



CITY OF WARREN, MICHIGAN

WATER & SEWER SYSTEM

2009

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED
DECEMBER 31, 2009

CITY OF WARREN

WATER & SEWER SYSTEM

ANNUAL FINANCIAL REPORT

FISCAL YEAR ENDED DECEMBER 31, 2009

Dennis G. Clark
Acting City Controller

Member of the Government Finance Officers Association of the United States and Canada

CITY OF WARREN

James R. Fouts
Mayor

One City Square
Warren, Michigan 48093

ADMINISTRATION

City of Warren was incorporated January 1, 1957, under Act 279, P.A. 1909 as amended (Home Rule Act). The 1990 population per Federal Census, 144,864

City is administered by a Mayor, a Council of nine members, Treasurer and Clerk, all of whom are elected to four-year terms.

PRESENT ELECTIVE OFFICERS

(Terms expire November 11, 2011)

MAYOR
JAMES R. FOUTS

COUNCIL

Mary M.Kamp, President

Donna Kaczor Caumartin, Vice President

Keith Sadowski, Secretary

Scott C. Stevens, Asst Secretary

Robert Boccomino

Patrick Green

Mark Liss

Kathy J. Vogt

Steven Warner

TREASURER

Carolyn Kurkowski Mocerri

CITY CLERK

Paul Wojno

DIRECTOR OF PUBLIC SERVICE

Richard Sabaugh

ACTING CITY CONTROLLER

Dennis G. Clark

AUDITOR

Ramie E. Phillips, Jr., P.C.
Certified Public Accountant

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
2009 ANNUAL FINANCIAL REPORT

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JAMES R. FOUTS, MAYOR

Office of the Controller
One City Square
Warren, Michigan 48093
{586} 574-4600

Dennis G. Clark, C.P.A.
Acting City Controller

September 28, 2010

To the Honorable Mayor
and Members of Warren City Council

Ladies and Gentlemen:

The Annual Financial Report of the Water & Sewer System of the City of Warren, Michigan for the fiscal year ended December 31, 2009, is submitted herewith. We believe the data is accurate in all material aspects; that it is presented in a manner designed to fairly indicate the financial position of the Water & Sewer System as of December 31, 2009, and the results of operations for the 2009 Fiscal Year; and that it includes the disclosures necessary for the reader to gain maximum understanding of the System's financial activity.

OPERATIONS

In the fiscal year 2009, there were approximately 713 million cubic feet of water sold. The Water & Sewer System had net operating revenue {before depreciation} of \$4,505,105. A comparison of the original budget and actual is as follows:

	<u>Budget</u>	<u>Actual</u>
Operating revenues	\$ 34,105,490	\$ 32,062,895
Operating expenses	(30,265,467)	(27,557,790)
Operating revenue	3,840,023	4,505,105
Non-operating revenue	160,000	10,349
Non-operating expense	-	(155,327)
Increase in net assets from operations	<u>\$ 4,000,023</u>	<u>\$ 4,360,127</u>

September 28, 2010
To the Honorable Mayor
and Members of the Warren City Council

Other factors affecting the Net Assets are summarized as follows:

Increase in net assets from operations	\$ 4,360,127
Interest earnings and other revenue – reserve funds	11,155
Other expense – reserve funds	(106)
Depreciation expense	(4,222,106)
Debt service interest	(1,781,940)
Net decrease in net assets	(1,632,870)
Net assets – January 1, 2009	<u>71,329,200</u>
Net assets – December 31, 2009	<u>\$ 69,696,330</u>

Revenues for 2009 were structured to provide funds for operating costs and to provide for the annual debt service cost of fixed asset acquisitions. Ordinance 80-448, adopted in conjunction with each outstanding revenue bond issue requires the System to generate sufficient net income to pay the annual principal and interest due on the bond issue.

Operations for the fiscal year ending December 31, 2009, including restricted reserve activity and the non-cash expense of depreciation in the amount of \$4,222,106 resulted in operating income of \$282,999 on operating revenues of \$32,062,895. Debt service interest of \$1,781,940 relates to interest on long term financing instruments. The interest income of \$7,010 generated through the restricted reserves was credited to the reserve from which the investment was made in accordance with City of Warren Ordinance # 80-448.

Sales volume decreased 6.0% from fiscal year 2008 and was 14% below budget estimates. In past years decreases in sales from one fiscal period to another were typically attributed to summer weather conditions. However, other factors are now attributing to these decreases, such as empty nesters, smaller family sizes, and the depressed economic climate.

