 percent from the prior year and a decrease of 15.4 percent since 2000.
- Due to the low-interest rate environment, investment earnings decreased 80 percent from the prior year, resulting in a reduction in revenue of \$95,000 in the current fiscal year.
- The City reacted by holding discretionary spending amounts to the same level as the prior year, delaying the filling of personnel positions where possible, replacing certain employees at lower pay classifications, and ultimately initiating a hiring freeze for all permanent full-time employees. These actions resulted in a General Fund fund balance decrease of only \$44,629.
- The financial performance of the 27th District Court resulted in an increase in General Fund revenues of \$338,000 from the prior year. Approximately \$175,000 can be directly attributed to the activities of the former division of the 27th District Court, which was located in Riverview until consolidated in the City of Wyandotte on January 1, 2003. The net result of this consolidation was excess of revenues over expenditures of \$52,000 for the current fiscal year.
- Property tax revenue is the City's single, largest source of revenue. The City's 2003 taxable value was \$591,388,000 (ad valorem), which represents an increase of \$18,254,000 or 3.2 percent. Increases in ad valorem taxable values in non-TIFA districts totaled 1.6 percent.
- The City continued the sharing agreement with the Consolidated Tax Increment Finance Authority. This sharing agreement returned approximately \$1,161,000 to the General Fund. Portions of these funds were used to defray annual operating costs with the remainder being contributed to the City of Wyandotte Retirement System and to construct a skateboard park at Memorial Park.
- The City utilized the charter-authorized debt millage to fund the repayment of the bonds and amounts borrowed for the construction of the Department of Public Service facility and the purchase of a new aerial fire truck.

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

Using this Annual Report

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

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

The City as a Whole

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

	Governmental Activities	Business- type Activities	Total
Current assets	\$ 42,061	\$ 14,029	\$ 56,090
Noncurrent assets	73,126	94,569	167,695
Total assets	115,187	108,598	223,785
Current liabilities	26,071	8,664	34,735
Long-term liabilities	5,736	54,515	60,251
Total liabilities	31,807	63,179	94,986
Net assets:			
Invested in capital assets - Net of related debt	65,256	25,773	91,029
Restricted	5,271	9,458	14,729
Unrestricted	12,853	10,188	23,041
Total net assets	<u>\$ 83,380</u>	<u>\$ 45,419</u>	<u>\$ 128,799</u>

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

The City of Wyandotte has combined net assets of \$129 million. Business-type activities comprise \$45 million of the total net assets. In future reports, comparative data will be provided for the statement of activities. Comparative data is not required during the first year of reporting under GASB 34; therefore, a comparative statement of activities is not part of the management's discussion and analysis.

The following table shows the changes of the net assets during the current year (in thousands of dollars):

	Governmental Activities	Business-type Activities	Total
Revenue			
Program revenue:			
Charges for services	\$ 5,179	\$ 34,082	\$ 39,261
Operating grants and contributions	1,801	-	1,801
Capital grants and contributions	821	304	1,125
General revenue:			
Property taxes	9,968	-	9,968
State-shared revenue	3,828	-	3,828
Unrestricted investment earnings	574	1,168	1,742
Loss on sale of assets	(40)	(19)	(59)
Transfers and other revenue	974	700	1,674
Total revenue	23,105	36,235	59,340
Program Expenses			
General government	7,515	-	7,515
Public safety	8,181	-	8,181
Public works	6,174	-	6,174
Community and economic development	475	-	475
Recreation and culture	1,669	-	1,669
Interest on long-term debt	196	-	196
Business-type	-	34,760	34,760
Total program expenses	24,210	34,760	58,970
Change in Net Assets	\$ (1,105)	\$ 1,475	\$ 370

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenues increased by approximately \$1,184,000 or 8.1 percent despite decreases in state-shared revenue, licenses and permits, charges for services, and interest income. The increase was primarily due to additional property tax revenue collected to pay debt service and additional amounts received through the sharing agreement with the Tax Increment Finance Authority. Note that these increases in revenue were largely offset by corresponding increases in operating transfers to other funds for nonoperating purposes.

Expenses increased by \$1,208,000 during the year. Increases were attributable to large increases in health care costs and property and liability insurance rates, as well as additional costs to operate the consolidated 27th District Court. To offset this, the City closely monitored its spending in all other areas, including replacement and use of personnel, and deferred non-essential 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 \$767,000, which is consistent with the City's expectations and rate-setting methodology when considering a one-time revenue adjustment that occurred during the fiscal year.

The Electric Fund's operating revenue declined slightly for the year by .92 percent and operating expenses decreased by 3.7 percent, as a result of lower power production costs, particularly in the area of purchased power. Accordingly, operating income increased by approximately \$609,000 or 35 percent.

The Water Fund's operating revenue increased by 2.6 percent in the current year, as a result of the Commission reclassifying an infrastructure charge (reported as a nonoperating revenue) to a component of the base water utility rates. Unfortunately, the Water Fund realized a \$517,000 operating loss during the fiscal year.

The Cable Television Fund's operating revenue increased by 2.6 percent, due mainly to an increase in Internet revenue of \$217,000 or 31 percent. The Cable Television Fund's operating income decreased by approximately \$302,000 or 66 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 \$282,000, 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 \$101,000, 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 12, 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 2003 include the General Fund, the Major Street Fund, the Local Street 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 \$7.11 million or 51 percent of the total General Fund expenditures in the current fiscal year. Additional noteworthy expenditures include public works (\$2.52 million or 18 percent of total expenditures) and recreation and culture (\$1.14 million or 8 percent of total expenditures).

The Major and Local Street 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 \$1.1 million in the Major Street Fund and \$1.2 million in the Local Street Fund for the current 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 \$1.29 million in the current year. User fees, totaling \$277,000, also support certain elements of the disposal programs. Expenditures for rubbish collection and disposal totaled \$1.3 million in the current fiscal year.

General Fund Budgetary Highlights

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

- Amendments and supplemental appropriations approved shortly after the beginning of the year to include projected expenditures that were not completed at the end of the prior fiscal year

City of Wyandotte, Michigan

Management's Discussion and Analysis (Continued)

- Changes made throughout the year to account for revised estimates based on new or better knowledge and new projects that the Council desired to pursue
- Increases in appropriations to prevent budget overruns

Even with these adjustments, actual expenditures were \$144,000 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 \$142,000 and investment earnings of \$60,000 and additional appropriations for overtime for the police and fire department of \$51,000.

Capital Asset and Debt Administration

The City acquired a new aerial fire truck during the current year. The cost of this acquisition totaled \$753,000 and was funded through the charter-authorized debt millage.

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.

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, 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 (Deficit) September 30, 2003

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 31,442,764	\$ 5,613,756	\$ 37,056,520	\$ 4,553,682
Receivables - Net:				
Taxes	6,517,758	-	6,517,758	26,006
Special assessments	674,933	-	674,933	-
Customer (Note 4)	-	4,065,091	4,065,091	-
Accrued interest and other	953,123	7,969	961,092	567,074
Note receivable	82,362	-	82,362	-
Due from other governmental unit	2,506,889	-	2,506,889	4,175,027
Internal balances	(253,683)	253,683	-	-
Fuel, materials, supplies, and other inventories	-	1,912,089	1,912,089	-
Prepaid insurance and other current assets	136,704	2,176,216	2,312,920	-
Noncurrent assets:				
Internal balances - Advances (Note 10)	1,421,696	(1,421,696)	-	-
Restricted assets	-	12,759,412	12,759,412	-
Bond issuance costs	-	853,890	853,890	-
Real estate inventory (Note 7)	251,438	-	251,438	1,552,750
Investment in joint venture (Note 8)	1,470,000	-	1,470,000	-
Nondepreciable capital assets (Note 9)	18,146,294	263,879	18,410,173	-
Capital assets - Net (Note 9)	51,836,248	82,113,197	133,949,445	-
Total assets	115,186,526	108,597,486	223,784,012	10,874,539
Liabilities				
Accounts payable	1,907,195	2,549,761	4,456,956	266,354
Due to other governmental units	10,881,213	-	10,881,213	861,443
Accrued and other liabilities	742,332	1,903,166	2,645,498	154,040
Deposits	1,217,937	710,243	1,928,180	-
Deferred revenue (Note 4)	10,163,184	185,000	10,348,184	4,844,933
Compensated absences due within one year (Note 11)	636,127	-	636,127	-
Debt due within one year (Note 11)	522,305	3,316,682	3,838,987	1,160,000
Noncurrent liabilities:				
Liabilities to be paid from restricted assets	-	3,227,006	3,227,006	-
Long-term general liability and workers' compensation claims	577,114	-	577,114	-
Compensated absences due in more than one year (Note 11)	954,189	-	954,189	-
Debt due in more than one year (Note 11)	4,204,575	51,287,612	55,492,187	5,639,000
Total liabilities	31,806,171	63,179,470	94,985,641	12,925,770
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	65,255,662	25,772,782	91,028,444	-
Restricted:				
Construction and other expenditures	3,475,700	3,806,139	7,281,839	-
Major and local street projects	1,666,818	-	1,666,818	-
Debt service	128,724	5,651,507	5,780,231	-
Unrestricted	12,853,451	10,187,588	23,041,039	(2,051,231)
Total net assets (deficit)	\$ 83,380,355	\$ 45,418,016	\$ 128,798,371	\$ (2,051,231)

