

**City of Wyandotte, Michigan
Department of Municipal Service**

**Financial Report
September 30, 2009**

City of Wyandotte, Michigan

Department of Municipal Service

Contents

Report Letter	1-2
Management's Discussion and Analysis	3-6
Basic Financial Statements	
Statement of Net Assets	7
Statement of Revenue, Expenses, and Changes in Net Assets	8
Statement of Cash Flows	9-10
Notes to Financial Statements	11-37

Independent Auditor's Report

To the Members of the Municipal
Service Commission
City of Wyandotte, Michigan

We have audited the accompanying financial statements of each major fund of the City of Wyandotte, Michigan Department of Municipal Service (the "Department") as of and for the year ended September 30, 2009, which collectively comprise the Department's basic financial statements. These financial statements are the responsibility of the Department's management. Our responsibility is to express opinions on these financial statements based on our audit. The prior year partial comparative information has been derived from the Department's 2008 financial statements and in our report dated March 26, 2009, we expressed an unqualified opinion on the 2008 basic financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 opinion.

As discussed in Note I, the financial statements present only the Department and are not intended to present fairly the financial position of the City of Wyandotte, Michigan and the results of its operations and cash flows of its proprietary fund types, in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of each major fund of the City of Wyandotte, Michigan Department of Municipal Service at September 30, 2009 and the results of its operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis is presented for the purpose of additional analysis and is not a required part of the basic financial statements but is 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 supplemental information. However, we did not audit the information and do not express an opinion on it.

To the Members of the Municipal
Service Commission
City of Wyandotte, Michigan

The financial statements include partial prior year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the Department's financial statements for the year ended September 30, 2008, from which such partial information was derived.

As discussed in Note 2, the Department implemented GASB statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. As a result, the cost of retiree health care is now reported as those benefits are earned by the employees, rather than as paid.

Plante & Moran, PLLC

March 24, 2010

City of Wyandotte, Michigan

Department of Municipal Service

Management's Discussion and Analysis

Our discussion and analysis of the City of Wyandotte, Michigan Department of Municipal Service's performance provides an overview of the Department's financial activities for the fiscal year ended September 30, 2009. Please read it in conjunction with the Department's financial statements.

Using this Annual Report

The City of Wyandotte, Michigan Department of Municipal Service (the "Department") is a department created by the City of Wyandotte (the "City") that is governed and operated independently from the City by the Municipal Service Commission (the "Commission"). The Commission provides electric, water, cable television, and Internet services to users in the City and accounts for these activities in separate funds. This annual report consists of a series of financial statements. The statement of net assets and the statement of revenue, expenses, and changes in net assets provide information about the financial activities of the Department. This is followed by the statement of cash flows, which presents detailed information about the changes in the Department's cash position during the year.

Financial Highlights

Electric Fund

- The Electric Fund's operating revenue decreased from prior year by approximately 3 percent, and operating expenses increased by approximately 9 percent. The decrease in revenue was primarily due to decreases in power sales and the increase in expenses is primarily due to increases in general repairs and maintenance and other power production costs. In addition, the Department implemented GASB 45 in the current year, which increased retiree healthcare expenses by \$478,740.
- Accordingly, the Electric Fund's operating income decreased by \$3,895,924 to (\$1,007,755), compared to \$2,888,169 in the previous year.
- The Department's bond ordinance specifies that the Department's Electric Fund budget provide net revenue that equals or exceeds 110 percent of its annual debt service requirement. The ratio that measures the relationship between the Department's net revenue and its annual debt service requirement is known as the "debt service coverage ratio." While the 110 percent debt service coverage ratio test is prospective, it is important that the Department's actual results yield net revenue that equals or exceeds 110 percent of the annual debt service requirement. The actual debt service coverage ratio for the year did not exceed 110 percent (approximately 89 percent for the year ended September 30, 2009). For purposes of computing the above debt service coverage ratio, the Department's net other postemployment benefit (OPEB) obligation of \$478,740 at September 30, 2009 was added back to the computation of amounts available for debt. Refer to Note 14 for additional details regarding net OPEB obligation.

City of Wyandotte, Michigan

Department of Municipal Service

Management's Discussion and Analysis (Continued)

- Another financial covenant in the Department's bond ordinance requires that actual expenditures of the Department do not exceed budget. The Department was in compliance with this ordinance.

Water Fund

- The financial performance of the Water Fund remained relatively stable in the current year. Operating revenue increased by approximately 7 percent and operating expenses increased by approximately 7 percent. The increase in revenue was primarily due to an increase in rates and the increase in expenses was primarily due to the Department's implementation of GASB 45 in the current year, which increased retiree healthcare expenses by \$154,380. Operating income in the current year increased by \$1,571 and was \$148,971 at year end.
- Through a planned series of water rate increases over the past several years, the Water Fund has been restoring its working capital position. Historically, the Water Fund has been assisted by annual contributions from the City's Tax Increment Financing Authority for water main construction, but there was no contribution in the current year.
- This year's financial statement reports unrestricted net assets of \$1,334,988 (as compared to only \$1,297,543 in the prior year). The Department is continuing to review its rate structure of the water utility, along with other options, to continue to improve the financial condition of the Water Fund.

Cable Television Fund

- The Cable Television Fund's operating revenue increased by approximately 8 percent, mainly due to increases in basic cable, cable internet revenues, and VOIP services (Voice Over Internet Protocol) of \$287,338, \$125,493, and \$213,239, respectively.
- The Cable Television Fund realized an operating net loss of \$163,624 in the current year. The operating loss was increased by \$116,777 in comparison to the operating net loss of \$46,847 in the prior year. The increased loss was primarily due to the Department's implementation of GASB 45 in the current year, which increased retiree healthcare expenses by \$85,859.
- The Cable Fund continues to maintain excess operating cash to retire the debt outstanding on the rebuild of its fiber optic cable network completed in 1999. The restriction of that cash (approximately \$1.1 million) is the primary reason for the deficit in unrestricted net assets of \$1,584,326.

City of Wyandotte, Michigan

Department of Municipal Service

Management's Discussion and Analysis (Continued)

Condensed Financial Information

The following table presents condensed information about the Department's financial position compared to the prior year:

	September 30		Change	
	2009	2008	Amount	Percent
Assets				
Current assets	\$ 15,183,662	\$ 18,402,795	\$ (3,219,133)	(17.49)
Restricted assets	12,354,551	13,924,706	(1,570,155)	(11.28)
Property, plant, and equipment	59,785,747	61,081,618	(1,295,871)	(2.12)
Other	1,937,205	1,721,825	215,380	12.51
Total assets	89,261,165	95,130,944	(5,869,779)	(6.17)
Liabilities				
Current liabilities	14,348,244	17,156,192	(2,807,948)	(16.37)
Liabilities payable from restricted assets	4,725,134	5,000,885	(275,751)	(5.51)
Long-term liabilities	40,251,835	40,410,168	(158,333)	(0.39)
Total liabilities	59,325,213	62,567,245	(3,242,032)	(5.18)
Net Assets				
Invested in capital assets - Net of debt	14,405,792	15,032,718	(626,926)	(4.17)
Restricted assets	10,765,162	11,694,894	(929,732)	(7.95)
Unrestricted	4,764,998	5,836,087	(1,071,089)	(18.35)
Total net assets	<u>\$ 29,935,952</u>	<u>\$ 32,563,699</u>	<u>\$ (2,627,747)</u>	(8.01)

