

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

City of Westland, Michigan

**Financial Report
with Supplemental Information
June 30, 2007**

**City of Westland, Michigan
Financial Report
June 30, 2007**

MAYOR WILLIAM R. WILD

City Council

Charles W. Pickering, President
Cheryl Graunstadt, President Pro Tem
James Godbout
Bill Johnson
Michael Kehrer
Dewey Reeves
Robert Stottlemeyer

City Administration

Budget Director
Building
CATV/Community Relations
City Assessor
City Clerk
Community Development Programs
Construction Maintenance Superintendent
Controller
Economic Development Director
Deputy Mayor
Finance
Fire Chief
Law
Management Information System
Parks and Recreation
Personnel
Police Chief
Public Service
Planning
Senior Resources Director
Water and Sewer Superintendent

Debra A. Szajko
Sue L. Dodson
Craig Welkenbach
James H. Elrod
Eileen DeHart
Terry Carroll
John Blevins
Dwayne R. Harrigan
Bill Caya
Courtney Conovor
Steven J. Smith
Michael J. Reddy
Angelo A. Plakas
Charles Nalbandian
Robert Kosowski
Keith Madden
James Ridener
Kevin L. Buford
Bruce Thompson
Peggy Ellenwood
Don Rohraff

City of Westland, Michigan

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Independent Auditor's Report

To the Members of the City Council
City of Westland, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Westland, Michigan (the "City") as of and for the year ended June 30, 2007, 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'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 Westland, Michigan as of June 30, 2007 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, pension system schedule of funding progress, and budgetary comparisons (identified in the table of contents as required supplemental information) are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

To the Members of the City Council
City of Westland, Michigan

The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Westland, Michigan's basic financial statements. The 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 issued a report dated November 29, 2007 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Plante & Moran, PLLC

November 29, 2007

City of Westland, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Westland, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2007. 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 June 30, 2007:

- The State of Michigan reduced state-shared revenue, our second largest revenue, by \$260,000 this year, the sixth straight year of declines. To offset the reduction in state-shared revenues, the City has made cuts to departmental budgets, delayed some capital improvements, and left certain positions vacant.
- The total net assets related to the City's governmental activities decreased by approximately \$24.6 million. In addition, fund balances for the governmental funds decreased by approximately \$57,000 during the year. The General Fund unreserved fund balance decreased by approximately \$5,700. The most significant difference between the decrease in fund balances and the decrease in net assets relates to the capitalization and depreciation of capital assets in the government-wide statement of net assets.

Using this Annual Report

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

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

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

The City of Westland as a Whole

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

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 18,632,555	\$ 18,637,857	\$ 7,405,648	\$ 9,522,718	\$ 26,038,203	\$ 28,160,575
Noncurrent assets	<u>309,237,390</u>	<u>335,479,021</u>	<u>79,819,611</u>	<u>79,409,009</u>	<u>389,057,001</u>	<u>414,888,030</u>
Total assets	327,869,945	354,116,878	87,225,259	88,931,727	415,095,204	443,048,605
Liabilities						
Current liabilities	8,233,623	7,091,082	3,334,017	3,083,056	11,567,640	10,174,138
Long-term liabilities	<u>18,291,001</u>	<u>21,098,911</u>	<u>4,580,000</u>	<u>5,430,000</u>	<u>22,871,001</u>	<u>26,528,911</u>
Total liabilities	<u>26,524,624</u>	<u>28,189,993</u>	<u>7,914,017</u>	<u>8,513,056</u>	<u>34,438,641</u>	<u>36,703,049</u>
Net Assets						
Invested in capital assets - Net of related debt	295,906,191	321,548,976	73,405,046	72,416,944	369,311,237	393,965,920
Restricted	9,775,976	9,864,004	984,565	792,065	10,760,541	10,656,069
Unrestricted (deficit)	<u>(4,336,846)</u>	<u>(5,486,095)</u>	<u>4,921,631</u>	<u>7,209,662</u>	<u>584,785</u>	<u>1,723,567</u>
Total net assets	<u>\$ 301,345,321</u>	<u>\$ 325,926,885</u>	<u>\$ 79,311,242</u>	<u>\$ 80,418,671</u>	<u>\$ 380,656,563</u>	<u>\$ 406,345,556</u>

The City's combined net assets decreased 6.3 percent from a year ago - decreasing from \$406,345,556 to \$380,656,563. This is generally a result of depreciation of the City's capital assets. For the year ended June 30, 2007, depreciation expense was approximately \$32,000,000.

Unrestricted net assets - the part of net assets that can be used to finance operations - is currently at a deficit of \$4,336,846 for governmental activities. This is generally a result of the accrual of the compensated absences of City employees, which will be paid from future revenue sources. This accrual is approximately \$9,400,000.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

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

TABLE 2	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Net Assets - Beginning of year	\$ 325,926,885	\$ 350,632,502	\$ 80,418,671	\$ 79,696,866	\$ 406,345,556	\$ 430,329,368
Revenue						
Program revenue:						
Charges for services	18,996,063	18,360,099	17,126,122	17,446,376	36,122,185	35,806,475
Operating grants and contributions	6,563,109	6,731,510	260,522	394,450	6,823,631	7,125,960
Capital grants and contributions	731,291	569,251	376,564	1,869,205	1,107,855	2,438,456
General revenue:						
Property taxes	27,962,775	26,696,601	-	-	27,962,775	26,696,601
State-shared revenue	8,553,057	8,755,927	-	-	8,553,057	8,755,927
Refund of captured property taxes	2,672,967	2,494,975	-	-	2,672,967	2,494,975
Interest	1,510,084	1,083,209	97,257	148,009	1,607,341	1,231,218
Transfers and other revenue	103,000	72,515	(103,000)	(72,515)	-	-
Total revenue	67,092,346	64,764,087	17,757,465	19,785,525	84,849,811	84,549,612
Program Expenses						
General government	12,589,008	12,737,487	-	-	12,589,008	12,737,487
Public safety	33,976,158	30,595,885	-	-	33,976,158	30,595,885
Public works	36,016,126	36,612,766	-	-	36,016,126	36,612,766
Community and economic development	2,346,778	2,333,126	-	-	2,346,778	2,333,126
Cultural and recreation	6,627,521	6,513,238	-	-	6,627,521	6,513,238
Miscellaneous	43,735	115,225	-	-	43,735	115,225
Interest on long-term debt	499,584	561,977	-	-	499,584	561,977
Water and sewer	-	-	18,864,894	19,063,720	18,864,894	19,063,720
Total program expenses	92,098,910	89,469,704	18,864,894	19,063,720	110,963,804	108,533,424
Change in Net Assets	(25,006,564)	(24,705,617)	(1,107,429)	721,805	(26,113,993)	(23,983,812)
Net Assets - End of year	<u>\$ 300,920,321</u>	<u>\$ 325,926,885</u>	<u>\$ 79,311,242</u>	<u>\$ 80,418,671</u>	<u>\$ 380,231,563</u>	<u>\$ 406,345,556</u>

Governmental Activities

The City's total governmental revenues increased by approximately \$2,300,000, despite decreases in state-shared revenue. The increase, which represents approximately 3.6 percent, was primarily due to the increase in real property taxable value. The increase in revenue was also due to higher court revenues and an increase in investment income due to higher interest rates.

Expenses increased by approximately \$2,600,000 during the year. Part of the increase was due to contractual raises as well as increasing healthcare costs.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. The City provides water to residents from the Detroit water system. The City also provides sewage treatment through Wayne County. Usage of the water system remained relatively consistent with usage in the prior year. Effective July 1, 2005, the City Council increased the water rate by 3.6 percent and the existing sewer rate by 1.3 percent to pass on the increase in costs from the City of Detroit and Wayne County. Effective July 1, 2007, the City Council increased water and sewer rates by 3.6 percent and 1.3 percent, respectively.

The City of Westland's Funds

Our analysis of the City's major funds begins on page 11, 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 Westland City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as major and local road maintenance and debt service. The City's major funds for 2007 include the General Fund, the Major Roads Fund, the Local Roads Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire, which incurred expenses of approximately \$26.6 million in 2007. Other government services accounted for in the General Fund include general government (finance, city clerk, city assessor, economic development, community development, and the mayor's office), sanitation, and recreation. General Fund expenditures increased by approximately \$2.5 million. A primary reason for that increase is salaries and fringe benefits. The City closely monitored its spending in all other areas, including capital outlay, conferences and seminars, and any nonessential services.

General Fund Budgetary Highlights

Over the course of the year, the City amended the budget to take into account events during the year. The most significant change to the original budget in the General Fund was an increase for a new City Hall boiler in the amount of \$25,661. The water and sewer budget was amended in the amount of \$43,290 to replace the dump body on a truck. There were also several grants obtained during the year which required budget amendments. The most notable was a grant from the Department of Homeland Security in the amount of \$88,640 for a new digital camera recording system for the surrounding grounds of the district court and the police department. City departments overall stayed below budget, with a few exceptions - one being the police and fire retirement board. This was due to new first-time payments made to investment fund managers that were previously paid internally from the Police and Fire Retirement Fund. The other exceptions are the departments of law, insurance and bonds, motorpool, and operating transfers. Despite these exceptions, the City still maintained total expenditures approximately \$3,100,000 below budget.

City of Westland, Michigan

Management's Discussion and Analysis (Continued)

Even with the decrease in state-shared revenues, the General Fund fund balance (reserved and unreserved) increased from \$6,582,193 to \$7,242,345.

As of June 30, 2007, the City had a total of approximately \$387.6 million invested in a broad range of capital assets, including roads, buildings, police and fire equipment, and water and sewer lines.

Capital Asset and Debt Administration

There were a number of capital expenditures that were made during the fiscal year. Examples of capital expenditures include 10 patrol cars for the police department, a new emergency rescue truck for the fire department, 10 new pickup trucks for various departments, a new 26-seat senior bus with a handicap lift, and two new heavy duty lawnmowers. Other needed capital expenditures have been defrayed to future years.

Debt service makes up approximately 2.66 percent of the total expenditures of the governmental funds. Bonded debt and other long-term obligations were reduced by approximately \$2 million. New obligations and debt were issued in the amount of \$1.1 million.

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

Economic Factors and Next Year's Budgets and Rates

The City's budget for the fiscal year ended June 30, 2007 takes into consideration a cautious economic climate. The state-shared revenues will be monitored closely as the State of Michigan continues to try and balance its budget. Because of the impact of state legislation (Proposal A), an increase in property tax revenue as a result of increasing taxable value will be small. The statewide Tax Reform Act limits growth in taxable value on any individual property to the lesser of inflation or 5 percent. Because some properties increase in value slower than the rate of inflation, the mathematical result of this is that the total taxable value for the City will grow slower than inflation, before considering new property additions. As a result, the City will need to continue to watch the budget very closely.

As discussed above, the fiscal year ending June 30, 2008 budget anticipates that the water costs will increase. As a result, the water and sewer rates were raised 1.3 percent and 5.65 percent, respectively, effective July 1, 2007.

Contacting the City's Management

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

City of Westland, Michigan

Statement of Net Assets June 30, 2007

	Primary Government		Total	Component Units
	Governmental Activities	Business-type Activities		
Assets				
Cash and cash equivalents (Note 3)	\$ 9,414,361	\$ -	\$ 9,414,361	\$ 2,417,249
Investments (Note 3)	-	-	-	300,490
Receivables (Note 4)	7,658,848	7,855,527	15,514,375	402,485
Internal balances	719,729	(719,729)	-	-
Inventories	10,588	240,864	251,452	-
Prepaid costs and other assets	829,029	28,986	858,015	-
Restricted assets (Note 6)	-	984,565	984,565	795,177
Investment in joint ventures (Note 11)	467,376	-	467,376	-
Capital assets - Net (Note 5):				
Not being depreciated	2,340,379	-	2,340,379	90,000
Depreciable - Net	<u>306,429,635</u>	<u>78,835,046</u>	<u>385,264,681</u>	<u>1,568,095</u>
Total assets	327,869,945	87,225,259	415,095,204	5,573,496
Liabilities				
Accounts payable	1,878,601	1,882,194	3,760,795	47,088
Accrued and other liabilities	2,302,301	389,456	2,691,757	297,098
Deferred revenue (Note 4)	96,474	-	96,474	-
Compensated absences (Note 8):				
Due within one year	1,651,554	212,367	1,863,921	-
Due in more than one year	7,731,871	-	7,731,871	-
Long-term debt (Note 8):				
Due within one year	2,304,693	850,000	3,154,693	530,000
Due in more than one year	<u>10,559,130</u>	<u>4,580,000</u>	<u>15,139,130</u>	<u>1,200,000</u>
Total liabilities	<u>26,524,624</u>	<u>7,914,017</u>	<u>34,438,641</u>	<u>2,074,186</u>
Net Assets				
Invested in capital assets - Net of related debt	295,906,191	73,405,046	369,311,237	953,272
Restricted:				
Road improvements	2,324,865	-	2,324,865	-
Library operations	1,688,511	-	1,688,511	-
Other (Note 13)	5,762,600	984,565	6,747,165	-
Unrestricted	<u>(4,336,846)</u>	<u>4,921,631</u>	<u>584,785</u>	<u>2,546,038</u>
Total net assets	<u>\$ 301,345,321</u>	<u>\$ 79,311,242</u>	<u>\$ 380,656,563</u>	<u>\$ 3,499,310</u>

City of Westland, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government - Governmental activities:				
General government	\$ 12,589,008	\$ 7,450,452	\$ 23,000	\$ -
Public safety	33,976,158	8,270,502	105,813	80,005
Public works	36,016,126	1,158,477	4,774,889	651,286
Community and economic development	2,346,778	-	1,576,027	-
Cultural and recreation	6,627,521	2,116,632	83,380	-
Miscellaneous	43,735	-	-	-
Interest on long-term debt	499,584	-	-	-
Total primary government - Governmental activities	92,098,910	18,996,063	6,563,109	731,291
Business-type activities - Water and sewer	18,864,894	17,126,122	260,522	376,564
Total primary government	<u>\$ 110,963,804</u>	<u>\$ 36,122,185</u>	<u>\$ 6,823,631</u>	<u>\$ 1,107,855</u>
Component units	<u>\$ 1,902,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General revenues:

Property taxes
State-shared revenues
Refund of captured property taxes
Interest and sundry

Transfers

Total general revenues and transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,115,556)	\$ -	\$ (5,115,556)	\$ -
(25,519,838)	-	(25,519,838)	-
(29,431,474)	-	(29,431,474)	-
(770,751)	-	(770,751)	-
(4,427,509)	-	(4,427,509)	-
(43,735)	-	(43,735)	-
(499,584)	-	(499,584)	-
(65,808,447)	-	(65,808,447)	-
-	(1,101,686)	(1,101,686)	-
(65,808,447)	(1,101,686)	(66,910,133)	-
-	-	-	(1,902,322)
27,962,775	-	27,962,775	6,131,770
8,553,057	-	8,553,057	-
2,672,967	-	2,672,967	(4,090,526)
1,510,084	97,257	1,607,341	192,146
103,000	(103,000)	-	-
40,801,883	(5,743)	40,796,140	2,233,390
(25,006,564)	(1,107,429)	(26,113,993)	331,068
326,351,885	80,418,671	406,770,556	3,168,242
<u>\$ 301,345,321</u>	<u>\$ 79,311,242</u>	<u>\$ 380,656,563</u>	<u>\$ 3,499,310</u>

City of Westland, Michigan

Governmental Funds Balance Sheet June 30, 2007

	Major Funds			Other Nonmajor Governmental Funds	Total Governmental Funds
	General Fund	Major Roads Fund	Local Roads Fund		
Assets					
Cash and cash equivalents (Note 3)	\$ 3,393,899	\$ 2,133,299	\$ 490,976	\$ 3,369,950	\$ 9,388,124
Receivables - Net (Note 4)	2,194,283	2,883	410,409	775,768	3,383,343
Prepaid costs and other assets	808,179	20,849	-	-	829,028
Due from other funds (Note 7)	1,616,204	-	182,624	159,822	1,958,650
Due from other governmental units	3,207,277	561,005	201,545	305,678	4,275,505
Total assets	<u>\$ 11,219,842</u>	<u>\$ 2,718,036</u>	<u>\$ 1,285,554</u>	<u>\$ 4,611,218</u>	<u>\$ 19,834,650</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,394,839	\$ 37,785	\$ 133,653	\$ 177,417	\$ 1,743,694
Accrued and other liabilities	695,696	-	-	109,145	804,841
Due to other funds	1,272,507	643,377	454,859	427,888	2,798,631
Deferred revenue (Note 4)	614,455	-	409,051	141,474	1,164,980
Total liabilities	3,977,497	681,162	997,563	855,924	6,512,146
Fund Balances					
Reserved for:					
Retirement system	2,486,000	-	-	-	2,486,000
Sanitation	1,600,000	-	-	-	1,600,000
Other purposes	808,179	20,849	-	118,287	947,315
Unreserved - Designated for subsequent year expenditures	-	-	-	983,916	983,916
Unreserved	2,348,166	2,016,025	287,991	-	4,652,182
Unreserved - Reported in nonmajor:					
Special Revenue Funds	-	-	-	2,475,111	2,475,111
Debt Service Funds	-	-	-	12,797	12,797
Capital Project Funds	-	-	-	165,183	165,183
Total fund balances	<u>7,242,345</u>	<u>2,036,874</u>	<u>287,991</u>	<u>3,755,294</u>	<u>13,322,504</u>
Total liabilities and fund balances	<u>\$ 11,219,842</u>	<u>\$ 2,718,036</u>	<u>\$ 1,285,554</u>	<u>\$ 4,611,218</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds	304,154,957
Deferred revenue is reported in the governmental funds, but not in the government-wide statements	1,068,506
Accrued interest on long-term liabilities is not reported in the funds	(134,408)
Long-term liabilities are not due and payable in the current period and are not reported in the funds	(20,747,829)
Investments in joint ventures are included as part of governmental activities	467,376
Internal Service Funds are included as governmental activities	3,214,215
Net assets of governmental activities	<u>\$ 301,345,321</u>

City of Westland, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2007

	Major Funds				Total Governmental Funds
	General	Major Roads	Local Roads Fund	Other Nonmajor	
	Fund	Fund		Governmental Funds	
Revenues					
Property taxes	\$ 25,281,678	\$ -	\$ -	\$ 2,690,544	\$ 27,972,222
Licenses and permits	1,251,945	-	-	-	1,251,945
Federal sources	146,046	-	-	1,576,027	1,722,073
State sources	8,666,578	3,416,696	1,227,401	70,455	13,381,130
Local sources	560,344	135,198	-	1,214,089	1,909,631
Charges for services	7,772,123	87,968	-	1,129,494	8,989,585
Court fines and fees	4,765,815	-	-	-	4,765,815
Special assessments	-	-	171,849	907,742	1,079,591
Refund of captured property taxes	2,403,108	-	-	269,859	2,672,967
Interest and other	2,847,504	76,189	1,545	232,332	3,157,570
Total revenues	53,695,141	3,716,051	1,400,795	8,090,542	66,902,529
Expenditures					
General government	11,342,673	-	-	-	11,342,673
Public safety	33,584,597	-	-	34,434	33,619,031
Highways, streets, and drains	-	2,119,180	2,936,480	3,200	5,058,860
Street lighting	-	-	-	1,121,780	1,121,780
Sanitation	4,134,973	-	-	-	4,134,973
Community and economic development	-	-	-	1,576,234	1,576,234
Cultural and recreation	3,328,807	-	-	3,309,877	6,638,684
Contracted services	-	-	-	362,309	362,309
Debt service	-	-	-	1,785,032	1,785,032
Motorpool contribution and other	1,359,059	-	-	64,598	1,423,657
Total expenditures	53,750,109	2,119,180	2,936,480	8,257,464	67,063,233
Excess of Revenues Over (Under) Expenditures	(54,968)	1,596,871	(1,535,685)	(166,922)	(160,704)
Other Financing Sources (Uses)					
Operating transfers in (Note 7)	941,876	-	1,753,094	1,318,458	4,013,428
Operating transfers out (Note 7)	(226,756)	(2,408,681)	-	(1,274,991)	(3,910,428)
Total other financing sources (uses)	715,120	(2,408,681)	1,753,094	43,467	103,000
Net Change in Fund Balances	660,152	(811,810)	217,409	(123,455)	(57,704)
Fund Balances - July 1, 2006	6,582,193	2,848,684	70,582	3,878,749	13,380,208
Fund Balances - June 30, 2007	\$ 7,242,345	\$ 2,036,874	\$ 287,991	\$ 3,755,294	\$ 13,322,504

City of Westland, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ (57,704)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation	(26,874,727)
Delinquent personal property tax revenues are recorded in the statement of activities when the taxes are assessed; they are not reported in the funds until collected or collectible within 60 days of year end	(9,447)
Special assessment revenues are recorded in the statement of activities when the assessment is set; they are not reported in the funds until collected or collectible within 60 days of year end	344,239
Proceeds from the issuance of long-term debt is a revenue in the governmental funds, but not in the statement of activities	(160,227)
Repayment of debt principal is an expenditure in the governmental funds, but not in the government-wide statements (where it reduces long-term debt)	971,940
Change in accrued interest on long-term debt is not recorded in the governmental funds	10,952
Increase in accumulated employee sick and vacation pay, as well as estimated general liability claims, is recorded when earned in the statement of activities	(563,775)
Changes to investment in joint ventures are not recorded in the governmental funds, but are recorded in the statement of activities	1,032,403
Internal Service Funds are also included as governmental activities	<u>299,782</u>
Change in Net Assets of Governmental Activities	<u>\$ (25,006,564)</u>

City of Westland, Michigan

Proprietary Funds Statement of Net Assets June 30, 2007

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents	\$ -	\$ 26,237
Receivables - Net	7,829,676	-
Due from other funds (Note 7)	13,802	1,592,196
Due from other governmental units	25,851	-
Inventories	240,864	10,588
Prepaid costs and other assets	28,986	372
Total current assets	8,139,179	1,629,393
Noncurrent assets:		
Restricted assets (Note 6)	984,565	-
Capital assets - Net (Note 5)	78,835,046	4,615,057
Total noncurrent assets	79,819,611	4,615,057
Total assets	87,958,790	6,244,450
Liabilities		
Current liabilities:		
Accounts payable	1,882,194	135,279
Accrued and other liabilities	239,614	1,363,051
Due to other funds	733,531	32,486
Escrow deposits	149,842	-
Current portion of long-term debt	1,062,367	700,222
Total current liabilities	4,067,548	2,231,038
Long-term debt - Net of current portion	4,580,000	799,197
Total liabilities	8,647,548	3,030,235
Net Assets		
Investment in capital assets - Net of related debt	73,405,046	3,115,638
Restricted (Note 13)	984,565	-
Unrestricted	4,921,631	98,577
Total net assets	\$ 79,311,242	\$ 3,214,215

City of Westland, Michigan

Proprietary Funds Statement of Revenues, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds
Operating Revenues		
Water and sewer	\$ 15,407,012	\$ -
Charges for services	707,045	4,744,711
Penalties	731,698	-
Federal sources	260,522	-
Rent	36,600	-
Other	<u>243,767</u>	<u>-</u>
Total operating revenues	17,386,644	4,744,711
Operating Expenses		
Cost of water	3,841,210	-
Cost of sewage disposal	5,608,695	-
Wages and fringe benefits	3,093,844	594,198
Contracted services	3,217,414	13,322
Operating supplies	261,415	458,298
Repairs and maintenance	18,763	349,200
Insurance, claims, and other	-	2,039,209
Depreciation	1,450,693	935,816
Sundry	147,318	-
Rentals	<u>993,373</u>	<u>15,700</u>
Total operating expenses	<u>18,632,725</u>	<u>4,405,743</u>
Operating (Loss) Income	(1,246,081)	338,968
Nonoperating Revenue (Expenses)		
Investment income	97,257	5,219
Interest expense	(232,169)	(89,855)
Gain on disposal of assets	<u>-</u>	<u>45,450</u>
Total nonoperating expenses	<u>(134,912)</u>	<u>(39,186)</u>
(Loss) Income - Before other financing uses and capital contributions	(1,380,993)	299,782
Other Financing Uses - Operating transfers out (Note 7)	(103,000)	-
Capital Contributions	<u>376,564</u>	<u>-</u>
Change in Net Assets	(1,107,429)	299,782
Net Assets - July 1, 2006	<u>80,418,671</u>	<u>2,914,433</u>
Net Assets - June 30, 2007	<u>\$ 79,311,242</u>	<u>\$ 3,214,215</u>

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 16,544,640	\$ -	\$ 16,544,640
Payments to suppliers	(13,934,379)	(862,335)	(14,796,714)
Payments to employees	(3,097,553)	(553,238)	(3,650,791)
Internal activity - Payments from other funds	-	4,570,142	4,570,142
Claims paid	-	(1,909,876)	(1,909,876)
Other payments	285,241	-	285,241
	(202,051)	1,244,693	1,042,642
Net cash (used in) provided by operating activities			
Cash Flows from Noncapital Financing Activities -			
Operating transfers and interfund loans	(555,964)	-	(555,964)
Cash Flows from Capital and Related Financing Activities			
Collection of customer assessments and fees	321,471	-	321,471
Operating transfers to other funds	(103,000)	-	(103,000)
Principal and interest paid on long-term debt	(959,409)	(749,324)	(1,708,733)
Purchase of capital assets	(1,613,702)	(696,576)	(2,310,278)
Proceeds from sale of assets	-	45,450	45,450
	(2,354,640)	(1,400,450)	(3,755,090)
Net cash used in capital and related financing activities			
Cash Flows from Investing Activities - Interest received on investments and other assets	107,860	5,219	113,079
Net Decrease in Cash and Cash Equivalents	(3,004,795)	(150,538)	(3,155,333)
Cash and Cash Equivalents - July 1, 2006	3,972,295	176,775	4,149,070
Cash and Cash Equivalents - June 30, 2007	\$ 967,500	\$ 26,237	\$ 993,737
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and cash equivalents	\$ -	\$ 26,237	\$ 26,237
Restricted assets (Note 6)	967,500	-	967,500
Total	\$ 967,500	\$ 26,237	\$ 993,737

City of Westland, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2007

	Enterprise Fund - Water and Sewer Fund	Internal Service Funds	Total
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (1,246,081)	\$ 338,968	\$ (907,113)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation	1,450,693	935,816	2,386,509
Changes in assets and liabilities:			
Receivables	(544,882)	-	(544,882)
Due from other governmental units	166,549	-	166,549
Due from other funds	-	(207,055)	(207,055)
Inventory	(14,795)	-	(14,795)
Other assets	94	-	94
Restricted assets	(141,830)	-	(141,830)
Accounts payable	129,037	(20,106)	108,931
Accrued and other liabilities	(836)	164,584	163,748
Due to other funds	-	32,486	32,486
	-	32,486	32,486
Net cash (used in) provided by operating activities	<u>\$ (202,051)</u>	<u>\$ 1,244,693</u>	<u>\$ 1,042,642</u>

Noncash Activities - Capital assets of \$55,093 were acquired through contributions from developers.