City of Wyandotte, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 7,514,509	\$ 1,647,879	\$ -	\$ -
Public safety	8,181,345	1,781,070	-	62,566
Public works	6,174,443	838,232	1,679,200	609,636
Community and economic development	475,105	37,100	121,689	149,040
Recreation and culture	1,669,025	874,453	-	-
Interest on long-term debt	196,337	-	-	-
Total governmental activities	24,210,764	5,178,734	1,800,889	821,242
Business-type activities:				
Electric	23,875,039	23,081,874	-	-
Water	2,329,178	2,185,790	-	304,136
Cable television	5,187,092	5,211,030	-	-
Sewage disposal	2,048,023	2,606,534	-	-
Golf course	543,169	260,780	-	-
Building rental fund	777,665	736,129	-	-
Total business-type activities	34,760,166	34,082,137	-	304,136
Total primary government	\$ 58,970,930	\$ 39,260,871	\$ 1,800,889	\$ 1,125,378
Component units:				
Tax Increment Finance Authorities - Consolidated Development Area	\$ 5,161,289	\$ -	\$ -	\$ -
Tax Increment Finance Authorities - Downtown Development Area	752,576	30,771	-	-
Downtown Development Authority	2,014	-	-	-
Total component units	\$ 5,915,879	\$ 30,771	\$ -	\$ -
General revenues:				
Property taxes				
State-shared revenues				
Unrestricted investment earnings				
Loss on sale of assets				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

Statement of Activities Year Ended September 30, 2003

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,866,630)	\$ -	\$ (5,866,630)	\$ -
(6,337,709)	-	(6,337,709)	-
(3,047,375)	-	(3,047,375)	-
(167,276)	-	(167,276)	-
(794,572)	-	(794,572)	-
(196,337)	-	(196,337)	-
(16,409,899)	-	(16,409,899)	-
-	(793,165)	(793,165)	-
-	160,748	160,748	-
-	23,938	23,938	-
-	558,511	558,511	-
-	(282,389)	(282,389)	-
-	(41,536)	(41,536)	-
-	(373,893)	(373,893)	-
(16,409,899)	(373,893)	(16,783,792)	-
-	-	-	(5,161,289)
-	-	-	(721,805)
-	-	-	(2,014)
-	-	-	(5,885,108)
9,967,911	-	9,967,911	6,143,749
3,828,405	-	3,828,405	-
574,212	1,167,592	1,741,804	110,542
(39,698)	(19,284)	(58,982)	484,875
1,674,104	-	1,674,104	103,819
(700,374)	700,374	-	-
15,304,560	1,848,682	17,153,242	6,842,985
(1,105,339)	1,474,789	369,450	957,877
84,485,694	43,943,227	128,428,921	(3,009,108)
\$ 83,380,355	\$ 45,418,016	\$ 128,798,371	\$ (2,051,231)

City of Wyandotte, Michigan

Governmental Funds Balance Sheet September 30, 2003

	General	Major Street	Local Street	Solid Waste Disposal	Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 21,521,749	\$ 511,367	\$ 1,053,879	\$ 375,838	\$ 5,512,668	\$ 28,975,501
Receivables:						
Taxes	5,822,819	-	-	432,558	262,381	6,517,758
Special assessments	-	-	-	-	674,933	674,933
Accrued interest and other	381,393	190,203	-	22,941	95,417	689,954
Note receivable	-	-	-	-	82,362	82,362
Due from other governmental units	1,153,152	195,788	72,369	-	574,246	1,995,555
Long-term interfund receivable (Note 10)	-	-	-	-	1,421,696	1,421,696
Due from other funds (Note 10)	320,590	-	2,635	1,002,593	1,658,058	2,983,876
Real estate inventory (Note 7)	-	-	-	-	251,438	251,438
Prepaid insurance and other current assets	136,704	-	-	-	-	136,704
Total assets	\$ 29,336,407	\$ 897,358	\$ 1,128,883	\$ 1,833,930	\$ 10,533,199	\$ 43,729,777
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 1,101,649	\$ 82,510	\$ 18,347	\$ 124,854	\$ 568,522	\$ 1,895,882
Due to other governmental units	10,250,931	-	-	18,865	-	10,269,796
Due to other funds (Note 10)	6,415,794	2,635	65,728	-	224,600	6,708,757
Due to component units	-	-	-	-	611,417	611,417
Accrued and other liabilities	364,368	-	-	-	-	364,368
Deposits	1,217,937	-	-	-	-	1,217,937
Deferred revenue (Note 4)	8,475,759	190,203	-	1,313,652	1,647,775	11,627,389
Total liabilities	27,826,438	275,348	84,075	1,457,371	3,052,314	32,695,546
Fund Balances						
Reserved for:						
Long-term assets	-	-	-	-	1,421,696	1,421,696
Construction and other expenditures	-	-	-	-	3,475,700	3,475,700
Unreserved - Reported in nonmajor:						
General Fund	1,509,969	-	-	-	-	1,509,969
Special Revenue Funds	-	622,010	1,044,808	376,559	2,583,489	4,626,866
Total fund balances	1,509,969	622,010	1,044,808	376,559	7,480,885	11,034,231
Total liabilities and fund balances	\$ 29,336,407	\$ 897,358	\$ 1,128,883	\$ 1,833,930	\$ 10,533,199	\$ 43,729,777

City of Wyandotte, Michigan

Governmental Funds Reconciliation of Fund Balances to the Statement of Net Assets Year Ended September 30, 2003

Total Fund Balances for Governmental Funds	\$ 11,034,231
Amounts reported for governmental activities in the statement are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	69,982,542
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	1,464,205
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(4,726,880)
Compensated absences are included as a liability in governmental activities	(1,590,316)
Accrued interest is not recorded in the funds	(77,964)
Internal Service Funds are included as part of governmental activities	<u>5,824,537</u>
Net Assets of Governmental Activities	<u>\$ 83,380,355</u>

City of Wyandotte, Michigan

	General	Major Street	Local Street	Solid Waste Disposal
Revenue				
Property taxes	\$ 7,939,550	\$ -	\$ -	\$ 1,287,614
Licenses and permits	332,592	-	-	-
Federal sources	-	-	149,699	-
State sources	3,828,405	1,164,402	608,306	-
Charges for services	2,408,283	-	-	277,725
Fines and forfeitures	1,244,108	-	-	-
Interest	117,748	8,137	11,961	3,412
Other	-	16,703	-	-
Total revenue	15,870,686	1,189,242	769,966	1,568,751
Expenditures				
General government	3,253,748	-	-	100,000
Public safety	7,110,143	-	-	-
Public works	2,523,447	1,103,627	1,200,166	1,308,992
Community and economic development	27,329	-	-	-
Recreation and culture	1,144,268	-	-	-
Capital outlay	-	-	-	-
Debt service and bond issuance cost	-	-	-	-
Total expenditures	14,058,935	1,103,627	1,200,166	1,408,992
Excess of Revenue Over (Under) Expenditures	1,811,751	85,615	(430,200)	159,759
Other Financing Sources (Uses)				
Transfers in	-	-	289,923	-
Transfers out	(1,856,380)	(289,923)	-	-
Total other financing sources (uses)	(1,856,380)	(289,923)	289,923	-
Change in Fund Balance	(44,629)	(204,308)	(140,277)	159,759
Fund Balances - Beginning of year	1,554,598	826,318	1,185,085	216,800
Fund Balances - End of year	<u>\$ 1,509,969</u>	<u>\$ 622,010</u>	<u>\$ 1,044,808</u>	<u>\$ 376,559</u>

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,064,952	\$ 10,292,116
-	332,592
588,134	737,833
8,553	5,609,666
-	2,686,008
-	1,244,108
538,137	679,395
<u>864,472</u>	<u>881,175</u>
3,064,248	22,462,893
169,087	3,522,835
35,982	7,146,125
1,700,255	7,836,487
-	27,329
-	1,144,268
3,585,790	3,585,790
<u>482,700</u>	<u>482,700</u>
<u>5,973,814</u>	<u>23,745,534</u>
(2,909,566)	(1,282,641)
841,794	1,131,717
<u>-</u>	<u>(2,146,303)</u>
<u>841,794</u>	<u>(1,014,586)</u>
(2,067,772)	(2,297,227)
<u>9,548,657</u>	<u>13,331,458</u>
<u>\$ 7,480,885</u>	<u>\$ 11,034,231</u>

City of Wyandotte, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended September 30, 2003

Net Change in Fund Balances - Total Governmental Funds \$ (2,297,227)

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 - Net of disposals	5,109,896
Capital asset disposals	(39,698)
Depreciation of capital assets	(4,897,498)

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

80,476

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)

327,327

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

Bond proceeds	(753,093)
Bond principal repayments	376,213

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

6,588

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

89,557

Change in investment in joint venture

60,000

Internal Service Funds are included as governmental activities

832,120

Change in Net Assets of Governmental Activities **\$ (1,105,339)**

City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal
Assets				
Current assets:				
Cash and cash equivalents	\$ 3,082,985	\$ -	\$ 707,150	\$ 1,809,568
Receivables - Customers:				
Billed	1,411,117	177,972	314,981	385,050
Unbilled	1,683,671	92,300	-	-
Other	-	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	125	-	182,371	1,064,395
Fuel, materials, supplies, and other inventories	1,781,362	88,293	42,434	-
Prepaid costs and other current assets	557,311	36,145	165,828	1,111,240
Total current assets	8,516,571	394,710	1,412,764	4,370,253
Noncurrent assets:				
Restricted assets	11,504,837	145,393	1,109,182	-
Bond issuance costs	853,890	-	-	-
Capital assets	51,799,865	7,841,128	4,078,509	11,899,591
Total noncurrent assets	64,158,592	7,986,521	5,187,691	11,899,591
Total assets	72,675,163	8,381,231	6,600,455	16,269,844
Liabilities				
Current liabilities:				
Current portion of long-term debt	2,420,000	-	375,000	432,067
Accounts payable	1,917,625	10,015	499,556	97,444
Accrued and other liabilities	1,201,186	234,429	462,236	-
Due to other funds	15,000	537,480	125	-
Deferred revenue	-	-	185,000	-
Deposits payable	474,368	-	235,875	-
Total current liabilities	6,028,179	781,924	1,757,792	529,511
Noncurrent liabilities:				
Liabilities to be paid from restricted assets	3,227,006	-	-	-
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	40,125,398	-	2,666,531	7,849,947
Total noncurrent liabilities	43,352,404	-	2,666,531	7,849,947
Total liabilities	49,380,583	781,924	4,424,323	8,379,458
Net Assets				
Investment in capital assets - Net of related debt	7,254,467	7,841,128	1,036,978	3,617,577
Restricted	8,203,071	145,393	1,109,182	-
Unrestricted	7,837,042	(387,214)	29,972	4,272,809
Total net assets	\$ 23,294,580	\$ 7,599,307	\$ 2,176,132	\$ 7,890,386