The following table presents condensed information about the Department's revenues and expenses compared to the prior year:

	Year Ended September 30		Change	
	2009	2008	Amount	Percent
Total operating revenue	\$ 45,294,055	\$ 45,604,927	\$ (310,872)	(0.68)
Total operating expenses	46,316,463	42,616,205	3,700,258	8.68
Operating Income (Loss)	(1,022,408)	2,988,722	(4,011,130)	(134.21)
Contributions	-	261,547	(261,547)	(100.00)
Other nonoperating expense	(1,605,339)	(830,590)	(774,749)	93.28
Net Income (Loss)	<u>\$ (2,627,747)</u>	<u>\$ 2,419,679</u>	<u>\$ (5,047,426)</u>	(208.60)

City of Wyandotte, Michigan

Department of Municipal Service

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

During the current year, the Department had one significant construction project in the Electric Fund. During the year, the Department completed the construction of a new electrical substation (Substation 9) which began in 2008. This project was funded by various sources including bond proceeds and a contribution pursuant an agreement with BASF Corporation. The bond proceeds relate to unused bond proceeds from a 2005 issuance and proceeds from the new 2009 refunding bond.

Economic Factors and Next Year's Rates

The Electric Fund continues to be significantly impacted by fuel and power production costs. A spike in fuel costs in recent years has required the Department to increase the power supply adjustment rider contained in its electric rate structure. As a result, the Department continues to work with a rate consultant to update its cost of service study and electric rate structure in light of the significant changes occurring to fuel costs. The Department has implemented several rate increases in the Water and Cable Funds to improve its financial condition and additional rate increases will be necessary to restore its working capital.

Contacting the Department's Management

This financial report is intended to provide our consumers and investors with a general overview of the Department's finances. If you have questions about this report or need additional information, we welcome you to contact the Department's general manager.

City of Wyandotte, Michigan

Department of Municipal Service

Statement of Net Assets

	September 30				
	2009			2008	
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Assets					
Current Assets					
Cash and investments (Note 3)	\$ 2,716,486	\$ 1,022,543	\$ 87,350	\$ 3,826,379	\$ 5,715,423
Accounts receivable:					
Billed (Note 4)	2,355,319	215,843	668,723	3,239,885	3,671,691
Construction (Note 4)	636,000	-	-	636,000	636,000
Unbilled	2,130,600	337,971	-	2,468,571	2,510,313
Due from other funds (Note 6)	-	1,431,349	7,532	1,438,881	1,180,774
Fuel, materials, supplies, and other inventories	3,202,757	115,468	109,984	3,428,209	4,462,018
Prepaid insurance and other current assets	88,399	11,638	45,700	145,737	226,576
Total current assets	11,129,561	3,134,812	919,289	15,183,662	18,402,795
Noncurrent Assets					
Long-term construction receivable (Note 4)	138,000	-	-	138,000	774,000
Restricted assets (Note 8)	10,868,460	169,475	1,316,616	12,354,551	13,924,706
Bond issuance costs (Note 13)	1,799,205	-	-	1,799,205	947,825
Property, plant, and equipment - Net (Note 5)	47,073,043	9,063,350	3,649,354	59,785,747	61,081,618
Total noncurrent assets	59,878,708	9,232,825	4,965,970	74,077,503	76,728,149
Total assets	\$ 71,008,269	\$ 12,367,637	\$ 5,885,259	\$ 89,261,165	\$ 95,130,944
Liabilities and Net Assets					
Current Liabilities					
Current portion of long-term debt (Note 7)	\$ 4,093,952	\$ -	\$ 416,617	\$ 4,510,569	\$ 4,277,659
Accounts payable	4,067,904	44,467	510,173	4,622,544	7,279,362
Due to other funds (Note 6)	40,435	-	1,398,446	1,438,881	1,180,774
Due to City of Wyandotte (Note 10)	-	1,359,053	-	1,359,053	848,450
Other accrued liabilities	1,134,723	241,924	277,818	1,654,465	2,755,899
Deferred revenue	-	-	110,984	110,984	123,320
Customer deposits and other current liabilities	531,423	-	120,325	651,748	690,728
Total current liabilities	9,868,437	1,645,444	2,834,363	14,348,244	17,156,192
Liabilities to be Paid from Restricted Assets - Debt service payable	4,725,134	-	-	4,725,134	5,000,885
Noncurrent Liabilities					
Long-term debt - Net of current portion and amount payable from restricted assets (Note 7)	39,039,490	-	493,356	39,532,846	40,410,168
Net OPEB obligation (Note 14)	478,740	154,380	85,869	718,989	-
Total noncurrent liabilities	39,518,230	154,380	579,225	40,251,835	40,410,168
Total liabilities	54,111,801	1,799,824	3,413,588	59,325,213	62,567,245
Net Assets					
Invested in property, plant, and equipment - Net of related debt	2,603,061	9,063,350	2,739,381	14,405,792	15,032,718
Restricted (Note 8)	9,279,071	169,475	1,316,616	10,765,162	11,694,894
Unrestricted (deficit)	5,014,336	1,334,988	(1,584,326)	4,764,998	5,836,087
Total net assets	16,896,468	10,567,813	2,471,671	29,935,952	32,563,699
Total liabilities and net assets	\$ 71,008,269	\$ 12,367,637	\$ 5,885,259	\$ 89,261,165	\$ 95,130,944

City of Wyandotte, Michigan

Department of Municipal Service

Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended September 30				
	2009				2008
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Operating Revenue	\$ 34,152,292	\$ 3,577,129	\$ 7,564,634	\$ 45,294,055	\$ 45,604,927
Operating Expenses					
Production, pumping, and purification	23,399,230	826,047	-	24,225,277	22,440,576
Distribution	1,452,061	525,189	1,108,030	3,085,280	2,897,227
Cable television royalties	-	-	3,841,069	3,841,069	3,645,461
Customer service	114,370	56,739	54,450	225,559	336,431
Office and administrative	940,295	376,345	528,760	1,845,400	1,052,770
General and miscellaneous	4,445,614	973,089	1,354,455	6,773,158	6,249,597
Transportation	81,918	12,233	22,019	116,170	127,185
Depreciation	4,726,559	658,516	819,475	6,204,550	5,866,958
Total operating expenses	<u>35,160,047</u>	<u>3,428,158</u>	<u>7,728,258</u>	<u>46,316,463</u>	<u>42,616,205</u>
Operating (Loss) Income	(1,007,755)	148,971	(163,624)	(1,022,408)	2,988,722
Nonoperating Income (Expenses)					
Gain on sale of asset	35,685	-	48,605	84,290	122,270
Grant revenue	48,300	-	-	48,300	94,782
Interest and other income	283,827	110,545	53,735	448,107	1,165,962
Interest expense	(2,013,634)	-	(43,264)	(2,056,898)	(2,113,656)
Amortization of bond issuance costs	(129,138)	-	-	(129,138)	(99,948)
Total nonoperating (expenses) income	<u>(1,774,960)</u>	<u>110,545</u>	<u>59,076</u>	<u>(1,605,339)</u>	<u>(830,590)</u>
(Loss) Income - Before contribution of fixed assets	(2,782,715)	259,516	(104,548)	(2,627,747)	2,158,132
Contribution of Fixed Assets	-	-	-	-	261,547
Net (Loss) Income	(2,782,715)	259,516	(104,548)	(2,627,747)	2,419,679
Net Assets - Beginning of year	<u>19,679,183</u>	<u>10,308,297</u>	<u>2,576,219</u>	<u>32,563,699</u>	<u>30,144,020</u>
Net Assets - End of year	<u>\$ 16,896,468</u>	<u>\$ 10,567,813</u>	<u>\$ 2,471,671</u>	<u>\$ 29,935,952</u>	<u>\$ 32,563,699</u>