City of Westland, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2007

	Pension Trust Fund - Police and Fire Retirement	Agency Funds
Assets		
Cash and cash equivalents (Note 3)	\$ -	\$ 3,514,306
Investments (Note 3):		
U.S. government securities	9,158,156	-
Corporate bonds	6,535,568	-
Common stock	93,354,765	-
Mutual funds	50,710,956	-
Accrued interest and other assets	212,720	923
Total assets	159,972,165	\$ 3,515,229
Liabilities		
Accounts payable	-	\$ 4,810
Accrued and other liabilities	-	2,413,443
Due to other governmental units	-	1,096,976
Total liabilities	-	\$ 3,515,229
Net Assets - Held in trust for pension benefits and other purposes	\$ 159,972,165	

City of Westland, Michigan

Fiduciary Funds Statement of Changes in Plan Net Assets Year Ended June 30, 2007

	Pension Trust Fund - Police and Fire Retirement
Additions	
Investment income:	
Interest and dividends	\$ 2,287,802
Net increase in fair value of investments	23,811,788
Investment-related expenses	<u>(168,740)</u>
Total investment income	25,930,850
Employer contributions:	
Pension	4,280,915
Medical insurance	2,172,085
Employee service credits	<u>9,460</u>
Total contributions	6,462,460
Deductions	
Benefit payments	6,693,395
Medical premiums	<u>2,172,085</u>
Total deductions	<u>8,865,480</u>
Net Increase	23,527,830
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>136,444,335</u>
End of year	<u><u>\$ 159,972,165</u></u>

City of Westland, Michigan

Component Units Statement of Net Assets June 30, 2007

	Downtown Development Authority	Economic Development Corporation	Local Development Finance Authority	Tax Increment Finance Authority	Total
Assets					
Cash and cash equivalents (Note 3)	\$ 568,976	\$ 4,838	\$ 769,861	\$ 1,073,574	\$ 2,417,249
Investments (Note 3)	-	-	-	300,490	300,490
Due from the City of Westland	57,244	-	-	-	57,244
Accrued interest receivable	-	-	-	345,241	345,241
Restricted assets	795,177	-	-	-	795,177
Capital assets - Net (Note 5)	<u>1,658,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,658,095</u>
Total assets	3,079,492	4,838	769,861	1,719,305	5,573,496
Liabilities					
Accounts payable	18,519	-	225	28,344	47,088
Accrued interest	13,406	-	-	-	13,406
Due to other governmental units	-	-	-	283,692	283,692
Long-term debt (Note 8):					
Due within one year	450,000	-	80,000	-	530,000
Due in more than one year	<u>1,050,000</u>	<u>-</u>	<u>150,000</u>	<u>-</u>	<u>1,200,000</u>
Total liabilities	<u>1,531,925</u>	<u>-</u>	<u>230,225</u>	<u>312,036</u>	<u>2,074,186</u>
Net Assets					
Investment in capital assets - Net of related debt	953,272	-	-	-	953,272
Unrestricted	<u>594,295</u>	<u>4,838</u>	<u>539,636</u>	<u>1,407,269</u>	<u>2,546,038</u>
Total net assets	<u>\$ 1,547,567</u>	<u>\$ 4,838</u>	<u>\$ 539,636</u>	<u>\$ 1,407,269</u>	<u>\$ 3,499,310</u>

City of Westland, Michigan

	<u>Expenses</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Downtown Development Authority</u>
Governmental Activities				
Downtown Development Authority - Operations	\$ 1,299,458	\$ -	\$ -	\$ (1,299,458)
Economic Development Corporation - Operations	-	-	-	-
Local Development Finance Authority - Operations	154,163	-	-	-
Tax Increment Finance Authority - Operations	<u>448,701</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 1,902,322</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,299,458)</u>
General revenues:				
Property taxes				1,156,577
Property tax refunds				-
Interest and sundry				<u>65,888</u>
Total general revenues				<u>1,222,465</u>
Change in Net Assets				(76,993)
Net Assets - July 1, 2006				<u>1,624,560</u>
Net Assets - June 30, 2007				<u>\$ 1,547,567</u>

**Component Units
Statement of Activities
Year Ended June 30, 2007**

<u>Net (Expense) Revenue and Changes in Net Assets</u>			
Local			
Economic Development Corporation	Development Finance Authority	Tax Increment Finance Authority	Total
\$ -	\$ -	\$ -	\$ (1,299,458)
-	-	-	-
-	(154,163)	-	(154,163)
-	-	(448,701)	(448,701)
-	(154,163)	(448,701)	(1,902,322)
-	273,439	4,701,754	6,131,770
-	-	(4,090,526)	(4,090,526)
-	35,834	90,424	192,146
-	309,273	701,652	2,233,390
-	155,110	252,951	331,068
4,838	384,526	1,154,318	3,168,242
<u>\$ 4,838</u>	<u>\$ 539,636</u>	<u>\$ 1,407,269</u>	<u>\$ 3,499,310</u>

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

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

Discretely Presented Component Units

- a. The Local Development Finance Authority and the Tax Increment Finance Authority were created to promote economic growth and business development within the community. The Local Development Finance Authority governing body consists of 11 individuals. The mayor appoints seven of these individuals, and the other four individuals are made up of one member appointed by the County Board of Commissioners, one representative of the local community college, and two members appointed by the local school district. The Tax Increment Finance Authority's governing bodies each consist of the same nine individuals. These individuals are all appointed by the mayor and confirmed by the City Council. In addition, each Authority's budget is subject to approval by the City Council.
- b. The Economic Development Corporation was created to provide means and methods for the encouragement and assistance of industrial and commercial enterprises in relocating, purchasing, constructing, improving, or expanding within the City so as to provide needed services and facilities of such enterprises to residents of the City. The Corporation's governing body consists of nine individuals who are appointed by the mayor and confirmed by the City Council.

Note I - Summary of Significant Accounting Policies (Continued)

- c. The Downtown Development Authority was created to correct and prevent deterioration in the downtown district, encourage historical preservation, and to promote economic growth within the downtown district. The Authority's governing body, which consists of 11 individuals, is appointed by the mayor and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council.
- d. The Brownfield Redevelopment Authority was created to remediate contaminated properties located within the City and to promote economic growth for these properties through the use of a state-approved revolving loan fund. The properties included are listed as contaminated by the Environmental Protection Agency. The Authority's governing body, which consists of nine individuals, is appointed by the major and confirmed by the City Council. In addition, the Authority's budget is subject to approval by the City Council. The Brownfield Redevelopment Authority is inactive as of June 30, 2007.

Government-wide and Fund Financial Statements

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

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

Note I - Summary of Significant Accounting Policies (Continued)

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 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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.

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

The City reports the following major governmental funds:

General Fund - The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Note I - Summary of Significant Accounting Policies (Continued)

Major Roads Fund - The Major Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on major roads.

Local Roads Fund - The Local Roads Fund is used to account for the resource of state gas and weight tax revenues that are restricted for use on local roads.

The City reports the following major proprietary fund:

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

Additionally, the government reports the following fund types:

Internal Service Funds - The Internal Service Funds account for major machinery and equipment purchases and maintenance, as well as risk management services provided to other departments of the government on a cost reimbursement basis.

Fiduciary Funds - The Police and Fire Retirement Pension Trust Fund accounts for the activities of the police and fire employees' retirement system, which accumulates resources for pension benefit payments to qualified police and fire employees. The Trust and Agency Funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, other governments, or other funds. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 government's water and sewer function and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

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

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

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

The 2006 taxable valuation of the City totaled approximately \$2.25 billion, on which ad valorem taxes levied consisted of 6.4834 mills for the City's operating purposes, .9477 mills for operation of the library, 3.3500 mills for the Police and Fire Pension Fund, 2.1500 mills for sanitation, and .3980 mills for water and sewer debt service. The ad valorem taxes levied raised approximately \$14.6 million for City operations, approximately \$2.1 million for operation of the library, approximately \$7.5 million for the Police and Fire Pension Fund, approximately \$4.8 million for sanitation, and approximately \$0.9 million for water and sewer debt service. Portions of the amounts levied have been captured by the tax increment financing authorities reported in the component units. These amounts, net of the amounts reported by the component units, are recognized in the respective General Fund, Special Revenue Fund, and Debt Service Fund financial statements as taxes receivable or as tax revenue.

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

Note I - Summary of Significant Accounting Policies (Continued)

Restricted Assets - The revenue bonds of the Enterprise Funds require amounts to be set aside for construction, debt service principal and interest, operations and maintenance, and a bond reserve. These amounts have been classified as restricted assets, as well as amounts on deposit at the county being held for the construction or debt service of the City's water and sewer lines.

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 \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

Roads and sidewalks	20-30 years
Buildings and improvements	20-40 years
Water and sewer distribution system	5-100 years
Tools and equipment	2-40 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. Under the City's policy, employees earn sick and vacation time based on time of service with the City. All vacation and sick pay is accrued when incurred in the government-wide financial statements. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

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

Note 1 - Summary of Significant Accounting Policies (Continued)

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. Designations of fund balance represent tentative management plans that are subject to change.

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

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds, except that reimbursements to the General Fund from other funds have been included in revenue, rather than as a reduction of expenditures, transfers are included as revenue and expenditures, and proceeds of long-term debt are included as revenue.

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 2 - Stewardship, Compliance, and Accountability (Continued)

Following is a reconciliation of the General Fund's budget statement to the operating statement:

	<u>Revenue</u>	<u>Expenditures</u>
Amounts per operating statement	\$ 53,695,141	\$ 53,750,109
Other financing sources per operating statement	941,876	-
Other financing uses per operating statement	-	226,756
Reimbursements from other funds recorded as revenue	<u>3,104,636</u>	<u>3,104,636</u>
Amounts per budget statement	<u>\$ 57,741,653</u>	<u>\$ 57,081,501</u>

Unexpended appropriations lapse at year end. The amount of encumbrances outstanding at June 30, 2007 has not been calculated. During the current year, the budget was amended in a legally permissible manner.

A comparison of the actual results of operations to the budgeted amounts (at the level of control adopted by the City Council) for the General Fund and Major Special Revenue Funds is presented as required supplemental information. Information comparing other Special Revenue Fund activity to the respective budgets can be obtained at City Hall.

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

	<u>Budget</u>	<u>Actual</u>
General Fund:		
District Court	\$ 3,538,524	\$ 3,607,725
General - Law	630,000	712,202
Police and fire retirement board	550,000	680,227
Insurance and bonds	2,100,000	2,374,218
Motorpool contribution	1,276,497	1,359,059
Operating transfers out	226,368	226,756
Major Roads Fund	4,430,127	4,527,861

During the year, the City budgeted a fund deficit for the Local Roads Fund; however, there is positive fund balance as the end of the year.

Note 3 - Deposits and Investments

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

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

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

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$8,647,602 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories. At year end, the component units had \$3,016,182 of bank deposits that were uninsured and uncollateralized.

Note 3 - Deposits and Investments (Continued)

Custodial Credit Risk of Investments

Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have a policy for custodial credit risk. At year end, the City had no investment securities which were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the City's name.

Interest Rate Risk

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

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities (pension)	\$ 3,060,336	16.00
U.S. agency securities (pension)	6,097,820	24.32
Corporate securities (pension)	6,535,568	18.30

At year end, the average maturity of the investment for the City's component units is as follows:

Investment	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury securities	\$ 631,732	5.48

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Credit Risk

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

Investment	Fair Value	Rating	Rating Organization
Comerica J Fund	\$ 1,019,951	AI, PI	S&P, Moody's
Corporate securities (pension)	520,000	A	S&P
Corporate securities (pension)	243,000	AA	S&P
Corporate securities (pension)	1,884,000	AAA	S&P
Corporate securities (pension)	773,000	B	S&P
Corporate securities (pension)	311,000	BB	S&P
Corporate securities (pension)	1,850,000	BBB	S&P
Corporate securities (pension)	481,000	CCC	S&P
Corporate securities (pension)	473,000	NR	N/A

Concentration of Credit Risk

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

Note 4 - Receivables

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

	General Fund	Major Roads Funds	Local Roads Funds	Nonmajor and Other Funds	Total Governmental Activities	Business-type Activities	Total Primary Government	Component Units
Receivables:								
Taxes	\$ 2,137,012	\$ -	\$ 1,343	\$ 339,087	\$ 2,477,442	\$ 549,623	\$ 3,027,065	\$ -
Intergovernmental	3,207,277	561,005	201,545	305,678	4,275,505	25,851	4,301,356	57,244
Special assessments	27,384	-	409,051	-	436,435	-	436,435	-
Customer	-	-	-	-	-	7,278,139	7,278,139	-
Interest and other	29,887	2,883	15	436,681	469,466	1,914	471,380	345,241
Total receivables	\$ 5,401,560	\$ 563,888	\$ 611,954	\$ 1,081,446	\$ 7,658,848	\$ 7,855,527	\$ 15,514,375	\$ 402,485

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Receivables (Continued)

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

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

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Revenue Not Available	Revenue Not Earned	Total
General Fund - Personal property tax	\$ 614,455	\$ -	\$ 614,455
Local Roads Fund - Special assessment revenue	409,051	-	409,051
Other nonmajor governmental funds - E-911 wireless revenue	45,000	-	45,000
Other nonmajor governmental funds - Federal grant revenue	-	96,474	96,474
	<u>-</u>	<u>96,474</u>	<u>96,474</u>
Total	<u>\$ 1,068,506</u>	<u>\$ 96,474</u>	<u>\$ 1,164,980</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets

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

	Balance July 1, 2006	Additions	Disposals and Adjustments	Balance June 30, 2007	Depreciable Life - Years
Governmental Activities					
Capital assets not being depreciated - Land	\$ 2,340,379	\$ -	\$ -	\$ 2,340,379	-
Capital assets being depreciated:					
Roads and sidewalks	755,495,940	1,589,320	262,410	756,822,850	20-30
Buildings and improvements	17,809,581	144,964	-	17,954,545	20-40
Other tools and equipment	23,432,617	2,160,274	982,588	24,610,303	3-40
Subtotal	796,738,138	3,894,558	1,244,998	799,387,698	
Accumulated depreciation:					
Roads and sidewalks	445,867,419	28,133,377	262,410	473,738,386	
Buildings and improvements	3,560,893	415,507	-	3,976,400	
Other tools and equipment	14,171,184	2,054,681	982,588	15,243,277	
Subtotal	463,599,496	30,603,565	1,244,998	492,958,063	
Net capital assets being depreciated	333,138,642	(26,709,007)	-	306,429,635	
Net capital assets	\$ 335,479,021	\$ (26,709,007)	\$ -	\$ 308,770,014	
Business-type Activities					
Capital assets being depreciated - Water and sewer distribution systems	\$ 103,989,504	\$ 1,668,795	\$ -	\$ 105,658,299	5-100
Accumulated depreciation - Water and sewer distribution systems	25,372,560	1,450,693	-	26,823,253	
Net capital assets	\$ 78,616,944	\$ 218,102	\$ -	\$ 78,835,046	
Component Units					
Capital assets not being depreciated - Land	\$ 90,000	\$ -	\$ -	\$ 90,000	-
Capital assets being depreciated - DDA Streetscape	1,670,082	68,443	-	1,738,525	20
Accumulated depreciation - DDA Streetscape	83,504	86,926	-	170,430	
Net capital assets being depreciated	1,586,578	(18,483)	-	1,568,095	
Net capital assets	\$ 1,676,578	\$ (18,483)	\$ -	\$ 1,658,095	

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Capital Assets (Continued)

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

Governmental activities:	
General government	\$ 891,176
Public safety	490,656
Public works	28,160,376
Recreation and culture	125,541
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset	<u>935,816</u>
Total governmental activities	<u>\$ 30,603,565</u>
Business-type activities - Enterprise Fund - Water and Sewer	<u>\$ 1,450,693</u>

Note 6 - Restricted Assets

Restricted assets at June 30, 2007 consist of the following:

Cash and cash equivalents	\$ 967,500
Assets held at Wayne County for water and sewer line construction	<u>17,065</u>
Total restricted assets	<u>\$ 984,565</u>

These assets are restricted for the following purposes:

Construction of North Huron Valley/Rouge Valley Sewer System	\$ 17,065
Bond reserve for 1998 Water and Sewer Revenue Bonds	397,500
Bond reserve for 2003 Water and Sewer Revenue Bonds	377,500
Bond reserve for 2006 Water and Sewer Revenue Bonds	<u>192,500</u>
Total restricted assets	<u>\$ 984,565</u>

Restricted assets in the Downtown Development Authority consist of unspent bond proceeds totaling \$795,177.