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

Golf Course	Building Rental Fund	Total Enterprise Funds	Internal Service Fund
\$ 13,994	\$ 59	\$ 5,613,756	\$ 2,467,263
-	-	2,289,120	-
-	-	1,775,971	-
-	7,969	7,969	263,169
-	-	-	511,334
-	-	1,246,891	3,471,198
-	-	1,912,089	-
<u>14</u>	<u>305,678</u>	<u>2,176,216</u>	<u>-</u>
14,008	313,706	15,022,012	6,712,964
-	-	12,759,412	-
-	-	853,890	-
<u>3,724,021</u>	<u>3,033,962</u>	<u>82,377,076</u>	<u>-</u>
<u>3,724,021</u>	<u>3,033,962</u>	<u>95,990,378</u>	<u>-</u>
3,738,029	3,347,668	111,012,390	6,712,964
-	89,615	3,316,682	-
2,154	22,967	2,549,761	11,313
5,315	-	1,903,166	300,000
25,293	415,310	993,208	-
-	-	185,000	-
<u>-</u>	<u>-</u>	<u>710,243</u>	<u>-</u>
32,762	527,892	9,658,060	311,313
-	-	3,227,006	-
-	-	-	-
-	1,421,696	1,421,696	577,114
<u>-</u>	<u>645,736</u>	<u>51,287,612</u>	<u>-</u>
<u>-</u>	<u>2,067,432</u>	<u>55,936,314</u>	<u>577,114</u>
<u>32,762</u>	<u>2,595,324</u>	<u>65,594,374</u>	<u>888,427</u>
3,724,021	2,298,611	25,772,782	-
-	-	9,457,646	-
<u>(18,754)</u>	<u>(1,546,267)</u>	<u>10,187,588</u>	<u>5,824,537</u>
<u>\$ 3,705,267</u>	<u>\$ 752,344</u>	<u>\$ 45,418,016</u>	<u>\$ 5,824,537</u>

City of Wyandotte, Michigan

	Electric	Water	Cable Television	Sewage Disposal	Golf Course
Operating Revenue - Utility and user fees	\$ 23,081,874	\$ 1,812,224	\$ 5,211,030	\$ 2,606,534	\$ 260,780
Operating Expenses					
Production, pumping, and purification	11,768,769	631,336	-	1,543,839	-
Distribution	954,063	497,459	643,095	-	-
Cable television royalties	-	-	2,476,359	-	-
Customer service	163,369	50,133	76,112	-	-
Office and administration	478,932	211,821	418,755	-	-
General, maintenance, and miscellaneous	3,090,931	513,390	820,126	52,694	389,488
Transportation	42,410	12,824	8,790	-	-
Depreciation	4,839,231	412,215	611,185	243,403	153,681
Reinsurance charges and claims (and recoveries)	-	-	-	-	-
Total operating expenses	21,337,705	2,329,178	5,054,422	1,839,936	543,169
Operating Income (Loss)	1,744,169	(516,954)	156,608	766,598	(282,389)
Nonoperating Revenue (Expenses)					
Gain on sale of assets	5,819	1,000	(26,103)	-	-
Infrastructure revenue	-	373,566	-	-	-
Interest, infrastructure, and other income	218,771	114,491	172,035	518,898	398
Interest expense	(2,475,234)	-	(132,670)	(208,087)	-
Amortization of bond issuance costs	(62,100)	-	-	-	-
Total nonoperating revenue (expenses)	(2,312,744)	489,057	13,262	310,811	398
Income (Loss) - Before transfers and contributions	(568,575)	(27,897)	169,870	1,077,409	(281,991)
Transfers In	-	-	-	792,696	-
Transfers Out	-	(92,322)	-	-	-
Contribution of Fixed Assets	-	304,136	-	-	-
Change in Net Assets	(568,575)	183,917	169,870	1,870,105	(281,991)
Net Assets - Beginning of year	23,863,155	7,415,390	2,006,262	6,020,281	3,987,258
Net Assets - End of year	<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>

Proprietary Funds

Statement of Revenue, Expenses, and Changes in Net Assets
Year Ended September 30, 2003

Building Rental Fund	Total Enterprise Funds	Internal Service Fund
\$ 736,129	\$ 33,708,571	\$ -
-	13,943,944	-
-	2,094,617	-
-	2,476,359	-
-	289,614	-
-	1,109,508	-
393,456	5,260,085	-
-	64,024	-
83,586	6,343,301	-
-	-	(371,149)
<u>477,042</u>	<u>31,581,452</u>	<u>(371,149)</u>
259,087	2,127,119	371,149
-	(19,284)	-
-	373,566	-
142,999	1,167,592	146,759
(300,623)	(3,116,614)	-
-	(62,100)	-
<u>(157,624)</u>	<u>(1,656,840)</u>	<u>146,759</u>
101,463	470,279	517,908
-	792,696	314,212
-	(92,322)	-
-	304,136	-
101,463	1,474,789	832,120
<u>650,881</u>	<u>43,943,227</u>	<u>4,992,417</u>
<u>\$ 752,344</u>	<u>\$ 45,418,016</u>	<u>\$ 5,824,537</u>

City of Wyandotte, Michigan

	Electric	Water	Cable Television
Cash Flows from Operating Activities			
Receipts from customers	\$ 22,992,371	\$ 1,819,676	\$ 5,129,561
Payments to suppliers	(12,656,899)	(2,408,388)	(3,891,113)
Payments to employees	(4,070,076)	(708,920)	(365,342)
Internal activity - Payments to other funds	-	-	-
Claims paid	-	-	-
Other receipts (payments)	-	-	-
Net cash (used in) provided by operating activities	6,265,396	(1,297,632)	873,106
Cash Flows from Noncapital Financing Activities - Operating transfer	-	(92,322)	-
Cash Flows from Capital and Related Financing Activities			
Infrastructure revenue	-	373,566	-
Purchase of capital assets	(1,123,113)	(127,458)	(285,320)
Principal and interest paid on capital debt	(3,865,221)	-	(507,670)
Net cash (used in) provided by capital and related financing activities	(4,988,334)	246,108	(792,990)
Cash Flows from Investing Activities - Interest received on investments	218,771	114,491	172,035
Net Increase (Decrease) in Cash and Cash Equivalents	1,495,833	(1,029,355)	252,151
Cash and Cash Equivalents - Beginning of year	13,091,989	1,174,748	1,564,181
Cash and Cash Equivalents - End of year	\$ 14,587,822	\$ 145,393	\$ 1,816,332
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 3,082,985	\$ -	\$ 707,150
Restricted investments (Note 3)	11,504,837	145,393	1,109,182
Total cash and cash equivalents	\$ 14,587,822	\$ 145,393	\$ 1,816,332
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income (loss)	\$ 1,744,169	\$ (516,954)	\$ 156,608
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	4,839,231	412,215	611,185
(Gain) loss on sale of property and plant	5,819	1,000	(26,103)
Changes in assets and liabilities:			
Receivables	(89,503)	7,452	(81,344)
Due from other funds	(125)	-	(182,371)
Due from other governmental units	-	-	-
Inventory	(435,977)	(13,152)	(4,936)
Other assets	(274,029)	(7,465)	(69,349)
Accounts payable	577,691	(78,820)	262,156
Due to other funds	(94,667)	(1,094,913)	-
Accrued and other liabilities	(7,213)	(6,995)	22,260
Deferred revenue	-	-	185,000
Net cash (used in) provided by operating activities	\$ 6,265,396	\$ (1,297,632)	\$ 873,106

Noncash Investing, Capital, and Financing Activities - During the year ended September 30, 2003, the TIFA contributed water lines with a value of \$304,136 to the Water Fund. In addition, the Sewage Disposal Fund recognized increased equity in the Downriver Sewage Disposal System of \$252,509.

**Proprietary Funds
Statement of Cash Flows
Year Ended September 30, 2003**

Sewage Disposal Fund	Golf Course	Building Rental Fund	Total	Internal Service Fund
\$ 2,664,827	\$ 261,947	\$ 728,160	\$ 33,596,542	\$ 63,548
(2,366,729)	(396,358)	(397,020)	(22,116,507)	-
-	-	-	(5,144,338)	-
(1,727,155)	17,271	(18,482)	(1,728,366)	(465,844)
-	-	-	-	(338,721)
<u>422,948</u>	<u>109</u>	<u>68,522</u>	<u>491,579</u>	<u>(511,335)</u>
(1,006,109)	(117,031)	381,180	5,098,910	(1,252,352)
792,696	-	-	700,374	314,212
-	-	-	373,566	-
(458,200)	-	(141,808)	(2,135,899)	-
<u>(630,427)</u>	<u>-</u>	<u>(382,406)</u>	<u>(5,385,724)</u>	<u>-</u>
(1,088,627)	-	(524,214)	(7,148,057)	-
<u>88,468</u>	<u>398</u>	<u>142,999</u>	<u>737,162</u>	<u>146,759</u>
(1,213,572)	(116,633)	(35)	(611,611)	(791,381)
<u>3,023,140</u>	<u>130,627</u>	<u>94</u>	<u>18,984,779</u>	<u>3,258,644</u>
\$ 1,809,568	\$ 13,994	\$ 59	\$ 18,373,168	\$ 2,467,263
\$ 1,809,568	\$ 13,994	\$ 59	\$ 5,613,756	\$ 2,467,263
-	-	-	12,759,412	-
\$ 1,809,568	\$ 13,994	\$ 59	\$ 18,373,168	\$ 2,467,263
\$ 766,598	\$ (282,389)	\$ 259,087	\$ 2,127,119	\$ 371,149
243,403	153,681	83,586	6,343,301	-
-	-	-	(19,284)	-
58,293	1,167	(7,969)	(111,904)	59,322
(95,255)	-	-	(277,751)	204,156
470,048	-	-	470,048	(511,334)
-	-	-	(454,065)	-
(47,100)	-	68,522	(329,421)	-
(770,196)	(6,870)	(3,564)	(19,603)	(130,699)
(1,631,900)	17,271	(18,482)	(2,822,691)	(670,000)
-	109	-	8,161	(574,946)
-	-	-	185,000	-
\$ (1,006,109)	\$ (117,031)	\$ 381,180	\$ 5,098,910	\$ (1,252,352)