City of Wyandotte, Michigan

Department of Municipal Service

Statement of Cash Flows

	Year Ended September 30				
	2009				2008
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Cash Flows from Operating Activities					
Cash received from customers	\$ 34,798,192	\$ 3,468,162	\$ 7,501,249	\$ 45,767,603	\$ 44,986,329
Cash payments to suppliers for goods and services	(27,915,289)	(1,296,989)	(5,916,125)	(35,128,403)	(29,092,535)
Cash payments to employees for services	(4,464,251)	(946,107)	(1,038,480)	(6,448,838)	(6,357,018)
Net cash provided by operating activities	2,418,652	1,225,066	546,644	4,190,362	9,536,776
Cash Flows from Noncapital Financing Activities -					
Interfund borrowings - Net of repayments	80,146	(358,497)	278,351	-	-
Cash Flows from Capital and Related Financing Activities					
Proceeds from debt issuance	24,118,447	-	-	24,118,447	2,419,214
Grant revenue	48,300	-	-	48,300	94,782
Principal and interest paid on long-term debt	(27,617,830)	-	(458,196)	(28,076,026)	(5,999,586)
Asset constructed for customer - Net of repayments	636,000	-	-	636,000	636,000
Proceeds from sale of fixed assets	35,685	-	48,605	84,290	122,270
Purchase of capital assets - Net of reimbursements	(3,568,056)	(879,790)	(460,833)	(4,908,679)	(6,235,182)
Net cash used in capital and related financing activities	(6,347,454)	(879,790)	(870,424)	(8,097,668)	(8,962,502)
Cash Flows from Investing Activities - Interest received on investments	283,827	110,545	53,735	448,107	1,165,962
Net (Decrease) Increase in Cash and Cash Equivalents	(3,564,829)	97,324	8,306	(3,459,199)	1,740,236
Cash and Cash Equivalents - Beginning of year	17,149,775	1,094,694	1,395,660	19,640,129	17,899,893
Cash and Cash Equivalents - End of year	\$ 13,584,946	\$ 1,192,018	\$ 1,403,966	\$ 16,180,930	\$ 19,640,129
Reconciliation to Statement of Net Assets					
Cash and investments	\$ 2,716,486	\$ 1,022,543	\$ 87,350	\$ 3,826,379	\$ 5,715,423
Restricted assets	10,868,460	169,475	1,316,616	12,354,551	13,924,706
Total	\$ 13,584,946	\$ 1,192,018	\$ 1,403,966	\$ 16,180,930	\$ 19,640,129

City of Wyandotte, Michigan

Department of Municipal Service

Statement of Cash Flows (Continued)

	Year Ended September 30				
	2009				2008
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities					
Operating (loss) income	\$ (1,007,755)	\$ 148,971	\$ (163,624)	\$ (1,022,408)	\$ 2,988,722
Adjustments to reconcile operating (loss) income to net cash from operating activities:					
Depreciation/Amortization	4,726,559	658,516	819,475	6,204,550	5,866,958
Changes in assets and liabilities:					
Receivables	645,900	(108,967)	(63,385)	473,548	(618,598)
Inventory	984,543	8,432	40,834	1,033,809	(1,976,385)
Prepaid insurance and other current assets	21,482	11,627	47,730	80,839	(77,909)
Accounts payable	(2,330,331)	(146,594)	(179,893)	(2,656,818)	3,630,480
Accrued and other liabilities	(604,391)	142,478	79,468	(382,445)	407,275
Due to City of Wyandotte	-	510,603	-	510,603	(644,766)
Deferred revenue	-	-	(12,336)	(12,336)	(12,336)
Customer deposits and other current liabilities	(17,355)	-	(21,625)	(38,980)	(26,665)
Net cash provided by operating activities	<u>\$ 2,418,652</u>	<u>\$ 1,225,066</u>	<u>\$ 546,644</u>	<u>\$ 4,190,362</u>	<u>\$ 9,536,776</u>

Noncash Capital and Related Financing Activities - Water Fund - During the years ended September 30, 2009 and 2008, \$0 and \$261,547, respectively, of asset additions were contributed to the Department.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 1 - Nature of Entity

The Department of Municipal Service (the "Department") is a department created by the City of Wyandotte, Michigan (the "City") that is governed and operated independently from the City by the Municipal Service Commission (the "Commission"). The Commission provides electric, water, cable television, and Internet services to users in the City and accounts for these activities in the following separate major funds: Electric Fund, Water Fund, and Cable Fund.

The funds of the Department are included in the basic financial statements of the City at September 30, 2009.

Note 2 - Summary of Significant Accounting Policies

The accounting policies of the Department 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 accompanying basic financial statements have been prepared in accordance with criteria established by the Governmental Accounting Standards Board for determining the various governmental organizations to be included in the reporting entity. In accordance with these guidelines, there are no component units to be included in these financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Private sector standards of accounting issued prior to December 1, 1989 are generally followed in the financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The Department has elected not to apply private sector standards issued after December 31, 1989.

As a general rule, the effect of interfund activity has been eliminated from the financial statements.

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.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

The operating revenue represents billings to customers based primarily on usage by the Department's customers. 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 non-operating revenue and expenses.

Assets, Liabilities, and Net Assets

Cash Equivalents - Cash equivalents consist of highly liquid investments with an original maturity of three months or less, including certificates of deposit, government investment pools, and other cash management funds. In addition, the statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are reported at fair value, based on quoted market prices.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "advances to/from other funds."

Inventories - Inventories are stated at the lower of cost, determined by the average cost method for general inventory and determined by the first-in, first-out method for coal inventory, or market.

Significant Customers - The Electric Department has three significant customers: BASF Corporation, Wayne County, and Wyandotte Hospital, representing approximately 13 percent, 6 percent, and 3 percent, respectively, of the Electric Department's operating revenue for the year ended September 30, 2009.

The Water Department has four significant customers: BASF Corporation, the Department of Municipal Service's Electric Department, Wayne County, and Wyandotte Hospital, representing approximately 14 percent, 4 percent, 4 percent, and 2 percent, respectively, of the Water Department's operating revenue for the year ended September 30, 2009.

Property, Plant, and Equipment - Property, plant, and equipment are recorded at cost or, if donated, at their estimated fair value on the date donated. Depreciation is charged as an expense against the operations of the Department on a straight-line basis. No depreciation expense has been recorded for amounts reflected as construction in progress.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements September 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Property, plant, and equipment are defined by the Department as assets with an estimated useful life of more than one year. Interest incurred during the construction of capital assets being financed is included as part of the capitalized value of the assets constructed. During the current year, there was no interest expense capitalized.