September 28, 2010
To the Honorable Mayor
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Therefore, with sales falling below historical budget levels in each of the past 8 years the estimates used in the budget process must be adjusted to be in line with actual sales. The sales estimate used in preparation of the 2010 fiscal year budget was revised downward 15% {from 825 million to 699 million cubic feet} and will be further adjusted in subsequent years as necessary.

Water loss, the difference between the volume of water purchased and that sold to system users was 10.2% in 2009. As the utility system ages it is expected that there will be increases in lost volume through both undetected leaks and water lost in repair activity. Added to this is an aging meter registration system, the accuracy of which diminishes over time. In the imminent future we are faced with making difficult decisions to assure that a comprehensive preventative maintenance program is in place and a long-range program of replacing water mains and sewer lines, as well as water meters and reading equipment, is adopted and properly financed.

RESERVES

The Water & Sewer System has provided and restricted adequate funds to complete all construction projects in progress at December 31, 2009.

Balances in restricted reserves at December 31, 2009, net of current assets and liabilities, including accounts payable and construction in progress, total \$7,767,105, of which \$5.2 million is restricted to meet revenue bond debt requirements in the Debt Service Reserve. Another \$1.0 million is allocated for construction projects in progress. The balance is earmarked for pending project awards and emergencies.

Long term financing remains the only viable alternative to meet future infrastructure replacement needs. Rates and charges recommended by the Administration and adopted by the City Council must be sufficient to generate net operating revenue to meet annual debt payments of existing revenue bonds and any subsequent financing deemed necessary.

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To the Honorable Mayor
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DEBT SERVICE AND DEBT ADMINISTRATION

Warren's favorable Standard & Poor's bond rating {"A"} indicates that the City's bonds are of good, sound investment quality, suitable for bank investment and that the City has a strong capacity to pay principal and interest. The maintenance of a favorable rating depends on our ability to provide strong, cost-effective management for both the Water Division and the Waste Water Treatment Plant. We must be able to function within current budget appropriations and respond to changing circumstances without adversely affecting overall efficiency.

ADMINISTRATION

The Water & Sewer System's accounting records are fully computerized as part of the total management information system. The computerization of the accounting records and water billing system has provided for more comprehensive and timely reporting. Data terminals installed in the Water Division business offices facilitate rapid response to customer inquiries by providing immediate access to customer account records. The "Remote Meter Reading Program" has effectively reduced the need for estimated water bills.

The City is divided into four districts for purposes of reading and billing accounts. One district is composed of industrial and larger commercial accounts and the remaining three districts are primarily residential in character. Effective in 2001 all accounts were billed monthly with readings for all but the large commercial/industrial district performed through an agreement with Consumers Energy.

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To the Honorable Mayor
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WASTE WATER TREATMENT FACILITY

The Waste Water Treatment Plant provides first, second and third stage treatment of sanitary wastes collected in a separated sanitary sewer system covering the entire 34.5 square miles of the City. The facility utilizes primary sedimentation and intensified aeration in the secondary system followed by a gravity filtration third stage of treatment. Phosphorus removal is accomplished by chemical addition to the secondary section of the plant. The sludge removed from each of the three stages of treatment is incinerated in an odor-free, multiple hearth incinerator. Sophisticated computerized equipment is used to operate and monitor facility processes. The operation of a high-level treatment facility such as the Waste Water Treatment Plant requires substantial budgetary allocations for electricity, gas and chemical treatment materials.

Our facility was one of the first advanced wastewater treatment plants to be placed in service and it continues to meet the stringent discharge limitations imposed by State and Federal authorities. Warren residents can be rightfully proud of the Waste Water Treatment Plant's outstanding record of operation. They should also be aware that the unit cost of tertiary treatment is considerably lower than that of suburban customers of the City of Detroit Sewage Treatment System.

WATER DIVISION HEADQUARTERS

In 1990, City Council approved the establishment of a Building Authority whose first and principal duties were the financing and construction of facilities to house City of Warren Water Division maintenance operations. The principal objective in the construction of the Water Division Headquarters was to centralize all Water Division maintenance operations under the control of the Water Division Superintendent in a modern facility for improved administrative efficiency and protection of the substantial investment in equipment.

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To the Honorable Mayor
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The Water Division Headquarters is located at 12821 Stephens between Hoover and Schoenherr Roads. It is adjacent to the Department of Public Works offices and maintenance facility providing for greater convenience in the repair and maintenance of rolling stock.