City of Wyandotte, Michigan

Fiduciary Funds Statement of Net Assets September 30, 2003

	Pension Trust Fund	Agency Fund
Assets		
Cash and investments (Note 3):		
Cash and cash equivalents	\$ 1,151,867	\$ 244,287
Corporate bonds	19,880,494	-
U.S. government securities	16,319,363	-
Municipal obligations	106,907	-
Common and preferred stock	18,789,016	-
U.S. government pooled investment and other bank investment pool funds	-	823,199
Foreign stock investment pools	6,293,823	-
Receivables - Accrued interest	390,836	71
Total assets	62,932,306	<u><u>\$ 1,067,557</u></u>
Liabilities		
Due to other governmental units	-	\$ 873,797
Due to other funds	-	57,847
Cash bonds and deposits	-	135,913
Total liabilities	-	<u><u>\$ 1,067,557</u></u>
Net Assets - Held in trust for pension benefits	<u><u>\$ 62,932,306</u></u>	

City of Wyandotte, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended September 30, 2003

		Pension Trust Fund
Additions		
Investment income:		
Interest and dividends	\$	2,230,045
Net appreciation in fair value of investments		5,118,975
Investment expenses		(353,497)
Net investment income		6,995,523
Contributions:		
Employer		444,947
Employees		71,564
Transfer from General Fund		500,000
Total contributions		1,016,511
Total additions		8,012,034
Deductions		
Benefit payments:		
Pension payments	\$ 4,710,000	
Health benefits	697,000	5,407,000
Administrative expenses		7,609
Total deductions		5,414,609
Net Increase in Plan Assets		2,597,425
Net Assets Held in Trust for Pension Benefits		
Beginning of year		60,334,881
End of year		\$ 62,932,306

City of Wyandotte, Michigan

Component Units Statement of Net Assets (Deficit) September 30, 2003

	Tax Increment Finance Authorities			Totals
	Consolidated Development Area	Downtown Development Area	Downtown Development Authority	
Assets				
Cash and investments (Note 3)	\$ 3,183,486	\$ 1,354,990	\$ 15,206	\$ 4,553,682
Taxes receivable	-	-	26,006	26,006
Receivables - Other	208,318	358,756	-	567,074
Due from primary government	3,505,677	622,288	47,062	4,175,027
Internal balances	22,705	12,295	(35,000)	-
Inventory (Note 7)	1,472,030	80,720	-	1,552,750
Total assets	<u>8,392,216</u>	<u>2,429,049</u>	<u>53,274</u>	<u>10,874,539</u>
Liabilities				
Accounts payable	234,300	32,054	-	266,354
Accrued and other liabilities	86,797	67,243	-	154,040
Due to primary government	817,586	43,857	-	861,443
Deferred revenue	3,644,821	1,161,966	38,146	4,844,933
Current portion of long-term debt	870,000	290,000	-	1,160,000
Long-term debt	4,209,000	1,430,000	-	5,639,000
Total liabilities	<u>9,862,504</u>	<u>3,025,120</u>	<u>38,146</u>	<u>12,925,770</u>
Net Assets (Deficit) - Unrestricted	<u>(1,470,288)</u>	<u>(596,071)</u>	<u>15,128</u>	<u>(2,051,231)</u>
Total net assets (deficit)	<u>\$ (1,470,288)</u>	<u>\$ (596,071)</u>	<u>\$ 15,128</u>	<u>\$ (2,051,231)</u>

City of Wyandotte, Michigan

	<u>Program Revenues</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants/ Contributions</u>
Tax Increment Finance Authorities - Consolidated Development Area	\$ 5,161,289	\$ -	\$ -
Tax Increment Finance Authorities - Downtown Development Area	752,576	30,771	-
Downtown Development Authority	<u>2,014</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 5,915,879</u>	<u>\$ 30,771</u>	<u>\$ -</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 (Deficit) - End of year

Component Units
Statement of Activities
Year Ended September 30, 2003

Net (Expense) Revenue and Changes in Net Assets			
Tax Increment Finance Authorities			
Consolidated Development Area	Downtown Development Area	Downtown Development Authority	Total
\$ (5,161,289)	\$ -	\$ -	\$ (5,161,289)
-	(721,805)	-	(721,805)
-	-	(2,014)	(2,014)
(5,161,289)	(721,805)	(2,014)	(5,885,108)
4,973,159	1,136,033	34,557	6,143,749
53,169	57,209	164	110,542
424,875	60,000	-	484,875
85,396	18,423	-	103,819
5,536,599	1,271,665	34,721	6,842,985
375,310	549,860	32,707	957,877
(1,845,598)	(1,145,931)	(17,579)	(3,009,108)
\$ (1,470,288)	\$ (596,071)	\$ 15,128	\$ (2,051,231)

City of Wyandotte, Michigan

Note 1 - Summary of Significant Accounting Policies

The accounting policies of the City of Wyandotte (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:

Reporting Entity

The City of Wyandotte 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 1 - 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 TIFA's governing body and Downtown Development Area TIFA's governing body, which consist of nine and eleven 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.

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 \$1,543,839 for operations of the system and \$630,428 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 15. Financial statements for the joint venture can be obtained from the administrative offices at 415 Clifford, Detroit, MI 48226.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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

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.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

The 2002 taxable valuation of the City totaled \$618,127,772, on which taxes levied consisted of 12.2096 mills for operating purposes, 2.2400 mills for debt service, 2.5492 mills for garbage and rubbish services, 1.2900 mills for drain operation and maintenance, 1.7112 mills for the sewer judgment levy, and 1.7706 mills for the DDA. This resulted in approximately \$6,115,000 for operating purposes, \$923,000 for debt service, \$1,288,000 for garbage and rubbish services, \$523,000 for drain operation and maintenance, \$694,000 for the sewer judgment levy, and \$35,000 for the DDA. These amounts are recognized in the respective General, Special Revenue, Debt Service, 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."

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 consumed rather than when purchased. 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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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. There is no liability for unpaid accumulated sick leave since the City does not have a policy to pay any amounts when employees separate from service with the City. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end.

Note 1 - Summary of Significant Accounting Policies (Continued)

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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, 2003:

	Utility Fees			Property
	Electricity	Water	Sewage	Taxes
BASF Corporation	19%	21%	21%	13%
Wayne County	9%	6%	- %	- %
Electric Fund	- %	4%	- %	- %

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		\$ (421,171)
Current year buiding permit revenue		520,421
Related expenditures:		
Direct costs	\$ 209,441	
Estimated indirect costs	<u>433,729</u>	
Total construction code expenditures		<u>643,170</u>
Cumulative shortfall - End of year		<u>\$ (543,920)</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.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2003

Note 3 - Deposits and Investments (Continued)

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'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	\$ 31,442,764	\$ 5,613,756	\$ 63,608,956	\$ 100,665,476	\$ 4,553,682
Restricted assets	-	12,759,412	-	12,759,412	-
Total	<u>\$ 31,442,764</u>	<u>\$ 18,373,168</u>	<u>\$ 63,608,956</u>	<u>\$ 113,424,888</u>	<u>\$ 4,553,682</u>

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)	\$ 7,908,686	\$ 2,470,564
Investments in securities, mutual funds, and similar vehicles	105,511,842	2,083,118
Petty cash or cash on hand	<u>4,360</u>	<u>-</u>
Total	<u>\$ 113,424,888</u>	<u>\$ 4,553,682</u>

The bank balance of the City's deposits is approximately \$11,171,000, of which \$900,000 is covered by federal depository insurance and approximately \$10,271,000 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.

Note 3 - Deposits and Investments (Continued)

The component units' deposits had a bank balance of approximately \$2,635,000, of which \$300,000 was covered by federal depository insurance and approximately \$2,335,000 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.

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

	Category			Reported Amount (Fair Value)
	1	2	3	
Primary government:				
Corporate bonds	\$ -	\$ 19,880,494	\$ -	\$ 19,880,494
U.S. government securities	-	16,319,363	-	16,319,363
Municipal obligations	-	106,907	-	106,907
Common and preferred stock	-	18,789,016	-	18,789,016
Subtotal	<u>\$ -</u>	<u>\$ 55,095,780</u>	<u>\$ -</u>	55,095,780
Investments not subject to categorization*:				
U.S. government pooled investment and other bank investment pool funds				44,122,239
Foreign stock investment pools				<u>6,293,823</u>
Total primary government				<u>\$ 105,511,842</u>
Component units - Bank investment pool funds				<u>\$ 2,083,118</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.

Note 3 - Deposits and Investments (Continued)

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.