Property, plant, and equipment are depreciated using the following useful lives:

Utility plant	20-25 years
Transmission	10-15 years
Pumping	40-50 years
Purification	20-40 years
Distribution	10-15 years
Transportation	4-15 years
Stores	10-15 years
Cable equipment	10 years
Studio	10-15 years
General	5-10 years

Deferred Revenue - Deferred revenue relates to a contract in the Cable Television Fund between the Department and Wyandotte Public Schools related to construction and usage of the Department's fiber optic cable system. Monies received in advance will be recognized over the term of the contract.

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

Long-term Obligations - Long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

Pension Plan - The Department has a defined benefit retirement plan covering substantially all permanent, full-time employees through participation in the City of Wyandotte Employees' Retirement System. Annual retirement expense includes a provision for funding prior service costs in excess of fund assets on the basis of funding such excess over a remaining period of nine years as of September 2009. The Department's policy is to fund retirement cost accrued.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 2 - Summary of Significant Accounting Policies (Continued)

Other Postemployment Benefit Costs - The Department offers retiree healthcare benefits to retirees. The Department receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. The Department reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year unpaid amount, if any.

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

New Accounting Standard - In the current year, the Department implemented the Governmental Accounting Standards Board's 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 pronouncement causes the Department to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. This statement was implemented prospectively. Implementing the statement caused an additional expense to be reported in the funds of \$718,989 in excess of what would have been reported in prior years.

Emissions Allowance - The Environmental Protection Agency has granted emission allowances to the Department related to the emission of certain pollutants. No amounts are recorded at the date of the grant. The Department estimates the allowances needed for future years. As appropriate, the Department may purchase additional allowances or sell the estimated future excess allowances. The purchase and sale of allowances by emission type is accounted for separately and is not offset against transactions involving allowances of different emission types. Purchased allowances net of proceeds from the sale of related allowances are recorded as an asset and will be expensed during the applicable period. Proceeds from the sale of allowances are recognized as income at the time of sale.

During the current year, the Department purchased 100 tons of nitrogen oxide (NO_x) emissions allowances for \$120,000 or \$1,200/ton. All of these allowances have been used and expensed in the current year.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

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. A 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 Department has designated one bank 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 Department's deposits and investment policies are in accordance with statutory authority.

The Department's cash and investments are subject to two 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 Department's deposits may not be returned to it. The Department does not have a deposit policy for custodial credit risk. At year end, the Department had \$1,890,397 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The Department 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 Department evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

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 Department 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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Bank investment pools	\$16,700,817	Aaa	Moody's

Note 4 - Billed and Unbilled Accounts Receivable

Billed accounts receivable, net of allowance for uncollectible accounts, are as follows:

	<u>2009</u>				<u>2008</u>
	<u>Electric Fund</u>	<u>Water Fund</u>	<u>Cable Television Fund</u>	<u>Total</u>	<u>Total</u>
Accounts receivable	\$ 2,598,280	\$ 216,820	\$ 691,644	\$ 3,506,744	\$ 3,940,136
Less allowance for uncollectible accounts	<u>(242,961)</u>	<u>(977)</u>	<u>(22,921)</u>	<u>(266,859)</u>	<u>(268,445)</u>
Net accounts receivable	<u>\$ 2,355,319</u>	<u>\$ 215,843</u>	<u>\$ 668,723</u>	<u>\$ 3,239,885</u>	<u>\$ 3,671,691</u>

Unbilled accounts receivable represent services that have been provided to customers through September 30, 2009 for which billings were processed subsequent to year end.

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 4 - Billed and Unbilled Accounts Receivable (Continued)

During the year ended September 30, 2006, the Department entered into an agreement with a customer related to the construction of an asset. Under the terms of the agreement, the Department used proceeds from the 2005A Revenue Bonds to construct a steam line that is currently being used by the customer. The customer agreed to reimburse the Department for 50 percent of the debt service costs of the bond. Varying monthly payments will be made by the customer through December 31, 2010. The Department has recorded accounts receivable and reduced the cost underlying the asset for the principal reimbursements. Interest reimbursements are offset against interest expense when received. During the current year, the Department received \$834,600 from the customer: \$636,000 for debt principal reimbursements which reduced accounts receivable and \$198,600 for interest which reduced interest expense. At September 30, 2009, the outstanding balance related to this agreement is \$774,000, of which \$636,000 is recorded as a current account receivable.

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 5 - Property, Plant, and Equipment

	Balance October 1, 2008	Additions	Disposals and Adjustments	Balance September 30, 2009
Capital assets being depreciated:				
Utility plant	\$ 103,808,890	\$ 458,801	\$ -	\$ 104,267,691
Transmission	5,911,181	-	-	5,911,181
Pumping	2,467,722	455,326	-	2,923,048
Purification	3,743,643	-	-	3,743,643
Distribution	42,190,371	5,162,988	-	47,353,359
Transportation	1,792,595	14,995	-	1,807,590
Stores	959,841	3,580	-	963,421
Cable equipment	1,778,303	112,956	-	1,891,259
Studio	514,191	17,766	-	531,957
General	3,251,891	35,866	-	3,287,757
Construction in progress	1,945,105	310,158	1,663,757	591,506
Total capital assets being depreciated	168,363,733	6,572,436	1,663,757	173,272,412
Accumulated depreciation:				
Utility plant	65,606,081	3,515,456	-	69,121,537
Transmission	4,789,186	159,032	-	4,948,218
Pumping	1,362,615	165,662	-	1,528,277
Purification	3,286,252	92,836	-	3,379,088
Distribution	25,890,174	1,801,359	-	27,691,533
Transportation	1,332,847	104,220	-	1,437,067
Stores	734,963	35,339	-	770,302
Cable equipment	1,143,183	189,646	-	1,332,829
Studio	467,946	11,785	-	479,731
General	2,668,868	129,215	-	2,798,083
Total accumulated depreciation	107,282,115	6,204,550	-	113,486,665
Net capital assets being depreciated	\$ 61,081,618	\$ 367,886	\$ 1,663,757	\$ 59,785,747

Depreciation of \$4,726,559 and \$4,574,186 for the Electric Fund, \$658,516 and \$611,536 for the Water Fund, and \$819,475 and \$681,236 for the Cable Television Fund has been included in operating expenses of the appropriate fund for the years ended September 30, 2009 and 2008, respectively.