The Water Division took possession of the Headquarters building in the spring of 1991. The construction cost was financed mainly through the issuance of Bonds through the City of Warren Building Authority and in accordance with the provisions of Act No. 31, Public Acts of Michigan, 1948 (First Extra Session), as amended. The Water & Sewer System has entered into a lease-purchase agreement with the Building Authority whereby the debt requirements are met through annual lease payments. The entire cost of the new facility was capitalized as a Water & Sewer System fixed asset in the 1991 fiscal year with the portion of the future annual lease payments applicable to Building Authority debt principal shown as a long term liability. The terms of the lease required that the Water & Sewer System make annual payments ranging from approximately \$465,000 to \$500,000 with final payment rendered fiscal year 2004.

LITIGATION

According to the City Attorney, the Water & Sewer System currently has no outstanding litigation that would adversely impact the Financial Statements.

AUDIT

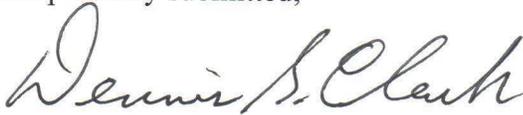
The City Charter requires an annual audit of the books of account, financial records and transactions of the Water & Sewer System of the City by a Certified Public Accountant. This requirement has been complied with and the auditor's opinion has been included in this report.

September 28, 2010
To the Honorable Mayor
and Members of the Warren City Council

ACKNOWLEDGMENT

The preparation of this report has been accomplished through the dedicated services of the staff of the Water & Sewer System and the Controller's Office. I would like to at this time to express my appreciation to the Honorable Mayor and City Council for their support of my staff and I and their willingness to consider alternative methods of managing both financial and human resources to safeguard the health and welfare of the citizens of Warren and operate the City's Water & Sewer System in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in cursive script that reads "Dennis G. Clark".

Dennis G. Clark, C.P.A.
Acting City Controller

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS

This narrative overview accompanies the City of Warren Water & Sewer System financial report for the fiscal year ended December 31, 2009. This discussion and analysis is designed to assist the reader in focusing on financial performance during the fiscal year and significant changes and issues. Readers are encouraged to consider the information presented here in conjunction with the financial statements as a whole.

Financial Highlights

- Total Net Assets, the difference between total assets and total liabilities decreased from \$71.3 million at December 31, 2008 to \$69.7 million at December 31, 2009. The decrease is primarily due to a decrease in restricted net assets. Restricted funds for construction related activities decreased by \$2 million as a result of expenses for infrastructure and capital equipment replacements.
- Operating income, after depreciation of \$4,222,106, was \$282,999 in fiscal year 2009 on a sales volume of 713,369 MCF {thousand cubic feet}. Compared to the 2008 operating loss of \$909,666 on sales of 759,993 MCF this was a favorable change of \$1,192,665. Sales volume continued to decrease during fiscal year 2009. The principal difference in comparative financial results between the current year and the prior year was an increase in revenues attributable to increased water rates. Even though water sales in volume were 6.0% lower than the previous year, \$1,319,222 additional operating revenues, net of wholesale water purchase cost, were available to cover an increase in operating expenses and debt service costs of \$64,405.
- Net loss, after interest earnings and other income of \$21,504, and \$1,937,373 in debt service interest and bond discount amortization was \$1,632,870. Compared to the 2008 net loss of \$2,695,286, this was a favorable change of \$1,062,416. The net loss was mainly attributable to a shortfall in sales volume resulting in a loss of nearly \$1.4 million in net revenue (retail sales minus wholesale cost). The 2009 budget was predicated on sales of 825 million cubic feet while actual sales were 713 million cubic feet, a shortfall of 14.0%.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