Included in the Pension Trust Fund investments at September 30, 2003 are the following:

- Approximately \$10,214,000 of securities issued by the Federal National Mortgage Association (FNMA) and approximately \$960,000 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 \$3,584,000. 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, 2003 are the following:

- Approximately \$1,054,000 of securities issued by the Federal National Mortgage Association (FNMA) and approximately \$838,000 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.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2003

Note 4 - Receivables

Receivables as of year end for the City's major General Fund and business-type funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General Fund	Electric Fund	Water Fund	Cable Television Fund	Sewage Disposal Fund	Building Rental Fund	Total
Receivables:							
Taxes	\$ 6,547,758	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,547,758
Billed	-	1,533,757	180,095	325,020	385,050	-	2,423,922
Unbilled	-	1,683,671	92,300	-	-	-	1,775,971
Special assessments	674,933	-	-	-	-	-	674,933
Accrued interest and other	1,170,123	-	-	-	-	7,969	1,178,092
Less allowance for uncollectibles	(247,000)	(122,640)	(2,123)	(10,039)	-	-	(381,802)
Net receivables	\$ 8,145,814	\$ 3,094,788	\$ 270,272	\$ 314,981	\$ 385,050	\$ 7,969	\$ 12,218,874

The City's remaining governmental funds are reported in the aggregate in the statement of net assets. 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	\$ 66,623	\$ -	\$ -	\$ -
Special assessments	674,675	-	-	-
ALS receivables	134,399	-	-	-
Land contract receivables	-	-	-	549,724
Due from other governmental units	190,203	-	-	-
Property tax receipts for fiscal year 2004	-	10,157,593	-	4,295,209
Grants receivable	276,828	-	-	-
Grant payments received prior to meeting all eligibility requirements	-	5,591	-	-
Other	121,477	-	185,000	-
Total	\$ 1,464,205	\$ 10,163,184	\$ 185,000	\$ 4,844,933

Note 5 - Restricted Assets

The balances of restricted asset accounts are as follows:

	<u>Business-type Activities</u>
Investments:	
Restricted for debt service	\$ 8,953,273
Restricted for capital outlay	2,791,175
Restricted for retiree health care	<u>1,014,964</u>
Total restricted assets	12,759,412
Less current liabilities payable from restricted assets:	
Accrued interest payable	(1,227,006)
Bond principal payable	<u>(2,000,000)</u>
Total current liabilities payable from restricted assets	<u>(3,227,006)</u>
Net restricted assets	<u>\$ 9,532,406</u>

Included in the above investment is approximately \$8,000,000 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, 2003:

Bond issuance costs	\$ 931,515
Less accumulated amortization	<u>(77,625)</u>
Total	<u>\$ 853,890</u>

For the year ended September 30, 2003, 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, 2003, inventory had a cost of \$2,009,788 and \$15,085,287 and a fair market value of \$251,438 and \$1,552,750 in the Special Revenue Funds and component units, respectively. Included in capital outlay and other expenses of the current year was a provision of \$64,174 and \$174,600 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 \$1,300,000 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 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, 2003.

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2003

Note 9 - Capital Assets

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

	Balance October 1, 2001	Additions	Disposals and Adjustments	Balance September 30, 2002
Governmental activities:				
Capital assets not being depreciated -				
Land	\$ 18,146,294	\$ -	\$ -	\$ 18,146,294
Capital assets being depreciated:				
Infrastructure	61,481,742	888,306	-	62,370,048
Sidewalks	33,331,434	167,047	-	33,498,481
Land improvements	3,148,997	1,450,182	-	4,599,179
Buildings	5,945,363	1,024,292	-	6,969,655
Machinery and equipment	8,181,343	1,580,069	353,969	9,407,443
Subtotal	112,088,879	5,109,896	353,969	116,844,806
Accumulated depreciation	60,425,330	4,897,498	314,270	65,008,558
Net capital assets being depreciated	51,663,549	212,398	39,699	51,836,248
Net capital assets	<u>\$ 69,809,843</u>	<u>\$ 212,398</u>	<u>\$ 39,699</u>	<u>\$ 69,982,542</u>
	Balance October 1, 2001	Additions	Disposals and Adjustments	Balance September 30, 2002
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 145,000	\$ -	\$ -	\$ 145,000
Construction in progress	-	118,879	-	118,879
Subtotal	145,000	118,879	-	263,879
Capital assets being depreciated:				
Utility plant	89,917,022	705,042	-	90,622,064
Transmission	5,768,155	-	-	5,768,155
Pumping	2,648,624	78,819	18,913	2,708,530
Purification	3,615,448	73,613	-	3,689,061
Distribution	40,457,194	846,086	-	41,303,280
Transportation	1,388,447	423,948	-	1,812,395
Stores	695,953	41,872	-	737,825
Cable equipment	891,711	61,079	-	952,790
Studio	444,068	8,478	-	452,546
General	2,884,740	50,721	-	2,935,461
Buildings	4,135,018	-	-	4,135,018
Land improvements	2,937,427	-	-	2,937,427
Equipment and fixtures	980,812	141,807	-	1,122,619
Sewer lines	11,336,525	252,510	110,310	11,478,725
Subtotal	168,101,144	2,683,975	129,223	170,655,896

City of Wyandotte, Michigan

Notes to Financial Statements September 30, 2003

Note 9 - Capital Assets (Continued)

	Balance October 1, 2001	Additions	Disposals and Adjustments	Balance September 30, 2002
Business-type activities (Continued):				
Accumulated depreciation:				
Utility plant	\$ 43,422,764	\$ 3,839,117	\$ -	\$ 47,261,881
Transmission	3,778,465	176,319	-	3,954,784
Pumping	1,627,343	88,966	-	1,716,309
Purification	2,682,606	96,790	-	2,779,396
Distribution	24,661,508	1,279,152	-	25,940,660
Transportation	1,159,297	109,849	-	1,269,146
Stores	461,254	38,719	-	499,973
Cable equipment	353,429	108,504	-	461,933
Studio	341,831	34,884	-	376,715
General	2,139,759	107,381	-	2,247,140
Buildings	358,209	103,172	-	461,381
Land improvements	410,253	58,749	-	469,002
Equipment and fuxtures	576,353	75,346	-	651,699
Sewer lines	226,327	226,353	-	452,680
Subtotal	<u>82,199,398</u>	<u>6,343,301</u>	<u>-</u>	<u>88,542,699</u>
Net capital assets being depreciated	<u>85,901,746</u>	<u>(3,659,326)</u>	<u>129,223</u>	<u>82,113,197</u>
Net capital assets	<u>\$ 86,046,746</u>	<u>\$ (3,540,447)</u>	<u>\$ 129,223</u>	<u>\$ 82,377,076</u>

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

Governmental activities:

General government	\$ 4,178,169
Public safety	262,248
Public works	226,294
Recreation and culture	<u>230,787</u>

Total governmental activities \$ 4,897,498

Business-type activities:

Electric	\$ 4,839,231
Water	412,215
Cable television	611,185
Sewage disposal	243,403
Golf course	153,681
Building rental	<u>83,586</u>

Total business-type activities \$ 6,343,301

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 Street Fund	\$ 65,728
General Fund	Golf Course Fund	25,293
General Fund	Building Rental Fund	72,930
General Fund	Other nonmajor governmental funds	156,639
Local Street Fund	Major Street Fund	2,635
Solid Waste Disposal Fund	General Fund	1,002,479
Solid Waste Disposal Fund	Other nonmajor governmental funds	114
Other nonmajor governmental funds	General Fund	1,247,831
Other nonmajor governmental funds	Building Rental Fund	342,380
Other nonmajor governmental funds	Other nonmajor governmental funds	67,847
Electric Fund	Cable Television Fund	125
Cable Television Fund	Electric Fund	15,000
Cable Television Fund	Water Fund	167,371
Sewage Fund	General Fund	694,286
Sewage Fund	Water Fund	370,109
Internal Service Fund	General Fund	<u>3,471,198</u>
	Total	<u>\$ 7,701,965</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>\$ 1,421,696</u>

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

Interfund Transfers

	Transfers Out			Total
	General Fund	Major Street Fund	Water Fund	
Transfers in:				
Local Street Fund	\$ -	\$ 289,923	\$ -	\$ 289,923
Sewage Fund	700,374	-	92,322	792,696
Internal Service Fund	314,212	-	-	314,212
Other governmental funds	841,794	-	-	841,794
Total	<u>\$ 1,856,380</u>	<u>\$ 289,923</u>	<u>\$ 92,322</u>	<u>\$ 2,238,625</u>

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 newly acquired fire ariel 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 Street Fund to the Local Street Fund, where the funds were then spent. The remaining transfer from the Water Fund to the Sewage Fund was reimbursement for construction-related costs.

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
Governmental activities:							
General obligation bond - Building Authority Bonds							
Amount of issue - \$5,000,000	3.75 - 5.75%	2013	\$ 4,350,000	\$ -	\$ 275,000	\$ 4,075,000	\$ 275,000
2003 Bank One Purchase Installment - Fire Equipment -							
Amount - \$753,093	2.53%	2006	-	753,093	101,213	651,880	247,305
Vested employee benefits	N/A	N/A	1,679,873	-	89,557	1,590,316	636,127
			<u>\$ 6,029,873</u>	<u>\$ 753,093</u>	<u>\$ 465,770</u>	<u>\$ 6,317,196</u>	<u>\$ 1,158,432</u>
Business-type activities:							
Cable Television Limited Tax General Obligation							
Installment Purchase Contract - Amount of							
issue - \$3,994,031	4.16%	2011	\$ 3,416,531	\$ -	\$ 375,000	\$ 3,041,531	\$ 375,000
State Revolving Fund - Downriver Sewage							
Disposal System:							
Amount of issue - \$1,610,332	2.50%	2016	1,191,571	-	74,470	1,117,101	75,484
Amount of issue - \$4,691,934	2.25%	2019	4,091,179	-	200,712	3,890,467	205,492
Amount of issue - \$1,168	2.25%	2018	972	-	50	922	53
Amount of issue - \$474,845	2.25%	2021	454,907	-	19,559	435,348	20,020
Amount of issue - \$1,094,717	2.25%	2021	1,006,868	-	45,911	960,957	46,833
Amount of issue - \$864,574	2.25%	2021	819,346	-	36,368	782,978	36,875
Downriver Sewage Disposal System - Completion							
Bond - Amount of issue - \$1,223,935	4.90 - 5.12%	2019	1,139,512	-	45,271	1,094,241	47,310
Installment Loan - Bank	8.06%	2010	817,134	-	81,783	735,351	89,615
Revenue bonds:							
1992 Electric Revenue and Revenue Refunding							
Bond - Amount of issue - \$61,185,000	6.20 - 6.25%	2009	15,930,000	-	1,885,000	14,045,000	2,125,000
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	30,392,074	108,324	-	30,500,398	295,000
			<u>59,260,094</u>	<u>\$ 108,324</u>	<u>\$ 2,764,124</u>	<u>56,604,294</u>	<u>\$ 3,316,682</u>
Less portion payable from restricted assets			<u>(1,885,000)</u>			<u>(2,000,000)</u>	
			<u>\$ 57,375,094</u>			<u>\$ 54,604,294</u>	
Component units:							
Limited Tax Development Refunding Bonds,							
Series 1992 - Amount of issue - \$11,940,000	6.25-6.375%	2010	\$ 4,910,000	\$ -	\$ 775,000	\$ 4,135,000	\$ 870,000
Downtown Development Refunding Bonds							
Series 1992 (continued)	6.2-6.25%	2009	2,020,000	-	300,000	1,720,000	290,000
Brownfield Revitalization Loan	2.25%	2015	944,000	-	-	944,000	-
Downtown Development Authority Trolley							
Installment Loan	5.75%	2003	64,098	-	64,098	-	-
			<u>\$ 7,938,098</u>	<u>\$ -</u>	<u>\$ 1,139,098</u>	<u>\$ 6,799,000</u>	<u>\$ 1,160,000</u>