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 5 - Property, Plant, and Equipment (Continued)

Construction Commitments - At year end, the Department has active construction projects. The projects include an automated meter reading system, wind turbine, and substation nine. Commitments with contractors in which the Department expects to utilize bond proceeds are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Johnson Controls, Inc (1)	\$ -	\$ 3,866,200
Wind turbine (2)	<u>212,265</u>	<u>87,735</u>
Total	<u>\$ 212,265</u>	<u>\$ 3,953,935</u>

- 1) Funded with installment purchase agreement signed subsequent to year end
- 2) Funded by grants and other sources

Note 6 - Interfund Receivables and Payables

The composition of interfund balances is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Water Fund	Cable Fund	\$ 1,398,446
Water Fund	Electric Fund	32,903
Cable Fund	Electric Fund	<u>7,532</u>
	Total	<u>\$ 1,438,881</u>

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

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt

Outstanding Debt

Long-term debt outstanding is as follows:

	2009			2008
	Electric Fund	Cable Television Fund	Total	Total
1992 Revenue Refunding Bonds - Net of unamortized discount and deferred refunding credit	\$ -	\$ -	\$ -	\$ 2,710,000
2002 Revenue Refunding Bonds - Net of unamortized premium and deferred refunding charge	8,505,028	-	8,505,028	29,802,018
1998 installment purchase agreement		791,531	791,531	1,166,531
2005A Revenue Bonds - Net of unamortized premium	4,262,874	-	4,262,874	4,873,362
2005B Revenue Bonds - Net of unamortized premium	7,236,037	-	7,236,037	7,486,781
2009 Revenue Refunding Bonds - Net of unamortized premium and deferred refunding charge	24,606,469	-	24,606,469	-
2007 installment purchase agreement		118,442	118,442	158,374
2008 installment purchase agreement	2,258,034	-	2,258,034	2,385,761
Less current portion	(4,093,952)	(416,617)	(4,510,569)	(4,277,659)
Less portion payable from restricted assets	<u>(3,735,000)</u>	<u>-</u>	<u>(3,735,000)</u>	<u>(3,895,000)</u>
Total long-term debt - Net of current portion and amount payable from restricted assets	<u>\$ 39,039,490</u>	<u>\$ 493,356</u>	<u>\$ 39,532,846</u>	<u>\$ 40,410,168</u>

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements September 30, 2009

Note 7 - Long-term Debt (Continued)

Changes in Long-term Debt

The following is a summary of long-term debt transactions of the Department for the years ended September 30, 2009 and 2008:

	2005 Series A Electric System Revenue Bonds (Net of Premium)	2005 Series B Electric System Revenue Bonds (Net of Premium)	2002 Revenue Refunding Bonds (Net of Premium and Deferred Refunding Charge)	1992 Revenue Refunding Bonds (Net of Discount and Deferred Refunding Credit)	1998 Cable Installment Purchase Agreement	2007 Cable Installment Purchase Agreement	2008 Electric Installment Purchase Agreement	2009 Series A Electric System Revenue and Refunding Bonds (Net of Premium)	Total
Long-term debt - October 1, 2007	\$ 5,483,850	\$ 7,487,525	\$ 30,018,694	\$ 5,260,000	\$ 1,541,531	\$ 163,236	\$ -	\$ -	\$ 49,954,836
Debt issued	-	-	-	-	-	33,453	2,385,761	-	2,419,214
Debt retired	(600,000)	-	(325,000)	(2,550,000)	(375,000)	(38,315)	-	-	(3,888,315)
Deferred charge on refunding	-	-	167,916	-	-	-	-	-	167,916
Discount	(10,488)	(744)	(59,592)	-	-	-	-	-	(70,824)
Long-term debt - September 30, 2008	4,873,362	7,486,781	29,802,018	2,710,000	1,166,531	158,374	2,385,761	-	48,582,827
Debt issued	-	-	-	-	-	-	-	24,770,000	24,770,000
Deferred charge and premiums	-	-	-	-	-	-	-	(147,431)	(147,431)
Debt retired	(600,000)	(250,000)	(335,000)	(2,710,000)	(375,000)	(39,932)	(127,727)	-	(4,437,659)
Debt refunded	-	-	(20,902,398)	-	-	-	-	-	(20,902,398)
Discount	(10,488)	(744)	(59,592)	-	-	-	-	(16,100)	(86,924)
Long-term debt - September 30, 2009	\$ 4,262,874	\$ 7,236,037	\$ 8,505,028	\$ -	\$ 791,531	\$ 118,442	\$ 2,258,034	\$ 24,606,469	\$ 47,778,415

Debt Service Requirements - The annual total principal and interest requirements to service all debt outstanding as of September 30, 2009, excluding unamortized discount premiums on bonds payable, and deferred refunding charges are as follows:

Years Ending Sept. 30	2005 Electric Revenue Bonds (Series A&B)				2002 Electric Fund Refunding Bonds		2009 Electric Fund Refunding Bonds		1998 Cable Installment Purchase Agreement		2007 Cable Installment Purchase Agreement		2008 Electric Installment Purchase Agreement		Total
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	
2010	\$ 600,000	\$ 159,000	\$ 300,000	\$ 285,800	\$ 2,835,000	\$ 235,382	\$ -	\$ 1,099,025	\$ 375,000	\$ 29,722	\$ 41,617	\$ 2,735	\$ 198,952	\$ 98,131	\$ 6,260,364
2011	600,000	138,000	350,000	272,675	2,945,000	122,000	-	1,099,025	375,000	14,085	76,825	979	208,148	88,935	6,290,672
2012	600,000	111,000	400,000	257,675	3,050,000	-	-	1,099,025	41,531	1,179	-	-	217,770	79,313	5,857,493
2013	600,000	81,000	500,000	237,675	-	-	3,235,000	969,625	-	-	-	-	227,836	69,247	5,920,383
2014	600,000	51,000	525,000	214,050	-	-	3,355,000	801,875	-	-	-	-	238,367	58,716	5,844,008
2015-2019	1,200,000	24,000	2,400,000	745,250	-	-	15,130,000	1,864,675	-	-	-	-	1,166,961	120,399	22,651,285
2020-2024	-	-	2,275,000	298,164	-	-	1,330,000	672,524	-	-	-	-	-	-	4,575,688
2025-2029	-	-	475,000	-	-	-	1,720,000	115,763	-	-	-	-	-	-	2,310,763
Total	\$ 4,200,000	\$ 564,000	\$ 7,225,000	\$ 2,311,289	\$ 8,830,000	\$ 357,382	\$ 24,770,000	\$ 7,721,537	\$ 791,531	\$ 44,986	\$ 118,442	\$ 3,714	\$ 2,258,034	\$ 514,741	\$ 59,710,656

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt (Continued)

Interest - For the years ended September 30, 2009 and 2008, total interest costs of \$2,013,634 and \$2,044,980, respectively, were incurred in the Electric Fund and \$43,264 and \$68,676, respectively, were incurred in the Cable Fund.

Electric Fund Revenue Bonds - The 1992 and the 2002 Electric Revenue Refunding Bonds, the 2005 Series A and B Revenue Bonds, and the 2009 Refunding Bonds are payable out of the net revenue of the Electric Fund. During the year, net revenues of the system were \$5,057,241 compared to the annual debt service requirement of \$5,670,599. The City of Wyandotte, Michigan has no liability for these bonds if the net revenue pledged should prove insufficient.

An agreement has been entered into with BASF for steam service related to the 2005 Revenue Bonds. This agreement provides for reimbursement to the Department for one-half of the principal and associated interest of the 2005 Electric Revenue Bonds (Series A) actually used by the Department to fund the construction of the steam expansion project through 2010.

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

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

Included in the current assets of the Electric Fund at September 30, 2009 and 2008 is approximately \$250,000 and \$276,000, respectively, earmarked for future repairs of the system pursuant to the ordinance. Also included in the current liabilities of the Electric Fund at September 30, 2009 is that portion of the bond principal that was to be transferred within the next year to the Bond and Interest Redemption Fund for payment of bond principal.