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Interfund Balances and Operating Transfers

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

General Fund:	
Major Roads Fund	\$ 500,753
Local Roads Fund	454,859
Water and Sewer Fund	214,020
Motorpool Fund	18,786
Other nonmajor governmental funds	<u>427,786</u>
Total General Fund - Interfund receivable	1,616,204
Local Roads Fund:	
Major Roads Fund	142,624
Water and Sewer Fund	<u>40,000</u>
Total Local Roads Fund - Interfund receivable	182,624
Other nonmajor governmental funds:	
General Fund	96,822
Water and Sewer Fund	<u>63,000</u>
Total other nonmajor governmental funds - Interfund receivable	<u>159,822</u>
Total governmental funds	1,958,650
Water and Sewer Fund - Other nonmajor proprietary funds	13,802
Other proprietary funds:	
General Fund	1,175,685
Water and Sewer Fund	<u>416,511</u>
Total other proprietary funds - Interfund receivable	<u>1,592,196</u>
Total interfund receivable	<u>\$ 3,564,648</u>

Interfund balances represent routine and temporary cash flow assistance resulting from normal interfund activity until the amounts can be reimbursed between the funds.

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 7 - Interfund Balances and Operating Transfers (Continued)

The composition of operating transfers is as follows:

Operating Transfer Out	Operating Transfer In	Amount
General Fund	Other governmental funds (1)	\$ 226,756
Major Roads Fund	Local Roads Fund (2)	1,713,094
	Other governmental funds (1)	<u>695,587</u>
	Total Major Roads Fund	2,408,681
Other governmental funds	General Fund (2)	941,876
	Other governmental funds (2)	<u>333,115</u>
	Total other governmental funds	1,274,991
Water and Sewer Fund	Local Roads Fund (3)	40,000
	Other governmental funds (3)	<u>63,000</u>
	Total Water and Sewer Fund	<u>103,000</u>
	Total operating transfers	<u><u>\$ 4,013,428</u></u>

(1) Transfer for debt service

(2) Transfer for general operations

(3) Transfer for capital improvements

Note 8 - Long-term Debt

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

Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Long-term Debt (Continued)

Long-term obligation activity can be summarized as follows:

Governmental Activities	July 1, 2006	Additions	Reductions	June 30, 2007	Due Within One Year
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 1,400,000	\$ -	\$ (200,000)	\$ 1,200,000	\$ 225,000
1998 Michigan Transportation Fund Bonds	2,150,000	-	(150,000)	2,000,000	200,000
2005 Building Authority Refunding Bonds	3,970,000	-	(20,000)	3,950,000	110,000
County drain contracts	1,388,027	-	(694,015)	694,012	694,015
2004 Michigan Transportation Fund Bonds	2,900,000	-	(100,000)	2,800,000	100,000
1999 Building Authority Bonds	425,000	-	(100,000)	325,000	100,000
HUD Section 108 loans	340,000	-	(100,000)	240,000	100,000
Compensated absences	8,819,650	563,775	-	9,383,425	1,651,554
Installment purchase agreements:					
Police communications equipment	160,913	160,227	(165,748)	155,392	75,456
Other equipment	1,621,105	404,960	(526,646)	1,499,419	700,222
Total governmental activities	<u>\$ 23,174,695</u>	<u>\$ 1,128,962</u>	<u>\$ (2,056,409)</u>	<u>\$ 22,247,248</u>	<u>\$ 3,956,247</u>
Business-type Activities					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 2,525,000	\$ -	\$ (200,000)	\$ 2,325,000	\$ 200,000
2003 Water and Sewer Revenue Bonds	1,675,000	-	(495,000)	1,180,000	575,000
2006 Water and Sewer Revenue Bonds	2,000,000	-	(75,000)	1,925,000	75,000
Compensated absences	169,607	42,760	-	212,367	212,367
Total business-type activities	<u>\$ 6,369,607</u>	<u>\$ 42,760</u>	<u>\$ (770,000)</u>	<u>\$ 5,642,367</u>	<u>\$ 1,062,367</u>
Note: The change in compensated absences is the net change to the liability during the year ended June 30, 2007.					
Component Units					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 310,000	\$ -	\$ (80,000)	\$ 230,000	\$ 80,000
2003 Downtown Development Authority Bonds	1,900,000	-	(400,000)	1,500,000	450,000
Total component units	<u>\$ 2,210,000</u>	<u>\$ -</u>	<u>\$ (480,000)</u>	<u>\$ 1,730,000</u>	<u>\$ 530,000</u>

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Long-term Debt (Continued)

Other information concerning long-term debt obligations is as follows:

	Original Principal	Outstanding Debt June 30, 2007	Final Payment Date	Maturity Payment Ranges	Interest Rates
Governmental Activities					
General obligation bonds:					
1997 Michigan Transportation Fund Bonds	\$ 2,500,000	\$ 1,200,000	12/01/2011	\$225,000-\$250,000	4.000%-4.700%
1998 Michigan Transportation Fund Bonds	2,900,000	2,000,000	12/01/2013	\$200,000-\$400,000	4.250%-4.500%
2005 Building Authority Bonds	3,970,000	3,950,000	11/1/2019	\$110,000-\$500,000	3.250%-5.000%
County drain contracts	8,789,204	694,012	05/01/2008	\$694,012	5.200%
2004 Michigan Transportation Fund Bonds	3,000,000	2,800,000	12/01/2018	\$100,000-\$300,000	2.500%-4.000%
1999 Building Authority Bonds	2,600,000	325,000	7/1/2009	\$100,000-\$125,000	5.000%
Other debt	2,826,374	1,894,811	08/01/2009	\$13,012-\$99,209	5.385%-6.490%
Total governmental activities	<u>\$ 26,585,578</u>	<u>\$ 12,863,823</u>			
Business-type Activities					
Revenue bonds:					
1998 Water and Sewer Revenue Bonds	\$ 3,225,000	\$ 2,325,000	04/01/2018	\$200,000-\$250,000	4.400%-4.500%
2003 Water and Sewer Revenue Bonds	3,025,000	1,180,000	04/01/2009	\$575,000-\$605,000	2.700%-3.000%
2006 Water and Sewer Revenue Bonds	2,000,000	1,925,000	4/1/2015	\$75,000-\$300,000	3.875%-3.900%
Total business-type activities	<u>\$ 8,250,000</u>	<u>\$ 5,430,000</u>			
Component Units					
General obligation bonds:					
2003 Local Development Finance Authority Bonds	\$ 525,000	\$ 230,000	06/01/2010	\$75,000-\$80,000	3.100%-3.800%
2003 Downtown Development Authority Bonds	2,420,000	1,500,000	10/01/2009	\$450,000-\$550,000	2.375%-2.875%
Total component units	<u>\$ 2,945,000</u>	<u>\$ 1,730,000</u>			

Annual debt service requirements to maturity for the City's long-term obligations, except compensated absences, are as follows:

	Governmental Activities			Business-type Activities			Component Units		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 2,304,693	\$ 545,711	\$ 2,850,404	\$ 850,000	\$ 212,506	\$ 1,062,506	\$ 530,000	\$ 42,200	\$ 572,200
2009	1,246,754	429,091	1,675,845	880,000	185,275	1,065,275	575,000	27,813	602,813
2010	1,288,339	359,672	1,648,011	300,000	155,419	455,419	625,000	10,756	635,756
2011	1,089,037	311,521	1,400,558	475,000	142,744	617,744	-	-	-
2012	1,055,000	265,726	1,320,726	475,000	123,088	598,088	-	-	-
2013	960,000	223,313	1,183,313	475,000	103,431	578,431	-	-	-
2014	955,000	187,876	1,142,876	475,000	83,775	558,775	-	-	-
2015	630,000	147,626	777,626	475,000	64,050	539,050	-	-	-
2016	680,000	119,226	799,226	525,000	32,625	557,625	-	-	-
2017	705,000	90,788	795,788	250,000	22,500	272,500	-	-	-
2018	705,000	63,525	768,525	250,000	11,250	261,250	-	-	-
2019	745,000	34,900	779,900	-	-	-	-	-	-
2020	500,000	10,000	510,000	-	-	-	-	-	-
Total	<u>\$ 12,863,823</u>	<u>\$ 2,788,975</u>	<u>\$ 15,652,798</u>	<u>\$ 5,430,000</u>	<u>\$ 1,136,663</u>	<u>\$ 6,566,663</u>	<u>\$ 1,730,000</u>	<u>\$ 80,769</u>	<u>\$ 1,810,769</u>

Total interest incurred related to governmental and business-type activities for the year approximated \$595,000 and \$232,000, respectively. Total interest incurred related to component units for the year approximated \$54,000.

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Long-term Debt (Continued)

In prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2007, \$5,125,000 of bonds outstanding are considered defeased.

Note 9 - Risk Management

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

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

The City estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the General Liability Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Estimated liability - Beginning of year	\$ 722,599	\$ 622,599
Estimated claims incurred, including changes in estimates	1,254,000	1,661,706
Claim payments	<u>(1,254,000)</u>	<u>(1,561,706)</u>
Estimated liability - End of year	<u>\$ 722,599</u>	<u>\$ 722,599</u>

Note 9 - Risk Management (Continued)

The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Workers' Compensation Self-insurance Internal Service Fund. Changes in the estimated liability for the years ended June 30, 2007 and 2006 were as follows:

	2007	2006
Estimated liability - Beginning of year	\$ 449,445	\$ 394,102
Estimated claims incurred, including changes in estimates	903,124	596,311
Claim payments	<u>(779,500)</u>	<u>(540,968)</u>
Estimated liability - End of year	<u>\$ 573,069</u>	<u>\$ 449,445</u>

Note 10 - Defined Benefit Pension Plans

Police and Fire Retirement System

Plan Description - The Police and Fire Pension Plan is a single-employer defined benefit pension plan that is administered by the City of Westland Police and Fire Employees' Retirement System; this plan covers all police and fire employees of the City. The system provides retirement, health care, disability, and death benefits to plan members and their beneficiaries. At June 30, 2006, the date of the most recent actuarial valuation, membership consisted of 159 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 177 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 these employees was established by negotiation with the City's competitive bargaining units. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 10 - Defined Benefit Pension Plans (Continued)

Annual Pension Costs - For the year ended June 30, 2007, the City's annual pension cost of \$4,281,154 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2005, using the entry actual age cost method. Significant actuarial assumptions used include (a) a 7.50 percent investment rate of return, (b) projected salary increases of 5.00 percent per year to 9.00 percent per year, depending on age, attributable to seniority/merit, and (c) a one-time adjustment of 5.00 percent after six years of retirement. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 20 years.

Reserves - As of June 30, 2007, the plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 775,879
Reserve for retired benefit payments	61,233,719

Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2006	2007
Police and Fire Retirement System:			
Annual pension costs (APC)	\$ 3,287,050	\$ 4,069,216	\$ 4,281,154
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Municipal Employees' Retirement System of Michigan

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

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 10 - Defined Benefit Pension Plans (Continued)

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

Annual Pension Costs - For the year ended June 30, 2007, the City's annual pension cost of \$3,569,964 for the plan was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age cost method. Significant actuarial assumptions used include (a) an 8.00 percent investment rate of return, (b) projected salary increases of 4.50 percent per year to 12.90 percent per year, attributable to seniority/merit, and (c) postretirement benefit increases of 2.50 percent annually. Both (a) and (b) include an inflationary component of 4.50 percent. The 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 30 years.

Three-year Trend Information

	Fiscal Year Ended June 30		
	2005	2006	2007
General Employees' Retirement System:			
Annual pension costs (APC)	\$ 3,222,001	\$ 3,489,536	\$ 3,569,964
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -
	Actuarial Valuation as of December 31		
	2004	2005	2006
Actuarial value of assets	\$ 47,121,078	\$ 49,394,852	\$ 52,375,178
Actuarial accrued liability (AAL) (entry)	\$ 81,988,242	\$ 85,133,646	\$ 89,836,497
Unfunded AAL (UAAL)	\$ 34,867,164	\$ 35,738,794	\$ 37,461,319
Funded ratio	57.47%	58.02%	58.30%
Covered payroll	\$ 10,136,784	\$ 10,123,891	\$ 10,177,100
UAAL as a percentage of covered payroll	344%	353%	368%

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 11 - Joint Ventures

The City participates in the Nankin Transit Commission and the Central Wayne County Sanitation Authority with the communities indicated below. The City appoints two members to the Nankin Transit Commission's governing board and one member to the Central Wayne County Sanitation Authority's board, who then approves the annual budget. The City recorded a long-term asset related to the two joint ventures of approximately \$467,000 in the government-wide statement of net assets.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments in the near future, other than the letter of credit discussed in Note 12. Complete financial statements for the Nankin Transit Commission and the Central Wayne County Sanitation Authority can be obtained from their administrative offices at William J. Engle Memorial Building, 37137 Marquette St., Westland, MI 48185 and 3759 Commerce Court, Wayne, MI 48184, respectively.