Note 11 - Long-term Debt (Continued)

Annual debt service requirements to maturity, excluding unamortized discount on bonds payable 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
2004	\$ 522,305	\$ 200,750	\$ 723,055	\$ 3,316,682	\$ 2,409,823	\$ 5,726,505	\$ 1,160,000	\$ 359,808	\$ 1,519,808
2005	553,634	178,608	732,242	3,479,146	2,483,726	5,962,872	1,135,244	394,050	1,529,294
2006	450,941	155,326	606,267	3,648,819	2,297,992	5,946,811	845,210	238,460	1,083,670
2007	300,000	136,800	436,800	3,827,484	2,102,220	5,929,704	827,127	188,892	1,016,019
2008	350,000	119,550	469,550	4,018,918	1,895,819	5,914,737	899,087	137,570	1,036,657
2009-2013	2,550,000	316,050	2,866,050	19,258,974	6,935,348	26,194,322	1,726,420	155,056	1,881,476
2014-2018	-	-	-	17,824,684	2,394,932	20,219,616	205,912	6,975	212,887
2019-2023	-	-	-	719,189	25,094	744,283	-	-	-
Total	\$ 4,726,880	\$ 1,107,084	\$ 5,833,964	\$ 56,093,896	\$ 20,544,954	\$ 76,638,850	\$ 6,799,000	\$ 1,480,811	\$ 8,279,811

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, 2003 is approximately \$291,000 earmarked for future repairs of the system pursuant to the ordinance. Also included in the current liabilities of the Electric Fund at September 30, 2003 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.

Defeased Debt

The City defeased, in substance, the Wyandotte Building Authority Hospital Bonds during the year ended September 30, 1990. The principal outstanding as of September 30, 2003 is \$960,000.

The defeasance was accomplished by placing the proceeds of new bonds and other assets of the City in an irrevocable trust to provide for all future principal and interest payments on the old bonds.

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. The plan currently 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, 2003. 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 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 \$750,000 as of June 1, 1990 and 2002, respectively) and the policy limits of \$5,000,000. The Department of Municipal Services is also partially uninsured for workers' compensation claims. All Municipal Services claims are insured for the per occurrence exposure between the deductible of \$300,000 to \$400,000, depending on the policy year and the policy limits of \$5,000,000.

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

	Self-insurance Fund	Enterprise Funds
		Department of Municipal Services
	All Remaining Funds	
Estimated liability - October 1, 2001	\$ 1,496,264	\$ 395,026
Incurred claims (including claims incurred but not reported)	247,315	146,645
Claim payments and changes in estimates	<u>(291,519)</u>	<u>(15,567)</u>
Estimated liability - September 30, 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	<u>\$ 877,114</u>	<u>\$ 449,924</u>

Note 13 - Net Assets

Portions of net assets of the Enterprise Funds have been restricted for the following purposes at September 30, 2003:

	Electric	Water	Cable	Total
Debt service	\$ 4,687,364	\$ -	\$ 964,143	\$ 5,651,507
Capital improvements	2,790,821	354	-	2,791,175
Retiree health care	724,886	145,039	145,039	1,014,964
Total	<u>\$ 8,203,071</u>	<u>\$ 145,393</u>	<u>\$ 1,109,182</u>	<u>\$ 9,457,646</u>

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, 2002, the date of the most recent actuarial valuation, membership consisted of 258 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 213 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.

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.

Note 14 - Pension Plan (Continued)

Annual Pension Costs - For the year ended September 30, 2003, the City's annual pension cost of \$2,083,416 for the plan was equal to the required and actual contribution. The annual pension costs consist of contributions from Municipal Service of \$444,947 and transfers from the endowment reserves of \$1,638,469. The annual required contribution was determined as part of an actuarial valuation at September 30, 2001, 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 15 years and 24 years for the Municipal Service and General and Police and Fire divisions, respectively.

Reserves - As of September 30, 2003, 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		\$ 422,547
Reserve for retired benefit payments		35,748,594
Additional reserves (deficit):		
Reserve for employer contributions		17,783,893
Reserve for Special Retirement Fund		728,694
Reserve for retiree health benefits		(247,491)
Reserve for endowment		<u>8,496,069</u>
Total reserves		<u>\$ 62,932,306</u>

	2001	2002	2003
Annual pension costs (APC)	\$ 2,012,329	\$ 2,089,676	\$ 2,083,416
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.

In accordance with the above requirements, the City contributed \$248,599 during the current year, and the employees contributed \$124,229.

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, 2003.

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 \$1,109,000, of which \$647,000 and \$462,000 was paid by the Employees' Retirement System and the Enterprise Funds, respectively.

Note 18 - Accounting and Reporting Change

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. The City has applied the provisions of this statement and the retroactive reporting of the infrastructure in the current year. Certain significant changes in the statement include the following:

- A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations
- Financial statements prepared using full accrual accounting for all of the City's activities, including infrastructure (roads, bridges, etc.)
- A change in the fund financial statements to focus on the major funds
- Capital assets in the governmental activities column of the statement of net assets includes infrastructure assets (roads, bridges, etc.). The City did not previously account for its governmental assets.
- The governmental activities column includes bonds and other long-term obligations totaling \$6,317,196.

Required Supplemental Information

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
Fund Balance - Beginning of year	\$ 1,554,598	\$ 1,554,598	\$ 1,554,598	\$ -
Revenues				
Property taxes	6,998,259	7,860,889	7,939,550	78,661
State receipts, revenues, and other sources	9,193,883	7,601,300	7,721,250	119,950
Amounts available for appropriation	16,192,142	15,462,189	15,660,800	198,611
Expenditures				
Legislative	155,655	155,724	154,450	1,274
Judicial	712,753	745,942	703,672	42,270
Financial services and administration	361,057	363,593	358,313	5,280
General government	1,299,350	1,306,764	1,514,974	(208,210)
Assessor	179,267	179,267	178,093	1,174
City Clerk	245,640	245,640	237,869	7,771
Community relations	96,230	96,230	91,291	4,939
Treasurer	249,359	249,359	240,301	9,058
Police and civil defense	4,422,265	4,422,265	4,290,210	132,055
Fire	2,609,253	2,609,253	2,828,593	(219,340)
Engineering and D.P.S.	1,038,425	1,064,359	1,171,267	(106,908)
Public works	2,780,722	2,791,722	2,700,264	91,458
Recreation	638,205	638,205	585,782	52,423
Swimming pool	62,253	62,256	61,228	1,028
Yack arena	451,081	452,796	417,545	35,251
Youth assistance	41,067	42,279	40,373	1,906
Historical commission	88,763	88,945	86,308	2,637
City commissions	26,162	26,162	27,329	(1,167)
Debt administration	653,000	-	-	-
Elections	20,764	20,764	17,567	3,197
Total charges to appropriations	16,131,271	15,561,525	15,705,429	(143,904)
Fund Balance - End of year	\$ 1,615,469	\$ 1,455,262	\$ 1,509,969	\$ 54,707

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Major Street Fund Year Ended September 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 826,318	\$ 826,318	\$ 826,318	\$ -
Revenues				
State sources	1,131,904	1,131,904	1,164,402	32,498
Interest income	28,000	10,000	8,137	(1,863)
Other	<u>15,000</u>	<u>15,000</u>	<u>16,703</u>	<u>1,703</u>
Amounts available for appropriation	1,174,904	1,156,904	1,189,242	32,338
Expenditures				
Public works	891,500	1,442,017	1,103,627	338,390
Transfers to other funds	<u>282,976</u>	<u>282,976</u>	<u>289,923</u>	<u>(6,947)</u>
Total charges to appropriations	<u>1,174,476</u>	<u>1,724,993</u>	<u>1,393,550</u>	<u>331,443</u>
Fund Balance - End of year	<u>\$ 826,746</u>	<u>\$ 258,229</u>	<u>\$ 622,010</u>	<u>\$ 363,781</u>

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Local Street Fund Year Ended September 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 1,185,085	\$ 1,185,085	\$ 1,185,085	\$ -
Revenues				
Federal sources	-	-	149,699	149,699
State sources	422,367	422,367	608,306	185,939
Interest income	18,000	15,000	11,961	(3,039)
Transfer from other funds	<u>282,976</u>	<u>282,976</u>	<u>289,923</u>	<u>6,947</u>
Amounts available for appropriation	723,343	720,343	1,059,889	339,546
Expenditures - Public works	<u>775,000</u>	<u>867,000</u>	<u>1,200,166</u>	<u>(333,166)</u>
Fund Balance - End of year	<u>\$ 1,133,428</u>	<u>\$ 1,038,428</u>	<u>\$ 1,044,808</u>	<u>\$ 6,380</u>

City of Wyandotte, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds - Solid Waste Disposal Fund Year Ended September 30, 2003