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt (Continued)

Advance and Current Refunding - During the year, the Department issued \$24,770,000 in revenue bonds with an interest rate ranging from 4.0 percent to 5.25 percent. The proceeds of these bonds were used to advance refund \$21,585,000 of outstanding 2002 Electric Fund revenue bonds with an average interest rate of 4.75 percent. The net proceeds were \$24,329,924 (after a \$540,442 premium and a payment of \$980,518 in underwriting fees, insurance, and other issuance costs). Proceeds of \$21,229,924 plus an additional \$566,553 of electric debt service reserve fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Electric Fund. The remaining proceeds of \$3,100,000 were used for capital improvements. The advance refunding reduced total debt service payments over the next eight years by approximately \$686,100, which represents an economic gain of approximately \$453,100.

The following represents maturity schedules of the outstanding bonds payable:

Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
			2009	2008
Amount of issue - \$61,185,000				
Date of issue - April 1, 1992				
*Amounts were defeased in 2002				
6.25	10/01/08	\$ 2,710,000	\$ -	\$ 2,710,000
6.25	10/01/09	2,875,000	*	*
6.25	10/01/10	3,060,000	*	*
6.25	10/01/11	3,245,000	*	*
6.25	10/01/12	3,455,000	*	*
6.25	10/01/13	3,665,000	*	*
6.25	10/01/14	3,900,000	*	*
6.25	10/01/15	4,140,000	*	*
6.25	10/01/16	4,400,000	*	*
6.25	10/01/17	4,675,000	*	*
Total			\$ -	\$ 2,710,000

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt (Continued)

	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2007	2006
Amount of issue - \$31,990,000					
Date of issue - July 9, 2002					
* Amounts were defeased in 2009					
	3.50	10/01/08	\$ 335,000	\$ -	\$ 335,000
	3.70	10/01/09	2,835,000	2,835,000	2,835,000
	3.85	10/01/10	2,945,000	2,945,000	2,945,000
	4.00	10/01/11	3,050,000	3,050,000	3,050,000
	4.10	10/01/12	3,180,000	*	3,180,000
	5.38	10/01/13	3,305,000	*	3,305,000
	5.38	10/01/14	3,485,000	*	3,485,000
	5.38	10/01/15	3,670,000	*	3,670,000
	5.38	10/01/16	3,870,000	*	3,870,000
	5.38	10/01/17	4,075,000	*	4,075,000
		Total face value		8,830,000	30,750,000
		Unamortized premium - Net of deferred refunding charge		(324,972)	(947,982)
		Net		<u>\$ 8,505,028</u>	<u>\$ 29,802,018</u>
Amount of issue - \$6,000,000					
Date of issue - August 10, 2005					
	3.50	10/01/08	\$ 600,000	\$ -	\$ 600,000
	3.40	10/01/09	600,000	600,000	600,000
	3.50	10/01/10	600,000	600,000	600,000
	4.50	10/01/11	600,000	600,000	600,000
	5.00	10/01/12	600,000	600,000	600,000
	5.00	10/01/13	600,000	600,000	600,000
	4.50	10/01/14	600,000	600,000	600,000
	4.00	10/01/15	600,000	600,000	600,000
		Total face value		4,200,000	4,800,000
		Unamortized premium		62,874	73,362
		Net		<u>\$ 4,262,874</u>	<u>\$ 4,873,362</u>

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt (Continued)

	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding 2007	Principal Outstanding 2006
Amount of issue - \$7,475,000					
Date of issue - September 1, 2005					
	3.50	10/01/08	\$ 250,000	\$ -	\$ 250,000
	3.50	10/01/09	300,000	300,000	300,000
	3.75	10/01/10	350,000	350,000	350,000
	3.75	10/01/11	400,000	400,000	400,000
	4.00	10/01/12	500,000	500,000	500,000
	4.50	10/01/13	525,000	525,000	525,000
	4.00	10/01/14	575,000	575,000	575,000
	4.50	10/01/15	650,000	650,000	650,000
	4.00	10/01/16	375,000	375,000	375,000
	4.00	10/01/17	400,000	400,000	400,000
	4.00	10/01/18	400,000	400,000	400,000
	4.00	10/01/19	425,000	425,000	425,000
	4.13	10/01/20	450,000	450,000	450,000
	4.15	10/01/21	450,000	450,000	450,000
	4.25	10/01/22	475,000	475,000	475,000
	4.25	10/01/23	475,000	475,000	475,000
	4.25	10/01/24	475,000	475,000	475,000
		Total face value		7,225,000	7,475,000
		Unamortized premium		11,037	11,781
		Net		<u>\$ 7,236,037</u>	<u>\$ 7,486,781</u>

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt (Continued)

	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2009	2008
Amount of issue - \$24,770,000					
Date of issue - February 26, 2009					
	4.00	10/01/09	\$ -	\$ -	\$ -
	4.00	10/01/10	-	-	-
	4.00	10/01/11	-	-	-
	4.00	10/01/12	3,235,000	3,235,000	-
	5.00	10/01/13	3,355,000	3,355,000	-
	4.00	10/01/14	3,510,000	3,510,000	-
	4.00	10/01/15	3,645,000	3,645,000	-
	4.00	10/01/16	3,790,000	3,790,000	-
	5.00	10/01/17	3,955,000	3,955,000	-
	4.00	10/01/18	230,000	230,000	-
	4.00	10/01/19	240,000	240,000	-
	5.25	10/01/20	250,000	250,000	-
	5.25	10/01/21	265,000	265,000	-
	5.25	10/01/22	280,000	280,000	-
	5.25	10/01/23	295,000	295,000	-
	5.25	10/01/24	310,000	310,000	-
	5.25	10/01/25	325,000	325,000	-
	5.25	10/01/26	345,000	345,000	-
	5.25	10/01/27	360,000	360,000	-
	5.25	10/01/28	380,000	380,000	-
Total face value				24,770,000	-
Unamortized premium - Net of deferred refunding charge				(163,531)	-
Net				<u>\$ 24,606,469</u>	<u>\$ -</u>

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt (Continued)

Electric Fund 2008 Installment Purchase Contract - In January 2008, the Department entered into a limited tax general obligation installment purchase contract for the purpose of financing the purchase and installation of equipment to reduce power usage and increase efficiency of the City's electrical power plants. The Department was authorized to borrow \$2,288,959 in accordance with the terms of the contract (with the deferral of interest for the first year being added to the principal balance as outlined in the amortization schedule included in the agreement, the final contract amount was \$2,385,761). Beginning in February 2009, monthly debt service payments of \$24,757 at a rate of 7.06 percent are due. Final payment on the contract will be made in January 2019.

Cable Television Fund 1998 Installment Purchase Contract - In October 1998, the Department entered into a limited tax general obligation installment purchase contract for the purpose of financing the purchase and installation of a fiber optic cable network for the Department's cable television system. The Department was authorized to borrow up to \$4,500,000 in accordance with the terms of the contract (at closing date of the borrowing in April 2001, the final contract amount was \$3,994,031). Beginning in May 1999, interest-only payments at a rate of 4.16 percent per annum are due semiannually with principal payments due as shown in the following table.

The installment liabilities are general obligations of the City of Wyandotte and the City would be held responsible should the revenue of the Cable Television Fund prove insufficient to retire the obligations.