	Nankin Transit Commission	Central Wayne County Sanitation Authority
Participating communities	City of Garden City City of Inkster City of Wayne City of Westland	City of Dearborn Heights City of Garden City City of Inkster City of Wayne City of Westland

Note 12 - Contingent Liabilities

Letter of Credit - The City participates in a joint venture, the Central Wayne County Sanitation Authority, through which the City has obligated its full faith and credit under an irrevocable letter of credit. The letter of credit totals \$325,000, of which the City's portion would be \$120,000 should the Authority default on this letter of credit. See Note 11 for financial information on Central Wayne County Sanitation Authority.

City of Westland, Michigan

Notes to Financial Statements June 30, 2007

Note 12 - Contingent Liabilities (Continued)

Environmental Cleanup - The City may have financial exposure in actions to cleanup sites of environmental contamination. These sites are not currently owned or controlled by the City. Evaluation of the required cleanup and associated costs is in the process of being determined by the current property owners. The monetary exposure to the City cannot presently be determined but could be significant.

Note 13 - Restricted Net Assets

Net assets have been restricted for the following purposes:

Restricted for	Total Governmental Activities	Total Business-type Activities
Police and Fire Retirement System	\$ 2,486,000	\$ -
Sanitation	1,600,000	-
Street lighting	9,087	-
Public safety - E911	598,897	-
Public safety - Drug forfeiture	134,621	-
County drain debt service	197,740	-
800 MHZ Fund	35,289	-
Public Improvement Fund	53,603	-
Task Force Fund	26,596	-
Restricted Cable Commission projects	334,677	-
Sewer system construction	-	17,065
Revenue bonds	-	967,500
Metro Act Fund - Right-of-way improvements	286,090	-
Total	\$ 5,762,600	\$ 984,565

Note 14 - Postemployment Benefits

The City provides postemployment health benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, 385 retirees are eligible for postemployment health benefits. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$4,248,000. Of this amount, approximately \$2,172,000 and \$2,076,000 was paid by the Police and Fire Retirement System Fund and the General Fund, respectively.

The Governmental Accounting Standards Board has recently released Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any other postemployment benefits (other than pensions).

The new rules will cause the government-wide financial statements to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending June 30, 2009.

Note 15 - Construction Code Fees

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

Building permit revenue	\$ 881,174
Direct costs	<u>(1,540,720)</u>
Excess	(659,546)
Cumulative shortfall - July 1, 2006	<u>(1,146,869)</u>
Cumulative shortfall - June 30, 2007	<u>\$ (1,806,415)</u>

Note 16 - Commitments

The City has entered into several construction and maintenance contracts totaling \$5,754,440. As of June 30, 2007, the City has not recorded expenditures relating to these projects, as the work has not yet been performed.

Required Supplemental Information

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2006	\$ 6,582,193	\$ 6,582,193	\$ 6,582,193	\$ -
Revenues				
Property taxes	25,791,885	25,791,885	25,281,678	(510,207)
Business licenses and permits	30,900	36,900	24,902	(11,998)
Nonbusiness licenses and permits	1,843,606	1,837,606	1,227,043	(610,563)
State-shared revenue	8,793,744	8,793,744	8,493,186	(300,558)
Charges for services	12,994,085	12,057,719	12,537,938	480,219
Miscellaneous	9,100,130	9,899,012	10,176,906	277,894
Total revenues	58,554,350	58,416,866	57,741,653	(675,213)
Appropriations				
Legislative	140,096	144,596	125,553	19,043
District Court	3,676,252	3,538,524	3,607,725	(69,201)
Executive	560,998	560,998	509,696	51,302
Elections	255,132	326,303	301,109	25,194
City clerk	515,864	526,364	481,086	45,278
Assessment	523,096	523,096	518,890	4,206
Police and Fire Retirement Board	550,000	550,000	680,227	(130,227)
Law	630,000	630,000	712,202	(82,202)
Personnel	345,831	345,831	317,060	28,771
Board of Review	4,583	4,583	3,505	1,078
Finance	1,883,114	1,883,114	1,544,280	338,834
City Hall and grounds	214,780	240,441	224,498	15,943
General civil service	8,681	8,681	5,608	3,073
Police and fire civil service	30,159	43,159	29,114	14,045
General government	2,330,800	2,326,300	2,289,745	36,555
Police	15,845,808	15,967,279	15,569,928	397,351
Fire	11,488,431	11,513,431	11,014,568	498,863
Building	1,658,919	1,658,919	1,540,720	118,199
Joint dispatch	1,401,814	1,401,814	1,171,429	230,385
General maintenance	696,554	696,554	118,518	578,036
Engineering	648,823	648,823	624,040	24,783
Highway maintenance	3,340,027	3,363,777	3,104,636	259,141
Sanitation	4,837,279	4,712,380	4,134,973	577,407
Youth assistance program	209,476	209,476	198,242	11,234
Senior resources	522,366	522,366	489,466	32,900

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Appropriations (Continued)				
Parks and recreation	\$ 1,756,698	\$ 1,864,455	\$ 1,722,619	\$ 141,836
Golf course	464,364	464,364	447,683	16,681
Parks and Recreation Advisory Council	5,040	5,040	3,360	1,680
Ice arena	479,173	479,173	446,545	32,628
Housing	372,197	449,351	391,041	58,310
Economic development	171,632	168,082	130,996	37,086
Historical Commission	20,000	30,833	14,832	16,001
Economic Development Corporation	256	3,806	1,962	1,844
Planning	267,375	279,875	257,198	22,677
Planning Commission	9,337	9,337	6,652	2,685
Zoning Board of Appeals	8,044	8,044	7,268	776
Community development programs	489,986	489,986	368,434	121,552
Commission on Aging	7,920	7,920	6,060	1,860
Insurance and bonds	2,100,000	2,100,000	2,374,218	(274,218)
Motorpool contribution	1,401,497	1,276,497	1,359,059	(82,562)
Operating transfers out	-	226,368	226,756	(388)
	<u>59,872,402</u>	<u>60,209,940</u>	<u>57,081,501</u>	<u>3,128,439</u>
Fund Balance - June 30, 2007	<u>\$ 5,264,141</u>	<u>\$ 4,789,119</u>	<u>\$ 7,242,345</u>	<u>\$ 2,453,226</u>

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Major Roads Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2006	\$ 2,848,684	\$ 2,848,684	\$ 2,848,684	\$ -
Sources				
State sources	3,500,000	3,500,000	3,416,696	(83,304)
Charges for services	88,587	88,587	87,968	(619)
Local sources	-	100,000	135,198	35,198
Interest income	<u>30,000</u>	<u>30,000</u>	<u>76,189</u>	<u>46,189</u>
Total sources	6,467,271	6,567,271	6,564,735	(2,536)
Uses				
Maintenance	557,000	557,000	557,000	-
Traffic	75,000	75,000	46,371	28,629
Snow removal	280,000	280,000	173,910	106,090
Administration	350,000	350,000	341,670	8,330
Construction	-	1,597,288	1,000,229	597,059
Transfers to other funds	<u>1,570,839</u>	<u>1,570,839</u>	<u>2,408,681</u>	<u>(837,842)</u>
Total uses	<u>2,832,839</u>	<u>4,430,127</u>	<u>4,527,861</u>	<u>(97,734)</u>
Fund Balance - June 30, 2007	<u>\$ 3,634,432</u>	<u>\$ 2,137,144</u>	<u>\$ 2,036,874</u>	<u>\$ (100,270)</u>

Note - For Special Revenue Funds, the final amended budget is adopted at the fund level.

City of Westland, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Roads Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance With Amended Budget
Fund Balance - July 1, 2006	\$ 278,568	\$ 278,568	\$ 70,582	\$ (207,986)
Sources				
State sources	1,235,000	1,235,000	1,227,401	(7,599)
Special assessments	60,000	652,000	171,849	(480,151)
Interest income	5,000	5,000	1,545	(3,455)
Transfers from other funds	875,000	915,000	1,753,094	838,094
Total sources	2,453,568	3,085,568	3,224,471	138,903
Uses				
Maintenance	1,600,000	1,600,000	1,800,000	(200,000)
Traffic	85,000	85,000	133,677	(48,677)
Snow removal	288,000	288,000	107,120	180,880
Administration	120,000	120,000	122,740	(2,740)
Construction	300,000	1,282,743	772,943	509,800
Total uses	2,393,000	3,375,743	2,936,480	439,263
Fund Balance - June 30, 2007	<u>\$ 60,568</u>	<u>\$ (290,175)</u>	<u>\$ 287,991</u>	<u>\$ 578,166</u>

Note - For Special Revenue Funds, the final amended budget is adopted at the fund level.

City of Westland, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (000s omitted)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Overfunded/Underfunded AAL (UAAL) (a-b)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
06/30/2001	\$ 132,200	\$ 101,100	\$ (31,100)	130.8	\$ 10,800	(288.0)
06/30/2002	124,500	110,400	(14,100)	112.8	11,100	(127.0)
06/30/2003	123,700	116,300	(7,400)	106.4	11,300	(65.5)
06/30/2004	123,800	121,700	(2,100)	101.7	11,400	(18.4)
06/30/2005	125,200	126,400	1,200	99.1	11,300	10.6
06/30/2006	128,700	134,600	5,900	95.6	12,600	46.8

Schedule of Employer Contributions

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
06/30/02	12/31/01	\$ 1,782,366	100
06/30/03	12/31/02	1,846,559	100
06/30/04	12/31/03	2,367,997	100
06/30/05	12/31/04	3,287,050	100
06/30/06	12/31/05	4,069,216	100
06/30/07	12/31/06	4,281,154	100

* The required contribution is expressed to the City as a percentage of payroll.

Other Supplemental Information

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
General Government				
Legislative	\$ 97,764	\$ 96,099	\$ 10,250	\$ 5,931
City Clerk	499,791	467,977	11,923	10,477
Executive	541,823	496,757	8,475	5,881
Elections	147,600	140,408	21,568	21,182
Assessment	512,168	510,255	4,100	2,909
General - Law	-	-	-	-
General - Civil service	4,045	2,951	957	593
Police and fire civil service	2,520	2,460	639	48
Finance	1,593,264	1,312,809	55,050	44,940
Board of Review	4,560	3,482	23	23
City Hall and grounds	-	-	21,130	15,848
General government	2,112,170	2,075,927	28,445	28,436
Engineering	323,923	302,983	3,500	1,570
General maintenance	99,225	86,662	5,029	275
Planning	237,023	222,672	3,422	2,161
Planning Commission	8,100	5,880	287	-
Zoning Board of Appeals	7,332	6,601	162	129
Economic development	163,132	129,534	4,950	1,462
Community development programs	429,621	315,205	8,215	7,430
Housing development	449,351	391,041	-	-
Insurance and bonds	75,000	74,885	-	-
Personnel	334,000	313,814	3,290	2,553
Total general government	7,642,412	6,958,402	191,415	151,848
Public Safety				
District Court	2,864,234	3,041,822	88,500	75,391
Police	14,535,675	14,300,908	72,760	70,487
Fire	10,921,852	10,460,908	134,429	122,656
Police and Fire Retirement Board	-	-	-	-
Joint dispatch	1,395,914	1,166,520	4,900	4,861
Building	1,501,154	1,404,391	18,695	14,176
Total public safety	31,218,829	30,374,549	319,284	287,571
Highways and Streets	2,330,328	2,141,183	387,899	324,492

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

Other Supplemental Information
Schedule of Expenditures - Budget and Actual
General Fund
Year Ended June 30, 2007

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ 36,582	\$ 23,523	\$ -	\$ -	\$ -	\$ -	\$ 144,596	\$ 125,553
7,650	1,937	7,000	695	-	-	526,364	481,086
10,700	7,058	-	-	-	-	560,998	509,696
144,614	128,213	12,521	11,306	-	-	326,303	301,109
6,828	5,726	-	-	-	-	523,096	518,890
630,000	712,202	-	-	-	-	630,000	712,202
3,679	2,064	-	-	-	-	8,681	5,608
40,000	26,606	-	-	-	-	43,159	29,114
234,800	186,531	-	-	-	-	1,883,114	1,544,280
-	-	-	-	-	-	4,583	3,505
193,650	182,989	25,661	25,661	-	-	240,441	224,498
185,685	185,382	-	-	-	-	2,326,300	2,289,745
321,400	319,487	-	-	-	-	648,823	624,040
592,300	31,581	-	-	-	-	696,554	118,518
39,430	32,365	-	-	-	-	279,875	257,198
950	772	-	-	-	-	9,337	6,652
550	538	-	-	-	-	8,044	7,268
3,806	1,962	-	-	-	-	171,888	132,958
52,150	45,799	-	-	-	-	489,986	368,434
-	-	-	-	-	-	449,351	391,041
2,025,000	2,299,333	-	-	-	-	2,100,000	2,374,218
8,541	693	-	-	-	-	345,831	317,060
4,538,315	4,194,761	45,182	37,662	-	-	12,417,324	11,342,673
497,150	401,872	88,640	88,640	-	-	3,538,524	3,607,725
1,056,059	1,049,370	202,586	48,966	100,199	100,197	15,967,279	15,569,928
357,150	336,672	100,000	94,332	-	-	11,513,431	11,014,568
550,000	680,227	-	-	-	-	550,000	680,227
1,000	48	-	-	-	-	1,401,814	1,171,429
139,070	122,153	-	-	-	-	1,658,919	1,540,720
2,600,429	2,590,342	391,226	231,938	100,199	100,197	34,629,967	33,584,597
645,550	638,961	-	-	-	-	3,363,777	3,104,636