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Fund Balance - Beginning of year	\$ 216,800	\$ 216,800	\$ 216,800	\$ -
Revenues				
Property taxes	1,046,915	1,046,915	1,045,234	(1,681)
TIFA sharing agreement	226,861	226,861	242,380	15,519
Dumpster billings	184,685	184,685	204,306	19,621
Service fees	27,562	27,563	31,566	4,003
Rubbish tags	44,089	44,089	41,853	(2,236)
Interest income	10,000	3,000	3,412	412
Amounts available for appropriation	1,540,112	1,533,113	1,568,751	35,638
Expenditures				
Administration	100,000	100,000	100,000	-
Rubbish collection	778,000	778,000	766,893	11,107
Dumping fees	303,000	343,000	363,626	(20,626)
Recycling fees	48,000	8,000	7,691	309
Tag program costs	25,000	25,000	16,994	8,006
Household hazardous waste program	10,000	10,000	8,604	1,396
Capital equipment	202,000	202,000	145,184	56,816
Total charges to appropriations	1,466,000	1,466,000	1,408,992	57,008
Fund Balance - End of year	<u>\$ 290,912</u>	<u>\$ 283,913</u>	<u>\$ 376,559</u>	<u>\$ 92,646</u>

City of Wyandotte, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress September 30, 2003

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets *	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio (Percent)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(a)	(b)	(b-a)	(a/b)	(c)	
General Employees' Retirement System						
9/30/97	\$ 44,619,612	\$ 57,835,543	\$ 13,215,931	77.1	\$ 11,475,349	115.2
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

Schedule of Employer Contributions

The schedule of employer contributions is as follows:

Year Ended September 30	Municipal Service Contribution	Reclassification from Endowment Reserve**	Annual Required Contribution	Percentage Contributed
1998	\$ 612,746	\$ 1,616,618	\$ 2,229,364	100
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

** 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, 2002, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percent, closed
Remaining amortization period	23 years - General and Police and Fire Divisions 14 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, 2003

Note - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles 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	Reimbursements from Other Funds	Operating Statement
General Fund:				
Total revenue	\$ 15,660,800	\$ 1,856,380	\$ (1,646,494)	\$ 15,870,686
Total expenditures	15,705,429	-	(1,646,494)	14,058,935
Major Street Fund - Total expenditures	1,393,550	(289,923)	-	1,103,627
Local Street Fund - Total revenue	1,059,889	(289,923)	-	769,966
Total	<u>\$ 33,819,668</u>	<u>\$ 1,276,534</u>	<u>\$ (3,292,988)</u>	<u>\$ 31,803,214</u>

City of Wyandotte, Michigan

Note to Required Supplemental Information September 30, 2003

Note - Stewardship, Compliance, and Accountability (Continued)

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

	Budget	Actual
General Fund:		
General government	\$ 1,306,764	\$ 1,514,974
Fire	2,609,253	2,828,593
Engineering and DPS	1,064,359	1,171,267
Local Street Fund - Public works	867,000	1,200,166

The unfavorable variances in the General Fund were the result of larger than anticipated contributions to the retirement system. The variance in the Local Streets Fund was the result of construction projects originally budgeted in other funds being completed in the Local Streets Fund.

Fund Deficits - The City had a deficit in the Grants Fund due to revenue that will not be received within 60 days of year end. The component units are presented on the full accrual basis in the basic financial statements, resulting in a deficit on that basis in the Tax Increment Financing Authority Consolidated Development Area and Tax Increment Authority Downtown Development Area.

Other Supplemental Information

City of Wyandotte, Michigan

Nonmajor Special Revenue Funds

	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant	Grants	Public Improvement
Assets					
Cash and investments	\$ 428,666	\$ 108,015	\$ 32,754	\$ 38,257	\$ 251,287
Receivables:					
Taxes	-	-	-	-	-
Special assessments	-	-	-	-	-
Accrued interest and other	179	-	-	-	-
Note receivable	-	-	82,362	-	-
Due from other governmental units	-	-	61,252	207,994	-
Long-term interfund receivable	-	-	1,421,696	-	-
Due from other funds	303,294	-	-	-	-
Real estate inventory	-	-	207,201	-	44,237
Total assets	\$ 732,139	\$ 108,015	\$ 1,805,265	\$ 246,251	\$ 295,524
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 84,650	\$ 500	\$ 128	\$ 69,359	\$ 116,472
Due to other funds	-	1,194	50,000	100,938	3,334
Due to component units	-	-	-	-	-
Deferred revenue	-	5,591	82,362	175,641	-
Total liabilities	84,650	7,285	132,490	345,938	119,806
Fund Balances (Deficit)					
Reserved:					
Noncurrent interfund receivable	-	-	1,421,696	-	-
Construction and other expenditures	194,752	-	-	-	-
Unreserved	452,737	100,730	251,079	(99,687)	175,718
Total fund balances (deficit)	647,489	100,730	1,672,775	(99,687)	175,718
Total liabilities and fund balances (deficit)	\$ 732,139	\$ 108,015	\$ 1,805,265	\$ 246,251	\$ 295,524

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
September 30, 2003**

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	
\$ 2,843,741	\$ 419,027	\$ 529,185	\$ 617,672	\$ 57,007	\$ 187,057	\$ 5,512,668
244,669	17,712	-	-	-	-	262,381
-	674,933	-	-	-	-	674,933
22,681	64,422	182	7,953	-	-	95,417
-	-	-	-	-	-	82,362
-	-	-	-	-	305,000	574,246
-	-	-	-	-	-	1,421,696
550,352	15,315	-	342,380	446,717	-	1,658,058
-	-	-	-	-	-	251,438
<u>\$ 3,661,443</u>	<u>\$ 1,191,409</u>	<u>\$ 529,367</u>	<u>\$ 968,005</u>	<u>\$ 503,724</u>	<u>\$ 492,057</u>	<u>\$ 10,533,199</u>
\$ 6,252	\$ 182,267	\$ 32,287	\$ -	\$ -	\$ 76,607	\$ 568,522
-	114	4,507	-	-	64,513	224,600
234,499	1,918	-	-	375,000	-	611,417
619,405	756,823	-	7,953	-	-	1,647,775
860,156	941,122	36,794	7,953	375,000	141,120	3,052,314
-	-	-	-	-	-	1,421,696
2,801,287	-	-	-	128,724	350,937	3,475,700
-	250,287	492,573	960,052	-	-	2,583,489
2,801,287	250,287	492,573	960,052	128,724	350,937	7,480,885
<u>\$ 3,661,443</u>	<u>\$ 1,191,409</u>	<u>\$ 529,367</u>	<u>\$ 968,005</u>	<u>\$ 503,724</u>	<u>\$ 492,057</u>	<u>\$ 10,533,199</u>

City of Wyandotte, Michigan

Nonmajor Special Revenue Funds

	Equipment and Replacement	Drug Law Enforcement	Urban Development Action Grant	Grants	Public Improvement
Revenue					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal grants	-	3,660	-	299,412	-
State grants and distributions	-	-	-	8,553	-
Interest	239,641	1,140	233,560	-	2,378
Other	-	26,394	53,044	-	18,055
Total revenue	239,641	31,194	286,604	307,965	20,433
Expenditures					
General government	-	-	15,000	15,401	-
Public safety	-	35,982	-	-	-
Public works	-	-	-	393,741	204,774
Capital outlay and other	485,945	-	64,174	-	126,471
Debt service and bond issuance costs	-	-	-	-	-
Total expenditures	485,945	35,982	79,174	409,142	331,245
Excess of Revenue Over (Under) Expenditures	(246,304)	(4,788)	207,430	(101,177)	(310,812)
Other Financing Sources - Operating transfers in	306,185	-	-	-	150,000
Excess of Revenue and Other Financing Sources Over (Under) Expenditures	59,881	(4,788)	207,430	(101,177)	(160,812)
Fund Balances - Beginning of year	587,608	105,518	1,465,345	1,490	336,530
Fund Balances (Deficit) - End of year	<u>\$ 647,489</u>	<u>\$ 100,730</u>	<u>\$ 1,672,775</u>	<u>\$ (99,687)</u>	<u>\$ 175,718</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances (Deficit) - Nonmajor Governmental Funds
Year Ended September 30, 2003

Nonmajor Special Revenue Funds				Nonmajor Debt Service Fund	Nonmajor Capital Projects Fund	
Southgate- Wyandotte Drain O&M	Sidewalk and Alley Paving	Special Events	Building Authority Improvement	DPS Building Bonds	Construction	Total Nonmajor Governmental Funds
\$ 522,702	\$ 237,250	\$ -	\$ -	\$ -	\$ 305,000	\$ 1,064,952
71,106	213,956	-	-	-	-	588,134
-	-	-	-	-	-	8,553
31,173	18,905	4,816	2,640	1,272	2,612	538,137
4,401	180,099	260,911	321,568	-	-	864,472
629,382	650,210	265,727	324,208	1,272	307,612	3,064,248
20,000	81,500	37,186	-	-	-	169,087
-	-	-	-	-	-	35,982
-	1,101,740	-	-	-	-	1,700,255
1,277,216	-	262,039	55,210	-	1,314,735	3,585,790
-	-	-	-	482,700	-	482,700
1,297,216	1,183,240	299,225	55,210	482,700	1,314,735	5,973,814
(667,834)	(533,030)	(33,498)	268,998	(481,428)	(1,007,123)	(2,909,566)
-	-	-	-	385,609	-	841,794
(667,834)	(533,030)	(33,498)	268,998	(95,819)	(1,007,123)	(2,067,772)
3,469,121	783,317	526,071	691,054	224,543	1,358,060	9,548,657
\$ 2,801,287	\$ 250,287	\$ 492,573	\$ 960,052	\$ 128,724	\$ 350,937	\$ 7,480,885

February 17, 2004

Honorable Mayor and Members
of the City Council
City of Wyandotte
3131 Biddle Avenue
Wyandotte, MI 48192

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements for the City of Wyandotte for the year ended September 30, 2003. As a result of our audit, we offer the following observations and comments for your consideration:

STATE REVENUE SHARING

The City has and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 24% of the City's total General Fund revenue for fiscal year ended September 30, 2003. This is down from the fiscal year ending 2000 state shared revenue receipts which equated to approximately 30% of the General Fund's revenue at that time. Because of slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions to the revenue sharing line item in the State's budget, revenue sharing payments for the State's fiscal years ending September 30, 2002 and 2003 were less than originally projected.