- The Water & Sewer System's total accounts receivable increased from \$10.9 million at December 31, 2008 to \$12.2 million at December 31, 2009. There are four components that make up total accounts receivable, being outstanding tax roll, utility billing, miscellaneous, and unbilled charges. Accounts receivable balances increased in all areas from the previous fiscal year. Rate increases is one factor attributable to the increase from one year to the next. Higher charges are typically associated with increased rates. The depressed economic climate of Michigan and the ability to pay for services is another factor affecting total accounts receivable. The number of customer accounts with outstanding balances at December 31, 2009 increased by 9% from December 31, 2008.
- Total cash and cash equivalents, which include both unrestricted and restricted funds, decreased from \$10.2 million at December 31, 2008 to \$7.7 million at December 31, 2009. This \$2.5 million unfavorable change is mainly attributable to the System's net loss for fiscal year ending 2009 along with the increase in total accounts receivable.
- Water loss is an issue worth mentioning. This is the difference between retail sales and wholesale purchases. In 2009, the amount of water sold to retail customers totaled approximately 713 million cubic feet while wholesale purchases from the City of Detroit were 795 million cubic feet, a loss of 10.2%. A reasonable amount of water loss is a normal occurrence. There are several internal activities where water flows through the system without being registered on a retail meter, such as fire fighting, water main breaks, testing and repair of fire hydrants and cleaning of sewer lines. There were 214 water main breaks in fiscal year 2009, an increase of 15% from the 186 breaks in fiscal year 2008. A major factor in water loss is registration as the result of aging meters. Meter industry developed and independent studies of meter accuracy reveal that losses progressively worsen as the meters age. The first indicators are registration failures in low demand usage situations. Tests have shown that this is already occurring among our meters currently in service. While the initial impact on registration loss can be minor it is the precursor of a rapidly worsening situation. Within a relatively few years the inaccuracies will be much wider spread.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Water & Sewer System's financial statements, which is comprised of the basic financial statements and the notes to the financial statements. The Water & Sewer System is comprised of an operating and maintenance fund and five special purpose reserves. The special purpose reserves are established primarily for the purpose of segregating capital and debt service activities of the System. The activities of the operating fund and reserves are consolidated in the basic financial statements with capital activities reflected as changes in fixed assets and debt service activities disclosed in the Non-Operating section of the Comparative Statement of Income and the Comparative Statement of Revenues, Expenses and Changes in Retained Earnings.

This report also contains other supplemental information in addition to the basic financial statements themselves.

Basic financial statements – The basic financial statements are designed to provide the readers with a broad overview of the System's finances, in a manner similar to a private-sector business.

The balance sheet presents information on all the System's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the System is improving or deteriorating. Net assets increase when actual revenues exceed actual expenses and increases to assets without a corresponding increase in liabilities also increase net assets.

The statements of revenues, expenses and changes in fund net assets present information showing how the System's net assets changed during the fiscal year. All changes in net assets are recorded as the underlying event occurs, regardless of time of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensatory time).

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Notes to financial statements – The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes to the financial statements can be found on pages 10-49 of this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain *supplementary information* concerning the System's net revenues, budget to actual comparisons of revenues and expenses and statistical trend data on the System's users, water purchases and sales comparison's and water loss and composition of capital assets.

Financial Analysis

Net assets may serve, over time, as a useful indicator of an entity's financial position. In the case of the Water & Sewer System, assets exceeded liabilities by \$69,696,330 at the close of the 2009 fiscal year. This represents a decrease of \$1,632,870 {2.3%} from the previous year. The unrestricted net assets were \$4,974,926. The System maintains a debt service reserve in the amount of \$5,188,487 to meet revenue bond covenants.

The largest portion of the System's net assets {81.0%} reflects its investment in capital assets {e.g., water mains, sewer lines, buildings, water meters, repair equipment, etc.} less any related debt used to acquire those assets that are still outstanding. The System uses these assets to provide services and consequently these assets are not available to liquidate liabilities or other spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that resources needed to repay this debt must be provided from other sources as well.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Water & Sewer System's Net Assets {in millions}

	2009	2008
Current & other assets	30.7	28.3
Capital assets	<u>103.5</u>	<u>105.1</u>
Total assets	<u>134.2</u>	<u>133.4</u>
Long-term liabilities	46.9	49.4
Other liabilities	<u>17.6</u>	<u>12.7</u>
Total liabilities	<u>64.5</u>	<u>62.1</u>
Net assets:		
Invested in capital assets, net of related debt	56.5	56.1
Restricted	8.2	11.8
Unrestricted	<u>5.0</u>	<u>3.4</u>
Total net assets	<u>69.7</u>	<u>71.3</u>

An additional portion of the System's net assets represents resources that are subject to external restrictions on how they may be used. These restrictions include bond proceeds to be used for construction projects and reserve funds required by bond covenants.