City of Westland, Michigan

	Personnel Services		Supplies	
	Budget	Actual	Budget	Actual
Building Authority Debt - Tower - Operating transfer	\$ -	\$ -	\$ -	\$ -
Sanitation	89,815	85,873	31,900	12,321
Cultural and Recreation				
Youth assistance	-	-	2,150	2,147
Senior resource department	381,640	363,132	15,280	13,720
Parks and recreation	1,251,455	1,217,911	107,438	107,148
Golf course	-	-	86,960	85,950
Parks and Recreation Advisory Council	5,040	3,360	-	-
Historical committee	5,940	3,480	550	519
Ice arena	-	-	63,683	60,365
Commission on Aging	7,920	6,060	-	-
Total cultural and recreation	1,651,995	1,593,943	276,061	269,849
Debt Service	-	-	-	-
Sundry - Motorpool contribution	1,276,497	1,359,059	-	-
Total expenditures and other operating transfers	<u>\$ 44,209,876</u>	<u>\$ 42,513,009</u>	<u>\$ 1,206,559</u>	<u>\$ 1,046,081</u>

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

Other Supplemental Information
Schedule of Expenditures - Budget and Actual (Continued)
General Fund
Year Ended June 30, 2007

Services and Charges		Capital Outlay		Debt Service		Total*	
Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual
\$ -	\$ -	\$ -	\$ -	\$ 226,368	\$ 226,756	\$ 226,368	\$ 226,756
4,590,665	4,036,779	-	-	-	-	4,712,380	4,134,973
207,326	196,095	-	-	-	-	209,476	198,242
125,446	112,614	-	-	-	-	522,366	489,466
292,105	260,324	213,457	137,236	-	-	1,864,455	1,722,619
377,404	361,733	-	-	-	-	464,364	447,683
-	-	-	-	-	-	5,040	3,360
13,510	10,833	10,833	-	-	-	30,833	14,832
415,490	386,180	-	-	-	-	479,173	446,545
-	-	-	-	-	-	7,920	6,060
1,431,281	1,327,779	224,290	137,236	-	-	3,583,627	3,328,807
-	-	-	-	-	-	-	-
-	-	-	-	-	-	1,276,497	1,359,059
\$ 13,806,240	\$ 12,788,622	\$ 660,698	\$ 406,836	\$ 326,567	\$ 326,953	\$ 60,209,940	\$ 57,081,501

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Governmental Funds June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund - Drain Problem	Total Nonmajor Governmental Funds
Assets				
Cash and cash equivalents	\$ 2,935,018	\$ 107,749	\$ 327,183	\$ 3,369,950
Receivables - Net	685,777	89,991	-	775,768
Due from other funds	96,822	-	63,000	159,822
Due from other governmental units	305,678	-	-	305,678
Total assets	\$ 4,023,295	\$ 197,740	\$ 390,183	\$ 4,611,218
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 177,417	\$ -	\$ -	\$ 177,417
Accrued and other liabilities	109,145	-	-	109,145
Due to other funds	427,888	-	-	427,888
Deferred revenue	141,474	-	-	141,474
Total liabilities	855,924	-	-	855,924
Fund Balances				
Reserved for cable grant	118,287	-	-	118,287
Unreserved:				
Designated for next year's expenditures	573,973	184,943	225,000	983,916
Undesignated	2,475,111	12,797	165,183	2,653,091
Total fund balances	3,167,371	197,740	390,183	3,755,294
Total liabilities and fund balances	\$ 4,023,295	\$ 197,740	\$ 390,183	\$ 4,611,218

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Governmental Funds Year Ended June 30, 2007

	Special Revenue Funds	Debt Service Funds	Capital Projects Fund - Drain Problem	Total Nonmajor Governmental Funds
Revenues				
Property taxes	\$ 1,894,857	\$ 795,687	\$ -	\$ 2,690,544
Federal sources	1,576,027	-	-	1,576,027
State sources	70,455	-	-	70,455
Local sources	1,214,089	-	-	1,214,089
Charges for services	1,129,494	-	-	1,129,494
Special assessments	907,742	-	-	907,742
Refund of captured property taxes	190,193	79,666	-	269,859
Interest and other	204,401	16,229	11,701	232,331
Total revenues	<u>7,187,258</u>	<u>891,582</u>	<u>11,701</u>	<u>8,090,541</u>
Expenditures				
Public safety	34,434	-	-	34,434
Highways, steets, and drains	-	-	3,200	3,200
Street lighting	1,121,780	-	-	1,121,780
Community and economic development	1,576,234	-	-	1,576,234
Cultural and recreation	3,309,877	-	-	3,309,877
Contracted services	362,309	-	-	362,309
Debt service	-	1,785,032	-	1,785,032
Sundry	64,598	-	-	64,598
Total expenditures	<u>6,469,232</u>	<u>1,785,032</u>	<u>3,200</u>	<u>8,257,464</u>
Excess of Revenues Over (Under)				
Expenditures	718,026	(893,450)	8,501	(166,923)
Other Financing Sources (Uses)				
Operating transfers in	261,508	993,950	63,000	1,318,458
Operating transfers out	(1,254,990)	(20,000)	-	(1,274,990)
Total other financing sources (uses)	<u>(993,482)</u>	<u>973,950</u>	<u>63,000</u>	<u>43,468</u>
Net Change in Fund Balances	(275,456)	80,500	71,501	(123,455)
Fund Balances - July 1, 2006	<u>3,442,827</u>	<u>117,240</u>	<u>318,682</u>	<u>3,878,749</u>
Fund Balances - June 30, 2007	<u><u>\$ 3,167,371</u></u>	<u><u>\$ 197,740</u></u>	<u><u>\$ 390,183</u></u>	<u><u>\$ 3,755,294</u></u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Assets					
Cash and cash equivalents	\$ 1,806	\$ 21,578	\$ 360,949	\$ 53,603	\$ 135,508
Receivables - Net	-	75,195	300,941	-	-
Due from other funds	94,875	-	-	-	-
Due from other governmental units	166,510	-	-	-	-
Total assets	<u>\$ 263,191</u>	<u>\$ 96,773</u>	<u>\$ 661,890</u>	<u>\$ 53,603</u>	<u>\$ 135,508</u>
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 36,712	\$ -	\$ 36,833	\$ -	\$ 887
Accrued and other liabilities	-	-	99,558	-	-
Due to other funds	130,005	87,686	190,822	-	-
Deferred revenue	96,474	-	-	-	-
Total liabilities	263,191	87,686	327,213	-	887
Fund Balances					
Reserved for cable grant	-	-	118,287	-	-
Unreserved - Designated for next year's expenditures	-	-	-	53,603	95,000
Unreserved - Undesignated	-	9,087	216,390	-	39,621
Total fund balances	-	9,087	334,677	53,603	134,621
Total liabilities and fund balances	<u>\$ 263,191</u>	<u>\$ 96,773</u>	<u>\$ 661,890</u>	<u>\$ 53,603</u>	<u>\$ 135,508</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Special Revenue Funds
June 30, 2007**

Library	Task Force	E-911	800 MHZ	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,507,372	\$ 26,596	\$ 508,174	\$ 33,342	\$ 286,090	\$ 2,935,018
173,918	-	135,723	-	-	685,777
-	-	-	1,947	-	96,822
139,168	-	-	-	-	305,678
<u>\$ 1,820,458</u>	<u>\$ 26,596</u>	<u>\$ 643,897</u>	<u>\$ 35,289</u>	<u>\$ 286,090</u>	<u>\$ 4,023,295</u>
\$ 102,985	\$ -	\$ -	\$ -	\$ -	\$ 177,417
9,587	-	-	-	-	109,145
19,375	-	-	-	-	427,888
-	-	45,000	-	-	141,474
131,947	-	45,000	-	-	855,924
-	-	-	-	-	118,287
-	-	283,370	7,000	135,000	573,973
1,688,511	26,596	315,527	28,289	151,090	2,475,111
<u>1,688,511</u>	<u>26,596</u>	<u>598,897</u>	<u>35,289</u>	<u>286,090</u>	<u>3,167,371</u>
<u>\$ 1,820,458</u>	<u>\$ 26,596</u>	<u>\$ 643,897</u>	<u>\$ 35,289</u>	<u>\$ 286,090</u>	<u>\$ 4,023,295</u>

City of Westland, Michigan

	Community Development Block Grant	Street Lighting	Cable T.V.	Public Improvement	Drug Forfeiture
Revenues					
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	1,576,027	-	-	-	-
State sources	-	-	-	-	-
Local sources	-	-	-	-	155,680
Charges for services	-	-	1,129,494	-	-
Special assessments	-	907,742	-	-	-
Refund of captured property taxes	-	-	-	-	-
Interest and other	207	4,030	16,794	2,532	6,495
Total revenues	1,576,234	911,772	1,146,288	2,532	162,175
Expenditures					
Public safety	-	-	-	-	31,734
Street lighting	-	1,121,780	-	-	-
Community and economic development	1,576,234	-	-	-	-
Cultural and recreation	-	-	1,232,526	-	-
Contracted services	-	-	-	-	-
Sundry	-	-	-	2,600	-
Total expenditures	1,576,234	1,121,780	1,232,526	2,600	31,734
Excess of Revenues Over (Under)					
Expenditures	-	(210,008)	(86,238)	(68)	130,441
Other Financing Sources (Uses)					
Operating transfers in	-	200,000	-	-	-
Operating transfers out	-	-	(142,377)	-	(175,000)
Total other financing sources (uses)	-	200,000	(142,377)	-	(175,000)
Net Change in Fund Balances	-	(10,008)	(228,615)	(68)	(44,559)
Fund Balances - July 1, 2006	-	19,095	563,292	53,671	179,180
Fund Balances - June 30, 2007	\$ -	\$ 9,087	\$ 334,677	\$ 53,603	\$ 134,621

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Special Revenue Funds
Year Ended June 30, 2007**

Library	Task Force	E-911	800 MHZ	Metroact - Broadband	Total Nonmajor Special Revenue Funds
\$ 1,894,857	\$ -	\$ -	\$ -	\$ -	\$ 1,894,857
-	-	-	-	-	1,576,027
70,455	-	-	-	-	70,455
215,019	25,539	458,201	130,792	228,858	1,214,089
-	-	-	-	-	1,129,494
-	-	-	-	-	907,742
190,193	-	-	-	-	190,193
<u>85,664</u>	<u>303</u>	<u>16,873</u>	<u>71,503</u>	<u>-</u>	<u>204,401</u>
2,456,188	25,842	475,074	202,295	228,858	7,187,258
-	-	2,700	-	-	34,434
-	-	-	-	-	1,121,780
-	-	-	-	-	1,576,234
2,077,351	-	-	-	-	3,309,877
-	-	-	258,563	103,746	362,309
<u>-</u>	<u>61,998</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,598</u>
<u>2,077,351</u>	<u>61,998</u>	<u>2,700</u>	<u>258,563</u>	<u>103,746</u>	<u>6,469,232</u>
378,837	(36,156)	472,374	(56,268)	125,112	718,026
-	-	-	61,508	-	261,508
<u>(175,000)</u>	<u>-</u>	<u>(458,114)</u>	<u>(4,000)</u>	<u>(300,499)</u>	<u>(1,254,990)</u>
<u>(175,000)</u>	<u>-</u>	<u>(458,114)</u>	<u>57,508</u>	<u>(300,499)</u>	<u>(993,482)</u>
203,837	(36,156)	14,260	1,240	(175,387)	(275,456)
<u>1,484,674</u>	<u>62,752</u>	<u>584,637</u>	<u>34,049</u>	<u>461,477</u>	<u>3,442,827</u>
<u>\$ 1,688,511</u>	<u>\$ 26,596</u>	<u>\$ 598,897</u>	<u>\$ 35,289</u>	<u>\$ 286,090</u>	<u>\$ 3,167,371</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Nonmajor Debt Service Funds June 30, 2007

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	County Drain Debt	Building Authority - Court Expansion	Total Nonmajor Debt Service Funds
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ 107,749	\$ -	\$ 107,749
Receivables - Net	-	-	89,991	-	89,991
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,740</u>	<u>\$ -</u>	<u>\$ 197,740</u>
Liabilities and Fund Balances					
Liabilities - Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Fund Balances					
Unreserved - Designated for next year's expenditures	-	-	184,943	-	184,943
Unreserved - Undesignated	-	-	12,797	-	12,797
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,740</u>	<u>\$ -</u>	<u>\$ 197,740</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenditures, and Changes in Fund Balances Nonmajor Debt Service Funds Year Ended June 30, 2007

	Motor Vehicle Highway Debt - Newburgh	Building Authority Debt - 2005 Refunding	County Drain Debt	Building Authority Debt - Court Expansion	Total Nonmajor Debt Service Funds
Revenues					
Property taxes	\$ -	\$ -	\$ 795,687	\$ -	\$ 795,687
Refund of captured property taxes	-	-	79,666	-	79,666
Interest and other	-	365	15,864	-	16,229
Total revenues	-	365	891,217	-	891,582
Expenditures - Debt service	<u>695,588</u>	<u>190,531</u>	<u>779,388</u>	<u>119,525</u>	<u>1,785,032</u>
Excess of Revenues Over (Under) Expenditures	(695,588)	(190,166)	111,829	(119,525)	(893,450)
Other Financing Sources (Uses)					
Operating transfers in	695,588	178,837	-	119,525	993,950
Operating transfers out	-	-	(20,000)	-	(20,000)
Total other financing sources (uses)	<u>695,588</u>	<u>178,837</u>	<u>(20,000)</u>	<u>119,525</u>	<u>973,950</u>
Net Change in Fund Balances	-	(11,329)	91,829	-	80,500
Fund Balances - July 1, 2006	<u>-</u>	<u>11,329</u>	<u>105,911</u>	<u>-</u>	<u>117,240</u>
Fund Balances - June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 197,740</u>	<u>\$ -</u>	<u>\$ 197,740</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2007