	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
			2009	2008
Amount of contract - \$3,994,031				
Date of issue - October 16, 1998				
Interest rate - 4.16%				
	11/01/08	\$ 187,500	\$ -	\$ 187,500
	05/01/09	187,500	-	187,500
	11/01/09	187,500	187,500	187,500
	05/01/10	187,500	187,500	187,500
	11/01/10	187,500	187,500	187,500
	05/01/11	187,500	187,500	187,500
	11/01/11	187,500	41,531	41,531
Total			<u>\$ 791,531</u>	<u>\$ 1,166,531</u>

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 7 - Long-term Debt (Continued)

Cable Television Fund 2007 Installment Purchase Contract - The Department entered into a shared installment purchase contract with the City of Wyandotte for the purpose of financing the purchase of computer software and equipment. Department borrowings under the original contract were \$200,000; however, the contract was amended during 2008 to extend an additional \$33,453 of borrowings, resulting in total borrowings of \$233,453. Payments of \$3,696 are due monthly including interest at 4.14 percent through September 2011. During the current year, the Department remitted \$44,352 to the City related to the agreement, of which \$39,932 was applied to the principal and the remaining \$4,420 represents interest expense.

Note 8 - Restricted Assets

Certain assets are restricted pursuant to Commission resolution. When an expense is incurred that allows the use of restricted assets (such as bond debt principal and interest), those assets are applied before utilizing any unrestricted assets.

Restricted assets consist of the following:

	2009			2008	
	Electric Fund	Water Fund	Cable Television Fund	Total	Total
Bond proceeds	\$ 599,255	\$ -	\$ -	\$ 599,255	\$ 1,123,927
Debt service	8,155,088	-	1,147,141	9,302,229	10,359,455
Capital improvements	1,263,561	-	-	1,263,561	1,257,512
Retiree healthcare	<u>850,556</u>	<u>169,475</u>	<u>169,475</u>	<u>1,189,506</u>	<u>1,183,812</u>
Total restricted assets	10,868,460	169,475	1,316,616	12,354,551	13,924,706
Less bond proceeds	(599,255)	-	-	(599,255)	(1,123,927)
Less accrued interest payable from restricted assets	<u>(990,134)</u>	<u>-</u>	<u>-</u>	<u>(990,134)</u>	<u>(1,105,885)</u>
Net restricted assets	<u>\$ 9,279,071</u>	<u>\$ 169,475</u>	<u>\$ 1,316,616</u>	<u>\$ 10,765,162</u>	<u>\$ 11,694,894</u>

The Electric Fund assets restricted for debt service are pursuant to the 1992 revenue bond ordinance for revenue bond debt service. In conjunction with the bond ordinance, the Commission passed a resolution to reserve retained earnings in the Electric Fund of \$3,437,119, which represents 125 percent of the average annual debt service requirement for all outstanding bonds.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements September 30, 2009

Note 8 - Restricted Assets (Continued)

Assets have also been restricted in the Electric Fund for future capital improvements and to assist in paying future bond principal and interest payments pursuant to a resolution approved by the Commission.

Assets have been restricted in the Cable Fund to assist in paying future principal and interest payments on the installment purchase contract pursuant to a resolution approved by the Commission.

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

In the Electric Fund, the Commission pursuant to a resolution authorized the creation of a restricted account for environmental expenses. At September 30, 2009, no monies have been transferred.

Note 9 - Pension Plans

Defined Benefit Pension Plan

Plan Description - The Department participates in the City of Wyandotte Employees' Retirement System, a defined benefit pension plan that covers all employees of the City hired before October 1, 2006. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. The City of Wyandotte Employees' Retirement System's financial report (which includes financial statements and required supplementary information for the system) is presented in the City of Wyandotte's September 30, 2009 annual financial report, which may be obtained at the City offices at 3131 Biddle Avenue.

At September 30, 2008, the date of the Department's most recent actuarial valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	73
Terminated employees entitled to benefits but not yet receiving them	16
Current active employees	75

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 9 - Pension Plans (Continued)

Contributions - Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Administrative costs of the plan are financed through investment earnings. Please refer to Note 2 for further significant accounting policies.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the Department's collective bargaining unit and City ordinance. Effective October 1, 1994, employee contributions are no longer required. For the year ended September 30, 2009, the Department's contribution was \$499,359 for the plan, which was equal to the Department's required and actual contribution.

Annual Pension Cost - For the year ended September 30, 2009, the Department's annual pension cost of \$499,359 for the plan was equal to the Department's required and actual contribution. Funding information for the Department's participation in the pension plan for the fiscal years ended September 30 is as follows:

	2009	2008	2007
Annual pension cost (APC)	\$ 499,359	\$ 757,000	\$ 808,000
Percentage of APC contributed	100%	100%	100%
Net pension obligation	\$ -	\$ -	\$ -

Funded status and funding progress for actuarial valuation of September 30, 2008 is as follows:

	<u>System Total</u>	<u>Department Allocation</u>	
Actuarial value of assets	\$ 63,311,358	\$ 22,798,188	
Actuarial accrued liability (AAL) (entry age)	79,817,705	n/a	*
Unfunded AAL (UAAL)	16,506,347	n/a	*
Funded ratio	79.3%	n/a	*
Covered payroll	8,539,612	4,539,471	
UAAL as a percentage of covered payroll	193.3%	n/a	*

* Department UAAL not broken out in actuarial valuation; thus, UAAL and funding ratios are not available.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements September 30, 2009

Note 9 - Pension Plans (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at September 30, 2007, using the aggregate method. Significant actuarial assumptions used include (i) a 7.5 percent investment rate of return and (ii) projected salary increases of 4.5 percent to 9.6 percent per year, which include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percent of payroll on a closed basis. The remaining amortization period for the Department is nine years.

Additional Information - The Department's 2009 contribution represented approximately 11 percent of total contributions required of all participating entities. The assets of the entire system can be called upon to satisfy the obligations of any particular division since the system is ultimately a City-wide PERS. The valuation payroll for all employees covered by the system for the year ended September 30, 2008 (the date of the most recent actuary report) was approximately \$8,540,000. The Department's covered payroll was approximately \$4,438,000.

Defined Contribution Pension Plan

Plan Description - The Department provides pension benefits that cover all employees of the Department hired on or after October 1, 2006 through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by a Commission-approved resolution, the Department contributes 10 percent of gross earnings and the employees contribute 5 percent. New employees' accounts are fully vested after five years of service. Employees who choose to switch from the defined benefit plan to the defined contribution plan will be vested immediately. At September 30, 2009, there were 30 employees in the defined contribution plan.

The Department's total payroll during the current year covering this group of employees was \$1,769,727. The current year contribution was calculated based on covered payroll in the same amount, resulting in an employer contribution of \$176,973. Department employees' contributions were \$88,486.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 10 - Related Party Transactions

City-owned facilities are users of Department electric and water services. The Department includes its revenue charges from the sale of such services. Pursuant to the revenue bond ordinance, the Department charges the City for street and public safety lighting services. In turn, the City has charged the Department an equal amount for services in lieu of property taxes. In 2006, the Department also began paying the City a fee for use of City services (i.e., police and fire protection, etc.) and infrastructure. The Department also provides billing and cash collection services for the City's sewer use charges, which are then remitted to the City upon collection. The Department earns a related collection fee for these services.

Included in the Department's cable expenses is a franchise fee payable to the City equal to 5 percent of the gross revenue of the Cable Television Fund for the years ended September 30, 2009 and 2008.