	2009	2008
Revenues:		
Charges for services	32.1	30.4
Other revenues	<u>0.0</u>	<u>0.3</u>
Total revenues	<u>32.1</u>	<u>30.7</u>
Expenses:		
Water & sewer system	<u>33.7</u>	<u>33.4</u>
Increase (decrease) in net assets	(1.6)	(2.7)
Net assets – beginning of year	<u>71.3</u>	<u>74.0</u>
Net assets – end of year	<u>69.7</u>	<u>71.3</u>

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Budgetary Highlights: As noted above, the 2009 adopted budget was based on sales volume of 825 million cubic feet. The actual sales volume of 713 million cubic feet fell short of this prediction by 112 million cubic feet, resulting in a loss of nearly \$1.4 million in net revenue (retail sales minus wholesale cost).

Capital Assets and Debt Administration

Capital Assets: The System's investment in capital assets amounts to \$103,468,158, net of accumulated depreciation, as of December 31, 2009, a decrease of \$1,702,805 (1.6%) from the prior fiscal year. Capital assets include water mains, sewer lines, water meters, buildings, vehicles and operating equipment. Major capital acquisitions in the current year included:

Water main replacements	\$1.4 million
Building improvements	\$608,000
Sewer line replacements	\$338,000
Tools and working equipment	\$199,000

Long-term Debt: The System has outstanding revenue bonds payable of \$45.6 million {net of unamortized bond discounts and deferred loss on refunding}. All the System's operating revenue is pledged to repay these bonds.

Current Events and Next Year's Budget

The Water & Sewer System has taken an aggressive approach towards managing expenses. Overall expenses increased by only \$285,000 compared to the prior year. Continued efforts are in place to reduce personnel costs, in particular overtime costs, and steps have been taken to improve daily operations and help the System become more efficient. The Water & Sewer System is pursuing performance management initiative and continues to review policies and procedures.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

The decline in sales volume continues to have a large impact on the financial health of the Water & Sewer System. Actual sales volumes have fallen short of budget projections for nearly a decade. What was first regarded as a seasonal anomaly is now a lower level of system usage. There are several potential factors affecting system usage.

Residential meters in service throughout the city are at the end of their useful lives as projected by their manufacturers. As meters age their registration accuracy declines and results in significant under-registration of consumer usage. This theory has been supported by industry and independent testing of meter populations in service throughout the country and independent testing commissioned here in the City of Warren. A major replacement program is necessary and should be seriously considered in the near future.

The depressed economic climate of Michigan results in tighter financial restraint for residential and commercial and industrial users and places great pressure on them to reduce costs wherever possible. Rising unit prices compound these effects as well as the increased number of mortgage foreclosures in this area.

Weather conditions also have a significant impact on sales. All classes of users register less usage when the summer and fall months are marked by long periods of cool, wet days.

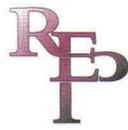
The shortfall of budget projections and the losses on the System this year and over the years have resulted in the decline of total net assets. Net assets have decreased by \$6 million since the beginning of fiscal year 2007, affecting both unrestricted and restricted funds.

The remedies for these issues are neither simple nor inexpensive. Steps have been taken with the 2010 adopted budget to bring projected sales volume down to a level that is actually achievable. Budget projections were trimmed by almost 35% since 2005 (to fiscal year 2010) but there is more to be done. Much of the loss has been absorbed through personnel reductions and deferring capital equipment and infrastructure replacements. This method is not sustainable into the future. A comprehensive long-range infrastructure and capital needs plan that includes budgeting for depreciation must be adopted.

CITY OF WARREN WATER & SEWER SYSTEM
MANAGEMENT'S DISCUSSION AND ANALYSIS
{continued}

Requests for Information

This financial report is designed to provide a general overview of the System's finances for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City Controller, City of Warren, One City Square, Suite 400, Warren, MI, 48093.



RAMIE E. PHILLIPS, JR., PC, CPA

1130 TIENKEN COURT, SUITE 100
ROCHESTER HILLS, MICHIGAN 48306

Phone: 248.656.1131

Fax: 248.656.1496

E-mail: rphillips@ramiephillipscca.com

INDEPENDENT AUDITOR'S REPORT

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

I have audited the accompanying financial statements of the Water & Sewer System Fund of the City of Warren, Michigan, as of December 31, 2009 as listed in the table of contents. These financial statements are the responsibility of the City of Warren, Michigan, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America and standards applicable to financial audits contained in Government Accounting Standards, issued by the Controller General of the United States. Those standards require that I 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. I believe that my audit provides reasonable basis for my opinion.