The recent Governor's Executive Order 2003-23 lowered the appropriation for statutory revenue sharing an additional \$72 million. Supplemental legislation will be required to update the current formulas in statute to reflect the lower appropriation. Under existing law and the October 2003 Consensus Revenue Estimates, fiscal year 2003/2004 revenue sharing payments would be 4.2% lower than the 2002/2003 level. The Executive Order increases that decline another 5 percent, to 9.2%. Local units receive revenue sharing under both the statutory and constitutional provisions; that estimate is based on a reduction of the combined total.

As you have already been made aware, the City of Wyandotte's forecasted revenue sharing for fiscal year 2004 is approximately \$3,525,000. The impact that these cuts in revenue sharing by the State have had on the City resulted in a reduction in revenue sharing of approximately \$875,000 between fiscal year 2000 and fiscal year 2004.

It is generally acknowledged that the State's budget woes will continue for several more years. As a result, we continue to urge the City to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

STATE REVENUE SHARING (Continued)

With the major changes in revenue sharing occurring, we realize that the City is regularly seeking information on projected future revenue sharing payments. To assist the City in projecting state shared revenue payments, the Michigan Department of Treasury website is located at <http://www.treas.state.mi.us/apps/findrevshareinfo.asp>.

CONTINUED PLANNING

The situation related to the reduction in state shared revenue is made even more tenuous given the other economic factors affecting the City's finances currently and in the near future. These factors would include the measured growth of property tax revenue, decreased investment returns, increasing healthcare and employee benefit costs, potential City funding of retiree health and life insurance premiums and other items. These items have the potential of giving rise to a situation where the growth in the increase in expenditures will outpace the growth in revenues for an extended period of time. We would encourage the City to continually review its long range financial plans through the use of the five year plan model that has been developed.

NEW FINANCIAL STATEMENT FORMAT

Over the last several years, we have been discussing with you the new accounting standard that will significantly impact the format of the City's financial statements. This new standard, Governmental Accounting Standards Board (GASB) Statement 34, is now here! You will notice a very different look to the financial statements this year. Preparing for this new reporting model has been a long and arduous process for the City's finance department. The information that was previously provided in your financial statements has been retained in the new financial statement format. In addition, the following major items have been added:

- *Management Discussion and Analysis:* Management now provides a narrative overview of the City's overall financial position and results of operations in the annual financial report.
- *Government-wide Financial Statements:* These additional statements adjust the normal fund-based statements into a combined, full-accrual format. This allows a financial statement reader to see the City from a longer term perspective (i.e. are today's taxpayers paying the full cost of today's services?). These statements show capital and infrastructure assets, as well as long term debt as part of the City's financial picture.
- *Budget Comparison:* A financial statement reader will now be able to view not only the actual revenue and expenditures of the City as compared to the amended budget, but also as compared to the original budget.

While getting used to the new format may take a while, the Management's Discussion and Analysis section of the new reporting format, as mentioned above, provides an overview of the City's finances, and highlights the significant financial events of the fiscal year.

We would be happy to discuss any questions you may have about the new statements and how to best interpret the information provided.

FUND DEFICIT

At September 30, 2003 the City's Grants Fund was in a deficit. This was primarily due to the timing of submissions of reimbursement requests with the County related to the Community Development Block Grant program. We recommend the City review its policies related to reimbursement request to ensure that future requests are filed timely.

PURCHASING CARD POLICY

There is currently a purchasing card in the City's name that is used for purchases of supplies. However, the council has not passed a resolution authorizing purchasing card purchases. We would encourage the City to adopt a council resolution related to this matter. We could provide the City with a sample policy.

Also related to the use of the purchasing card, the custodians of the card also have the authority to review the appropriateness of charges and remit payment on the bills. We would recommend that these duties be separated.

GENERAL ACCOUNTING ITEMS

State Budget Act

Under the State Budget Act all amendments to the City's budget are required to be passed prior to the end of the fiscal year. Related to the fiscal year ended September 2003, there were budget amendments that were passed in October of 2003.

Another aspect of the Budget Act dictates that expenditures are not to exceed budgeted amounts. There were occurrences of the actual expenditures exceeding budgeted amounts for the current fiscal year.

We would encourage the City to adopt timely, up-to-date budget amendments so as to comply with the State Budget Act in both of the above aspects on a go forward basis.

Property Tax Distributions

During the audit, we noted that property taxes are being distributed to other governmental units approximately every other month during tax collection seasons. This schedule is less frequent than the schedule dictated by the State of Michigan. We recommend the City review the State guidelines and statutes for tax distributions and revise internal policies to ensure the City is in compliance with the required timeframe.

ACH Transfer Policy

The Council previously passed a resolution related to the adoption of an ACH (electronic funds) transfer policy. Included in that policy are provisions for information related to transfers (date, amount, nature of payment) to be submitted to the Mayor and Council, and for such information to be retained within the general ledger software system. It was noted during the audit that this provision is not being consistently adhered to. We would recommend that adopted policies related to ACH transfers be followed.

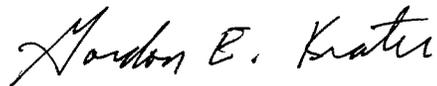
Investment Reports

Public Act 196 of 1997 requires local units of government to adopt an investment policy. In addition, the Act requires that the "investment officer annually provide a written report to the governing body concerning the investment of funds." While the City has adopted an investment policy and appears to be complying with the policy, an annual report has not been provided to Council. We recommend the City review this procedure to ensure compliance with Act 196.

We would like to again thank Mayor Sabuda, Mr. Drysdale, and the entire Finance and Treasury Department staff for their preparedness, cooperation, and assistance during the audit. We would be happy to answer any questions or concerns you have regarding the annual financial report and the above comments and recommendations at your convenience.

Very truly yours,

PLANTE & MORAN, PLLC



Gordon E. Krater



Blake M. Roe

City of Wyandotte, Michigan

**Federal Awards
Supplemental Information
September 30, 2003**

City of Wyandotte, Michigan

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Plante & Moran, PLLC
27400 Northwestern Highway
P.O. Box 307
Southfield, MI 48037-0307
Tel: 248.352.2500
Fax: 248.352.0018
plantemoran.com

Independent Auditor's Report

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

We have audited the basic financial statements of the City of Wyandotte, Michigan for the year ended September 30, 2003 and have issued our report thereon dated January 26, 2004. Those basic financial statements are the responsibility of the management of the City of Wyandotte, Michigan. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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 opinion.

Our audit was made for the purpose of forming an opinion on the basic financial statements of the City of Wyandotte, Michigan taken as a whole. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

January 26, 2004

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Report Letter on Compliance with Laws and Regulations and
Internal Control - Basic Financial Statements

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

We have audited the financial statements of the City of Wyandotte, Michigan as of and for the year ended September 30, 2003 and have issued our report thereon dated January 26, 2004. 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.

Compliance

As part of obtaining reasonable assurance about whether the City of Wyandotte, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Wyandotte, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

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

Plante & Moran, PLLC

January 26, 2004

Report Letter on Compliance with Laws and Regulations and
Internal Control - Major Federal Awards

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

Compliance

We have audited the compliance of the City of Wyandotte, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended September 30, 2003. The major federal program of the City of Wyandotte, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Wyandotte, Michigan's management. Our responsibility is to express an opinion on the City of Wyandotte, Michigan's compliance based on our audit.

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

In our opinion, the City of Wyandotte, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2003.

To the Honorable Mayor and City Council
City of Wyandotte, Michigan

Internal Control Over Compliance

The management of the City of Wyandotte, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Wyandotte, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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

Plante & Moran, PLLC

January 7, 2004

City of Wyandotte, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through Urban Community Development Block Grant - Wayne County, Michigan:				
2003 program year	14.218	Project #30	\$ 239,000	\$ 245,830
2002 program year	14.218	Project #30	289,000	138,592
2001 program year	14.218	Project #30	271,000	<u>79,875</u>
Total U.S. Department of Housing and Urban Development				464,297
U.S. Department of Transportation - Federal Highway Administration (FHWA) Transportation Enhancement Activities Surface Transportation Program passed through the Michigan Department of Transportation - 2003				
	20.205	STP 0382 (343/344)	278,378	278,378
U.S. Department of Justice - Juvenile Justice Grant - Passed through the Family Independence Agency (FIA):				
2003 program year	16.523	JAIBG	6,613	4,413
2002 program year	16.523	JAIBG-02-82027	9,123	<u>1,560</u>
Total U.S. Department of Justice				5,973
U.S. Federal Emergency Management Agency - Passed through the Department of State Police, Emergency Management Division - 2003 program year				
	83.548	A1346.12	231,230	93,016
Federal Equitable Sharing Program				
	16.Unknown	N/A	3,660	<u>3,660</u>
Total federal awards				<u>\$ 845,324</u>

City of Wyandotte, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 722,896
Federal revenue not reported in the financial statements:	
Community Development Block Grant	192,642
Juvenile Justice Grant	1,242
FEMA - Catch Basins Grant	21,910
MDOT	64,422
Federal revenue reported in the financial statements, not expended in current period - Community Development Block Grant	<u>(157,788)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 845,324</u>

City of Wyandotte, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2003

Note 1 - Significant Accounting Policies

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

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended September 30, 2003 that is not included on the schedule of expenditures of federal awards:

Federal Program	CFDA Number	Description	Amount
U.S . Department of Agriculture - Passed through Wayne Metropolitan Community Services Agency	10.569	U.S.D.A. Food Distribution	\$ 15,555

Note 3 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 3,000

City of Wyandotte, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2003

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ___ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ Yes X None reported

Noncompliance material to financial statements noted? ___ Yes X No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? ___ Yes X No
- Reportable condition(s) identified that are not considered to be material weaknesses? ___ Yes X None reported

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

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

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ Yes X No

City of Wyandotte, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2003

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

None