Beginning in 2008, the Water Department began paying the City a franchise fee based on an annual dollar amount agreed upon by the City and the Department.

A summary of these transactions with the City for the years ended September 30, 2009 and 2008 is as follows:

	2009	2008
Department revenue:		
Electric and water services	\$ 522,408	\$ 560,227
Street and public safety lighting	478,164	447,316
Collection fee	74,033	80,170
Department expenses:		
In lieu of property taxes	(478,164)	(447,316)
Cable television franchise fee	(379,521)	(351,930)
Water franchise fee	(200,000)	(200,000)
City services	(250,000)	(250,000)
Installment purchase agreement payment	(44,402)	(44,351)
Remittances to City for sewer use charge collections	(2,995,000)	(3,825,000)
Payable to City of Wyandotte - Sewage Disposal Fund	(717,374)	(493,744)
Payable to City of Wyandotte - Water mains	(641,679)	(354,706)
Water mains contributed by the City	-	261,547

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements September 30, 2009

Note 11 - Risk Management

The Department 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 Department has purchased commercial insurance for claims related to general liability and medical benefits. The Department is partially uninsured for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

Workers' Compensation - All claims incurred are the responsibility of the Department up to \$850,000 per employee (in the case of disease) or \$850,000 per accident (for bodily injury). The Department has purchased commercial insurance coverage for claims incurred, which exceed the amounts previously described.

The Department estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates are recorded in the Department's Electric Fund, Water Fund, and Cable Television Fund.

Changes in the estimated liability were as follows:

Estimated liability - October 1, 2007	\$ 484,971
Estimated claims incurred, including changes in estimates	(99,925)
Claim payments	<u>36,609</u>
Estimated liability - September 30, 2008	421,655
Estimated claims incurred, including changes in estimates	(38,069)
Claim payments	<u>22,281</u>
Estimated liability - September 30, 2009	<u>\$ 405,867</u>

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 12 - Commitments and Contingencies

The Department has entered into various contracts for the purchase and transportation of coal which is used by the Electric Fund. Under the terms of the contracts, the Department is subject to minimum purchase requirements. During the current year, the Department failed to meet certain minimum purchase requirements and was assessed volume deficiency penalties totaling \$1,690,200. This amount has been included in the operating expenses of the Electric Fund. There were no penalties assessed in 2008 related to these commitments.

In March 2005, United Skilled Trades, Inc. (UST) filed a suit against the Department and others. UST alleged that it was owed money from the Department for services rendered pursuant to a contract for repair of a turbine. UST alleged that the Department is indebted to them in the amount of \$1,100,000. The Department vigorously defended its position that no material amounts were due to UST. On February 21, 2008, the Department received a decision in the case. The Court's bench verdict denied most of the claims of UST but did award two of its claims. The Court also ordered that any monies owing UST from this award be reduced by the Department's legal fees and other applicable costs. UST disputed the decision. In March 2010, the judge clarified and amended the earlier bench verdict and entered a judgment awarding \$1.2 million to UST. The Department intends to appeal this decision and expects the award amount to be reduced. Management's estimate of the liability due UST has been recorded in the financial statements of the Electric Fund as of September 30, 2009.

The Department has received a notice of violation from the U.S. Environmental Protection Agency (EPA) related to the electric power plant. The Department is negotiating with the EPA to determine the resolution of this matter. The ultimate outcome of this matter is not known at this time. While it is possible that the EPA will request the Department to install significant additional equipment at the power plant for future service, management does not believe that it is likely that the ultimate outcome of these discussions will result in any significant fines or costs related to prior periods in excess of amounts currently recorded in the financial statements.

The Department also continues to be involved in various contingent matters arising in the normal course of operations. While insurance coverage and other potential remedies are available in certain circumstances to varying degrees, no opinion can currently be given as to the ultimate outcome of these matters. No provision has been made for the ultimate liability, if any, that may result from the resolution of these matters.

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements September 30, 2009

Note 13 - Bond Issuance Costs

During the years ended September 30, 2005 and 2002, the Department incurred bond issuance costs in the amount of \$517,983 and \$931,515, respectively. The 2005 bond issuance costs related to new debt issuances (Series 2005A and 2005B) and the 2002 bond issuance costs related to the 2002 revenue refunding bonds. New refunding bonds were issued by the Department in 2009 incurring issuance costs in the amount of \$980,518. Amortization expense for the 2002 revenue refunding amounted to \$62,100 for the years ended September 30, 2009 and 2008. Amortization expense for the 2005 revenue bonds amounted to \$37,848 for the years ended September 30, 2009 and 2008. Amortization expense for the 2009 refunding bonds for the year ended September 30, 2009 was \$29,190.

Note 14 - Postemployment Benefits

Plan Description - The Department provides healthcare benefits to all full-time employees upon retirement in accordance with labor contracts. The Department includes pre-Medicare retirees and their dependents in its insured healthcare plan, with some contribution required by most participants, depending upon employee group classifications. The Department purchases Medicare supplemental insurance for retirees eligible for Medicare.

This is a single employer defined benefit plan administered by the Department. The plan does not issue a separate stand-alone financial statement.

At September 30, 2006, the date of the Department's most recent actuarial valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits	60
Terminated employees entitled to benefits but not yet receiving them	17
Current active employees	102

Funding Policy - The labor contracts do not require a contribution from union employees. Nonunion employees are required to pay 20 percent of healthcare costs. Retiree healthcare costs are recognized when paid by the Department on a "pay-as-you-go" basis. The Department has no obligation to make contributions in advance of when the insurance premiums are due for payment. Net expenditures for postemployment healthcare benefits are recognized in the Electric, Water, and Cable Funds as the insurance premiums become due; this amounted to approximately \$359,000, \$109,000, and \$61,000, respectively, during the year ended September 30, 2009 and \$326,000 and \$98,700 in the Electric and Water Funds, respectively, during the year ended September 30, 2008.

City of Wyandotte, Michigan
Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 14 - Postemployment Benefits (Continued)

Funding Progress - For the year ended September 30, 2009, the Department has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of September 30, 2006. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 1,248,066
Amounts contributed:	
Payments of current premiums	(529,077)
Advance funding	<u>-</u>
Increase in net OPEB obligation	718,989
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u><u>\$ 718,989</u></u>

Funded status and funding progress for actuarial valuation of September 30, 2006 is as follows:

Actuarial value of assets	\$ 1,092,489
Actuarial accrued liability (AAL) (entry age)	18,012,350
Unfunded AAL (UAAL)	16,919,861
Funded ratio	6.1%
Covered payroll	4,539,471
UAAL as a percentatge of covered payroll	372.7%

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

City of Wyandotte, Michigan

Department of Municipal Service

Notes to Financial Statements
September 30, 2009

Note 14 - Postemployment Benefits (Continued)

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

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

Additional Information - The Department was included in the City of Wyandotte's actuarial valuation for the City of Wyandotte Retiree Health Care Plan. Additional information on the plan, including actuarial methods and assumptions, can be found in the City's financial report.

Note 15 - Subsequent Events

Subsequent to year end, the Department entered into a \$3,866,200 installment purchase agreement for the purchase of equipment, improvements, and energy conservation measures related to the electric power plant.