	Motorpool	Self-insurance		Total
		Workers' Compensation	General Liability	
Assets				
Current assets:				
Cash and cash equivalents	\$ 26,237	\$ -	\$ -	\$ 26,237
Due from other funds	105,000	572,697	914,499	1,592,196
Inventory	10,588	-	-	10,588
Prepaid costs and other assets	-	372	-	372
	<u>141,825</u>	<u>573,069</u>	<u>914,499</u>	<u>1,629,393</u>
Total current assets	141,825	573,069	914,499	1,629,393
Equipment	<u>4,615,057</u>	<u>-</u>	<u>-</u>	<u>4,615,057</u>
Total assets	4,756,882	573,069	914,499	6,244,450
Liabilities				
Current liabilities:				
Accounts payable	37,577	-	97,702	135,279
Accrued liabilities	67,383	573,069	722,599	1,363,051
Due to other funds	32,486	-	-	32,486
Current portion of long-term debt	<u>700,222</u>	<u>-</u>	<u>-</u>	<u>700,222</u>
Total current liabilities	837,668	573,069	820,301	2,231,038
Long-term debt	<u>799,197</u>	<u>-</u>	<u>-</u>	<u>799,197</u>
Total liabilities	<u>1,636,865</u>	<u>573,069</u>	<u>820,301</u>	<u>3,030,235</u>
Net Assets				
Invested in capital assets - Net of related debt	3,115,638	-	-	3,115,638
Unrestricted	<u>4,379</u>	<u>-</u>	<u>94,198</u>	<u>98,577</u>
Total net assets	<u>\$ 3,120,017</u>	<u>\$ -</u>	<u>\$ 94,198</u>	<u>\$ 3,214,215</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Revenues, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2007

	Motorpool	Self-insurance		Total
		Workers' Compensation	General Liability	
Operating Revenues - Charges to other funds	\$ 2,691,965	\$ 783,850	\$ 1,268,896	\$ 4,744,711
Operating Expenses				
Wages and fringe benefits	594,198	-	-	594,198
Contracted services	8,972	4,350	-	13,322
Operating supplies	458,298	-	-	458,298
Repairs and maintenance	349,200	-	-	349,200
Insurance, claims, and other	5,709	779,500	1,254,000	2,039,209
Depreciation	935,816	-	-	935,816
Rent	15,700	-	-	15,700
Total operating expenses	<u>2,367,893</u>	<u>783,850</u>	<u>1,254,000</u>	<u>4,405,743</u>
Operating Income	324,072	-	14,896	338,968
Nonoperating Revenue (Expense)				
Investment income	869	-	4,350	5,219
Interest expense	(89,855)	-	-	(89,855)
Gain on disposal of assets	45,450	-	-	45,450
Total nonoperating revenue (expense)	<u>(43,536)</u>	<u>-</u>	<u>4,350</u>	<u>(39,186)</u>
Change in Net Assets	280,536	-	19,246	299,782
Net Assets - July 1, 2006	<u>2,839,481</u>	<u>-</u>	<u>74,952</u>	<u>2,914,433</u>
Net Assets - June 30, 2007	<u>\$ 3,120,017</u>	<u>\$ -</u>	<u>\$ 94,198</u>	<u>\$ 3,214,215</u>

City of Westland, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2007

	Self-insurance			
	Motorpool	Workers' Compensation	General Liability	Total
Cash Flows from Operating Activities				
Payments to suppliers	\$ (838,739)	\$ (4,350)	\$ (19,246)	\$ (862,335)
Payments to employees	(553,238)	-	-	(553,238)
Internal activity - Payments from other funds	2,641,020	660,226	1,268,896	4,570,142
Claims paid	-	(655,876)	(1,254,000)	(1,909,876)
	<u>1,249,043</u>	<u>-</u>	<u>(4,350)</u>	<u>1,244,693</u>
Net cash provided by (used in) operating activities				
Cash Flows from Capital and Related Financing Activities				
Principal and interest paid on long-term debt	(749,324)	-	-	(749,324)
Purchase of capital assets	(696,576)	-	-	(696,576)
Proceeds from sale of assets	45,450	-	-	45,450
	<u>(1,400,450)</u>	<u>-</u>	<u>-</u>	<u>(1,400,450)</u>
Net cash used in capital and related financing activities				
Cash Flows from Investing Activities - Interest received on investments and other assets	869	-	4,350	5,219
	<u>869</u>	<u>-</u>	<u>4,350</u>	<u>5,219</u>
Net Decrease in Cash and Cash Equivalents	(150,538)	-	-	(150,538)
Cash and Cash Equivalents - July 1, 2006	176,775	-	-	176,775
	<u>176,775</u>	<u>-</u>	<u>-</u>	<u>176,775</u>
Cash and Cash Equivalents - June 30, 2007	<u>\$ 26,237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,237</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 324,072	\$ -	\$ 14,896	\$ 338,968
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation	935,816	-	-	935,816
Changes in assets and liabilities:				
Due from other funds	(83,431)	(123,624)	-	(207,055)
Accounts payable	(860)	-	(19,246)	(20,106)
Accrued liabilities	40,960	123,624	-	164,584
Due to other funds	32,486	-	-	32,486
	<u>32,486</u>	<u>-</u>	<u>-</u>	<u>32,486</u>
Net cash provided by (used in) operating activities	<u>\$ 1,249,043</u>	<u>\$ -</u>	<u>\$ (4,350)</u>	<u>\$ 1,244,693</u>

City of Westland, Michigan

Other Supplemental Information Combining Balance Sheet Fiduciary Funds - Agency Funds June 30, 2007

	Trust and Agency	Undistributed Tax Collection	District Court	Total
Assets				
Cash and cash equivalents	\$ 1,833,550	\$ 989,980	\$ 690,776	\$ 3,514,306
Accrued interest and other assets	-	923	-	923
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,833,550</u>	<u>\$ 990,903</u>	<u>\$ 690,776</u>	<u>\$ 3,515,229</u>
Liabilities				
Accounts payable	\$ -	\$ 4,810	\$ -	\$ 4,810
Accrued and other liabilities	1,833,550	-	579,893	2,413,443
Due to other governmental units	-	986,093	110,883	1,096,976
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 1,833,550</u>	<u>\$ 990,903</u>	<u>\$ 690,776</u>	<u>\$ 3,515,229</u>

City of Westland, Michigan

**Federal Awards
Supplemental Information
June 30, 2007**

City of Westland, Michigan

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Independent Auditor's Report

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

We have audited the financial statements of City of Westland, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2007. Those basic financial statements are the responsibility of the management of City of Westland, Michigan. Our responsibility was to express opinions 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 opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Westland, Michigan's basic financial statements. 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 required parts 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

November 29, 2007

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of City of Westland, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2007. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Westland, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Westland, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of City of Westland, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the control deficiencies described in the accompanying schedule of findings and questioned costs as items 2007-1 and 2007-2 to be significant deficiencies in internal control over financial reporting.

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

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe neither of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

City of Westland, Michigan's response to the significant deficiencies related to compliance and other matters identified in our audit and described in the accompanying schedule of findings and questioned costs has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Plante & Moran, PLLC

November 29, 2007

Report on Compliance with Requirements Applicable to
Each Major Program and on Internal Control Over Compliance
in Accordance with OMB Circular A-133

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

Compliance

We have audited the compliance of City of Westland, 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 each of its major federal programs for the year ended June 30, 2007. The major federal programs of City of Westland, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of City of Westland, Michigan's management. Our responsibility is to express an opinion on City of Westland, Michigan's compliance based on our audit.

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

In our opinion, City of Westland, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-4, 2007-5, 2007-6, 2007-7, and 2007-8.

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

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-3, 2007-4, 2007-5, 2007-6, and 2007-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness.

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

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

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

Plante & Moran, PLLC

November 29, 2007

City of Westland, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through	Federal Expenditures
		Entity Project/Grant Number	
U.S. Department of Housing and Urban Development:			
Community Development Block Grant:			
Program year 2005 - B-05-MC-26-0017	14.218	N/A	\$ 9,752
Program year 2006 - B-06-MC-26-0017			198,622
Program year 2007 - B-07-MC-26-0017			<u>918,945</u>
Total Community Development Block Grant			1,127,319
Section 108 Loan Balance outstanding as of June 30, 2007 - Program year 1999 - B-99-MC-26-0017	14.218	N/A	240,000
Home Investment Partnership Program - Passed through the Michigan State Housing Development Authority:	14.239	N/A	
Program year 1997 - B-97-MC-26-0017			4,293
Program year 2005 - B-05-MC-26-0017			44,193
Program year 2006 - B-06-MC-26-0017			236,371
Program year 2007 - B-07-MC-26-0017			<u>163,852</u>
Total MSHDA and HOME			<u>448,708</u>
Total U.S. Department of Housing and Urban Development			1,816,027
Federal Homeland Security - Passed through State of Michigan:			
Homeland Security - Fire Exhaust System	97.004	N/A	57,406
Urban Area Security Grant (Court/Police)	97.008	N/A	<u>88,640</u>
Total Homeland Security			146,046
U.S. Environmental Protection Agency - River Rouge Wet Weather Demonstration Project - Round II-B Grant Program - Implement Manhole Rehabilitation and Continue Public Education in City of Westland - Passed through Wayne County, Michigan			
	66.606	N/A	260,522
U.S. Department of Transportation - Office of Highway Safety Programs:			
PT-07-42 Challenge Award Grant	20.601	N/A	5,000
AL-07-42 Youth Alcohol Enforcement Grant	20.601	N/A	<u>9,702</u>
Total U.S. Department of Transportation			14,702
U.S. Department of Justice:			
JAG Grant 2005 - Passed through Wayne County, Michigan	16.738	82025 I	16,125
Bullet Proof Vest Program	16.607	N/A	<u>1,995</u>
Total U.S. Department of Justice			18,120
U.S. Department of Agriculture - Food Distribution	10.550	ERP-337.20	<u>13,135</u>
Total federal awards			<u><u>\$ 2,268,552</u></u>

See Notes to Schedule of Expenditures
of Federal Awards.

City of Westland, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Revenue from federal sources - As reported on financial statements	\$ 1,982,595
Federal revenue not reported in the financial statements:	
Section 108 loans not recorded as revenue in the basic financial statements	240,000
Noncash grants received - Revenue not recorded in basic financial statements	13,135
Federal expenditures not received within the current period	16,697
Federal revenue reported as elsewhere in the financial statements	<u>16,125</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 2,268,552</u></u>

City of Westland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note 1 - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of City of Westland, Michigan (the "City") 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 - 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	\$ 215,775
Home Investment Partnership Program	14.239	124,553

City of Westland, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

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

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

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

Identification of major program(s):

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant
14.239	Home Investment Partnership Program

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

Auditee qualified as low-risk auditee? Yes No

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

Reference Number	Findings
2007-1	<p>Finding Type - Significant deficiency</p> <p>Criteria - Management's goal is to present the trial balance ready for audit in accordance with generally accepted accounting principles.</p> <p>Condition - In connection with the City of Westland, Michigan's financial statement audit of the year ended June 30, 2007, the City of Westland, Michigan was required to post various entries in order for its financial statements to be correctly stated.</p> <p>Context - Historically, City of Westland, Michigan's auditors have recommended journal entries as part of the audit. For the audit of the City of Westland, Michigan's year ended June 30, 2007, Statement on Auditing Standards (SAS) No. 112, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, was effective. SAS 112 now defines entries of this nature to be a significant deficiency.</p> <p>Cause - City of Westland, Michigan should attempt to post all entries prior to the start of the audit.</p> <p>Effect - As a result, certain transactions were not originally recorded in audit records prior to the audit process.</p> <p>Recommendation - City of Westland, Michigan should attempt to post all entries prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - City of Westland, Michigan will continue to improve year-end reporting prior to audit.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Findings
2007-2	<p>Finding Type - Significant deficiency</p> <p>Criteria - Internal controls at various city departments should be established as such to provide adequate safeguard over assets.</p> <p>Condition - Each year, a more in-depth review of the financial controls in a department or facility is performed.</p> <p>Context - City of Westland, Michigan's Department of Public Service (DPS) was selected for additional inquiry and review.</p> <p>Cause - During inquiries of department employees, instances of improper documentation of disbursement approval, safeguarding of cash collected at the transfer station, verification of received goods, personal use of city-owned tools, and other concerns were noted.</p> <p>Effect - The internal control structure of the department is not operating at such a level as to provide adequate safeguarding over assets.</p> <p>Recommendation - City of Westland, Michigan should consider implementing additional internal controls within the DPS department.</p> <p>Views of Responsible Officials and Planned Corrective Actions - City of Westland, Michigan will implement additional internal controls within the DPS department.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings

Reference Number	Findings
2007-3	<p>Program Name - U.S. Department of Housing and Urban Development, Home Investment Partnership Program (CFDA #14.239)</p> <p>Pass-through Entity - HOME program passed through the Michigan State Housing Development Authority</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Internal controls should be in place in order to properly monitor remaining funds available from federal grants.</p> <p>Condition - Federal expenditures were overbudget in the HOME program in the current year.</p> <p>Context - HOME program federal expenditures exceeded budget for rental rehabilitation during the current year.</p> <p>Cause - Rental rehabilitation expenditures for the HOME program exceeded the budget for the current year. While the program states that projects may exceed budget by a reasonable amount if the purpose of the grant award is still being carried out, it was noted that the city staff were not aware that the program had gone over budget.</p> <p>Effect - City of Westland, Michigan does not have controls in place that adequately monitor the amount of remaining funds for the HOME program.</p> <p>Questioned Costs - None</p> <p>Recommendation - As part of the monthly reconciliation process, City of Westland, Michigan should compare the information per IDIS with the general ledger and compare to the budgeted amounts per the action plan.</p> <p>Views of Responsible Officials - The community development director will work with city staff to provide better oversight over the budget and remaining budgeted amounts.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-4	<p>Program Name - U.S. Department of Housing and Urban Development, Home Investment Partnership Program (CFDA #14.239)</p> <p>Pass-through Entity - HOME program passed through the Michigan State Housing Development Authority</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - During the period of affordability for HOME-assisted rental housing, the participating jurisdiction must perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than every five years for projects containing one to four units.</p> <p>Condition - An on-site inspection was found to not be completed in a timely manner.</p> <p>Context - During review of rental rehab files, it was noted that one of five selected was overdue for inspection.</p> <p>Cause - The department does not have a system in place to ensure all inspections are completed in a timely manner.</p> <p>Effect - Not all inspections are being completed in a timely manner.</p> <p>Questioned Costs - None</p> <p>Recommendation - The community development department should consider compiling an annual list of rental rehabilitation homes due for inspection in the coming year.</p> <p>Views of Responsible Officials - The Community Development Department will maintain an up-to-date listing of rental rehabilitation properties due for inspection throughout the year and perform inspections in a timely manner.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-5	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218) and Home Investment Partnership Program (CFDA #14.239)</p> <p>Pass-through Entity - HOME program passed through the Michigan State Housing Development Authority</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - HUD recently began requiring grantees to use the Integrated Disbursement and Information System (IDIS) to electronically submit to HUD an annual performance and evaluation report.</p> <p>Condition - The IDIS reports should be reconciled to the general ledger for consistency.</p> <p>Context - Per review of this report, we noted that the IDIS report did not match the general ledger of City of Westland, Michigan in terms of out of which program years and program activity codes certain funds were spent. Also, there is a discrepancy between the remaining amount of available funds between City of Westland, Michigan's books and IDIS.</p> <p>Cause - The department does not have adequate controls in place to ensure that the IDIS report matches the general ledger.</p> <p>Effect - IDIS reports do not reconcile to the general ledger.</p> <p>Questioned Costs - None</p> <p>Recommendation - As part of the monthly reconciliation process, City of Westland, Michigan should compare the information per IDIS with the general ledger. The community development director should take steps to become more familiar with the operation of IDIS.</p> <p>Views of Responsible Officials - The community development director will receive additional training on IDIS.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-6	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218) and Home Investment Partnership Program (CFDA #14.239)</p> <p>Pass-through Entity - HOME program passed through the Michigan State Housing Development Authority</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - HUD recently began requiring grantees to use the Integrated Disbursement and Information System (IDIS) to electronically submit to HUD an annual performance and evaluation report.</p> <p>Condition - The CAPER was missing key information before submission to HUD.</p> <p>Context - Per review of the IDIS report submitted to HUD, it was noted that key information was missing before review by the audit team. Information missing included the prior year amount of unexpended funds which, in effect, made the current year amount of unexpended funds incorrect. Also, the HOME program information related to HOME expenditures was understated by approximately \$200,000. Finally, the APR report submitted with the CAPER related to the HOME program was left blank.</p> <p>Cause - The CAPER was reviewed as part of the single audit program.</p> <p>Effect - The department would have submitted an inaccurate CAPER to HUD without assistance from audit.</p> <p>Questioned Costs - None</p> <p>Recommendation - The community development director should take steps to become more familiar with the operation of IDIS.</p> <p>Views of Responsible Officials - The community development director will receive additional training on IDIS.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-7	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218) and Home Investment Partnership Program (CFDA #14.239)</p> <p>Pass-through Entity - HOME program passed through the Michigan State Housing Development Authority</p> <p>Finding Type - Material noncompliance/Significant deficiency</p> <p>Criteria - The duties of setting up a project in the IDIS system and making the drawdown request for funds should be separated.</p> <p>Condition - The community development director sets up projects and requests drawdowns in IDIS.</p> <p>Context - Per the program questionnaire, the community development director sets up projects and requests drawdowns in IDIS.</p> <p>Cause - The program questionnaire inquires as to the segregation of duties between the setting up of projects and drawdown requests.</p> <p>Effect - Proper segregation of duties does not exist between project management and drawdown requests.</p> <p>Questioned Costs - None</p> <p>Recommendation - Responsibility of setting up projects within IDIS and drawing down funds in IDIS should be segregated.</p> <p>Views of Responsible Officials - Segregation of duties will improve with the return of a full-time secretary in the department.</p>

City of Westland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
2007-8	<p>Program Name - U.S. Department of Housing and Urban Development, Community Development Block Grant (CFDA #14.218) and Home Investment Partnership Program (CFDA #14.239)</p> <p>Pass-through Entity - HOME program passed through the Michigan State Housing Development Authority</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - In monitoring subrecipients, City of Westland, Michigan is responsible to ensure funding is being appropriately spent, to ascertain that the subrecipient's activities are allowable under the grant and are administered in compliance with federal requirements, and to follow up on audit and monitoring findings, questioned costs, internal control and other exceptions indicated by the audit of the subrecipient and which require the subrecipient to take timely corrective action on the deficiencies identified.</p> <p>Condition - Review of subrecipient monitoring reports is required per the single audit program and has not been completed.</p> <p>Context - City of Westland, Michigan has not been able to successfully monitor the CHDO (People Community Hope for Homes).</p> <p>Cause - Per review of the subrecipient file, we noted City of Westland, Michigan has been unable to obtain necessary information for successfully monitoring the subrecipient.</p> <p>Effect - City of Westland, Michigan is noncompliant with the subrecipient monitoring requirement.</p> <p>Questioned Costs - None</p> <p>Recommendation - The City should take steps in order to be able to effectively monitor the subrecipient.</p> <p>Views of Responsible Officials - City of Westland, Michigan is taking steps to remediate this issue with the CHDO.</p>

November 29, 2007

To the Honorable Mayor and
Members of the City Council
City of Westland
36601 Ford Road
Westland, MI 48185

Dear Mayor and Council Members:

We have recently completed our audit of the financial statements of the City of Westland (the "City") for the year ended June 30, 2007. Once again, the City's financial statements receive an unqualified opinion, the highest level of assurance your auditors can provide. In fact, the quality and thoroughness of the accounting records continue to improve, especially as it pertains to capital assets.

As part of our audit, and in addition to our audit report, we have the following comments and recommendations for your consideration.

Financial Results/Plans

Due to the troubled national and state economy, the fund equity of some of the main operating funds of the City continues to be an area of focus. The following comments are made to help keep you abreast of developments affecting fund equity:

- The City was successful in increasing total General Fund fund balance by approximately \$660,000, to approximately \$7,242,000 as of June 30, 2007. The increased fund balance is all reserved for the Police and Fire Retirement System and for sanitation expenses. Unreserved fund balance decreased approximately \$6,000 to \$2,348,166. That should be viewed as a victory for the City given the General Fund budget called for a decrease in fund balance of almost \$1,800,000. With a few exceptions, most departments were well under budget for the year. Total expenditures were approximately \$3,100,000 under budget.

As noted in other areas of this letter, reductions of state-shared revenues will continue to impact the City's ability to maintain adequate fund balance. The City has worked hard to reduce costs by not filling vacant personnel positions, monitoring costs, and delaying other costs. This effort will need to continue for the foreseeable future. To assist in this effort, we continue to encourage the updating and review of the City's five-year plan to assist with this process.

November 29, 2007

- Despite recently raising customer rates, water and sewer operations still did not charge an amount sufficient to cover operating costs, resulting in an operational cash flow deficit of approximately \$900,000. Between the operational shortfall and the \$2,300,000 spent this year on capital and related financing activities, the Water and Sewer Fund exhausted its supply of available cash. The remaining \$967,500 of cash and investments is restricted as stipulated by the provisions of the City's outstanding revenue bonds. The rate structure must be revised in order to provide the system with enough cash to continue operating.
- During the year, the budget of the Local Roads Fund was amended in such a way as to show a deficit of fund balance, a technical violation of state law. For the year, the Local Roads Fund actually had a surplus of \$217,409.
- Due to a slowdown of development within the City, along with a slower Michigan economy, building department revenue has continued to decrease over the past several years while building department expenses have risen. The City may want to re-examine the cost structure within the building department.

New Auditing Standards

New auditing rules effective December 15, 2006 have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standards (Statement on Auditing Standards Number 112, referred to as SAS 112) require us to inform you about any matters noted in your accounting procedures or internal controls that the new auditing standards define as a significant deficiency. The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency. For example, the requirements of SAS 112 go so far as to classify certain journal entries proposed by your auditor as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have provided our comments and observations as part of a meeting or discussion at the end of our work directly to management. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the City Council, in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

November 29, 2007

In planning and performing our audit of the financial statements of the City of Westland as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified several deficiencies in internal control that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control:

- Journal entries related to capital assets, general liability insurance, workers' compensation insurance, and LDFA investment income were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles.
- A journal entry was required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles in relation to the recognition of revenue after the cancellation of a check from TIFA to Wayne County Community College for a refund of captured property taxes. The adjustment recorded a liability to WCCC. The adjustment was made in order to correct a misposting to the general ledger.
- Each year, we perform a more in-depth review of the financial controls in a department or facility. We do this on a rotating basis and typically utilize the direction of the finance director and/or mayor. This year, we performed additional procedures focusing on the internal controls of the DPS department. The results of those procedures indicated several deficiencies in that department related to documentation of disbursement approval, safeguarding of cash collected at the transfer station, verification of received goods, personal use of City-owned tools, and other concerns. More detail on the results of our review and our suggestions for improvement can be found in our memo to the mayor dated October 31, 2007. It is our understanding that steps are being taken to improve the controls in this department.

November 29, 2007

- During the compliance audit of the City's federal awards (A-133 or "single audit"), we identified several findings in the Home Investment Partnership Program that are considered significant deficiencies. More detail on these findings can be found in the separately issued federal awards audit report.

It should be noted again that despite these deficiencies, the overall quality and thoroughness of the financial records for the City of Westland have continued to improve over the past several years.

Last year, we indicated to you that the activity of the Community Development Block Grant Fund had not been recorded or reconciled timely. We are happy to report to you that this was rectified this year.

Upcoming Auditing Standards

Effective December 15, 2007, in time for next year's audit, several additional audit standards will be implemented. These standards will require the auditors to perform significant additional procedures related to the City's internal controls. This is an excellent opportunity to review the controls that are in place at the City and create internal documentation regarding the design of the internal control environment. As always, Plante & Moran, PLLC is available to assist you in implementing the new standards.

Revenue Sharing

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls continue to be significant. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million) and to enact a new 6 percent tax on certain services (raising approximately \$700 million per year). As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund," which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?

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- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changes to Michigan’s Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State’s budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State’s budget is hard to predict. Further changes to Michigan’s tax structure were made on October 1 as described above to partially close the structural budget deficit that exists.

As introduced, the governor’s budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not yet been announced, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments. Many observers have indicated that it is likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State’s fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

The table below details state-shared revenue for the City since 2001 broken out by statutory and constitutional portions.

Year	Constitutional	Statutory	Total
2001	\$ 5,782,983	\$ 4,783,419	\$ 10,566,402
2002	5,669,237	4,707,508	10,376,745
2003	5,765,216	4,148,600	9,913,816
2004	5,702,593	3,207,477	8,910,070
2005	5,838,684	2,974,266	8,812,950
2006	5,935,884	2,777,010	8,712,894
2007	5,814,702	2,640,660	8,455,362
2008 (estimate)	5,884,341	2,571,021	8,455,362

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If the State were to eliminate the statutory portion of revenue sharing (as the constitutional portion cannot be modified without a change to the State's constitution), the City has \$2,571,021 at risk in its General Fund budget based on 2008 estimated funding levels. In light of the current environment, we strongly encourage local governments to be conservative when budgeting or projecting the revenue-sharing line item.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the "Uniform Video Services Local Franchise Act," which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.
- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bill's franchise fee.
- Audits of the video service providers' calculation of gross revenue are limited to once every two years.

It is expected that local governments will receive their first payment under the new Act beginning in May 2007 or shortly thereafter. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.

Subsequent to the passage of the Act, amendments have been proposed in both the House and the Senate (House Bill 5047 and Senate Bill 636) to clarify language about the ability of local governments to receive PEG fees.

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Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent - until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the “uncapped” value or the “pop-up” value. As several published studies and reports have demonstrated, the treatment of “uncapped” values or the “pop-up” amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local governments for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.

House Bills 4440 and 4441 passed the House on March 14 (HB 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

911 Surcharge Sunset Extended

Local governments receiving monies under the Emergency Service Enabling Act to support 911 operations faced the potential elimination or change in the funding formula at December 31, 2006. To allow further analysis of this issue, the sunset of the Act was extended one year to December 31, 2007 (Public Act 249 of 2006).

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Municipal Finance Act Revisions

The Municipal Finance Act was amended several years ago. Communities are now required to submit a filing once a year with the Michigan Department of Treasury. The old 10-day “exemption from prior approval” process has been eliminated and is replaced with this qualification process. This filing will serve as a pre-approval for future debt issues. The current filing is due within six months following the end of the City’s year ended June 30, 2007 and is good for one year thereafter. The City should consider the need to file a qualifying statement for the Downtown Development Authority.

Funding of Postemployment Benefit Obligations

As mentioned in previous years, the Governmental Accounting Standards Board has released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement provides guidance for local units of government in recognizing the cost of retiree healthcare benefits. The intent of the new rules is to recognize the cost of providing retiree healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. These new rules will apply to the government-wide financial statements, rather than the individual fund level. As a result, the City will need to continue to budget for contributions to a prefunding plan. For many communities, the funding of postemployment benefits is the most significant financial challenge they will face in coming years. The statement, as previously mentioned, will be effective for the City’s fiscal year ending June 30, 2009. The City will need to perform an actuarial valuation during the fiscal year ending June 30, 2008 to provide an estimate as to what these annual costs may amount to. The cost of health care currently paid each year as premiums become due has been increasing and the trend is expected to continue.

This communication is intended solely for the information and use of the mayor and the members of City Council and the finance department and is not intended to be and should not be used by anyone other than these specified parties.

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

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We would like to thank the City and all those involved with the audit process for their assistance, especially Steve Smith, Debra Szajko, and Dwayne Harrigan. If any questions arise on reviewing the financial statements or on the above comments, we would be happy to discuss them with you or assist in the implementation of any of the recommendations. Thank you for the continued opportunity to be of service.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink, appearing to read "Michael J. Swartz", with a stylized flourish at the end.

Michael J. Swartz

A handwritten signature in black ink, appearing to read "Brian J. Camiller", with a stylized flourish at the end.

Brian J. Camiller