As discussed in Note 2, the financial statements present only the Water & Sewer System Fund of the City of Warren, Michigan, and are not intended to present fairly the financial position of the City of Warren, Michigan, and the results of its operations and cash flows of its proprietary fund types and non-expendable trust funds in conformity with general accepted accounting principles.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Water & Sewer System Fund of the City of Warren, Michigan, as of December 31, 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.

September 28, 2010

FINANCIAL STATEMENTS

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE BALANCE SHEET
DECEMBER 31, 2009 and 2008

ASSETS

	2009	2008
Current Assets - unrestricted:		
Cash	\$ 219,637	\$ 303,040
Investments	4,416,605	3,081,994
Prepaid expenses	82,580	29,400
Accounts receivable	12,186,942	10,877,066
Accrued interest on investments	89	292
Due from general fund	7,540	7,540
Land contract interest receivable	8,980	11,637
Materials & supplies inventory - at cost	329,366	239,795
Total current assets - unrestricted	17,251,739	14,550,764
Restricted Assets:		
Due from state	421,987	-
Investments	3,014,197	6,788,159
Due from unrestricted	3,949,359	4,398,330
Due from capital improvement bond proceeds	1,079,195	1,079,210
Designated for future projects	4,689,955	1,104,363
Total restricted assets	13,154,693	13,370,062
Other Assets:		
Land contract receivable - DPW Building	299,345	387,897
Property, Plant & Equipment - at cost:		
Land	605,219	605,219
Building & improvements	63,742,396	63,133,850
Utility system	116,134,531	114,483,271
Machinery & equipment	12,732,428	12,534,182
Total property plant & equipment	193,214,574	190,756,522
Less: accumulated depreciation	(89,746,416)	(85,585,559)
Net property plant & equipment	103,468,158	105,170,963
Total Assets	\$ 134,173,935	\$ 133,479,686

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE BALANCE SHEET
DECEMBER 31, 2009 and 2008

LIABILITIES & NET ASSETS

	2009	2008
Current Liabilities - unrestricted:		
Accounts payable	\$ 1,793,542	\$ 1,967,551
Due to restricted	3,949,359	4,398,330
Due to general fund	3,387,911	1,303,296
Current portion of revenue bonds payable	2,739,082	2,644,082
Accrued wages payable	88,821	96,946
Payroll taxes, deductions & benefits	83,882	95,349
Customer deposits	143,626	135,884
Total current liabilities - unrestricted	12,186,223	10,641,438
Current Liabilities - restricted:		
Accounts payable	370,212	598,659
Accrued interest payable	327,421	345,150
Construction contracts to be performed in future periods	4,689,955	1,104,363
Current portion of installment purchase agreement	-	42,605
Total current liabilities - restricted	5,387,588	2,090,777
Long-Term Liabilities - unrestricted:		
Bonds payable	47,433,447	49,750,543
Unamortized discount	(170,030)	(201,631)
Deferred refunding charge	(1,633,356)	(1,757,083)
Accumulated sick leave	1,135,915	1,487,430
Accumulated compensatory time	137,818	139,118
Total long-term liabilities - unrestricted	46,903,794	49,418,377
Long-Term Liabilities - restricted:		
Unamortized discount	-	(106)
Total long term liabilities - restricted	-	(106)
Total liabilities	64,477,605	62,150,486
Net Assets:		
Invested in capital assets, net of related debt	56,454,299	56,090,337
Restricted for debt service	5,188,487	6,650,731
Restricted for construction	2,578,618	4,628,660
Restricted for insurance claims	500,000	500,000
Unrestricted	4,974,926	3,459,472
Total net assets	69,696,330	71,329,200
Total Liabilities & Net Assets	\$ 134,173,935	\$ 133,479,686

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2009 and 2008

ASSETS

	2009	2008
Current Assets - unrestricted:		
Cash & cash equivalents	\$ 4,636,242	\$ 3,385,034
Prepaid expenses	82,580	29,400
Accounts receivable	12,186,942	10,877,066
Accrued interest on investments	89	292
Due from general fund	7,540	7,540
Land contract interest receivable	8,980	11,637
Materials & supplies inventory - at cost	329,366	239,795
Total current assets - unrestricted	17,251,739	14,550,764
Current Assets - restricted:		
Due from state	421,987	-
Cash & cash equivalents	3,014,197	6,788,159
Due from unrestricted	3,949,359	4,398,330
Due from city - capital improvement bond proceeds	1,079,195	1,079,210
Total current assets - restricted	8,464,738	12,265,699
Total current assets	25,716,477	26,816,463
Noncurrent Assets:		
Land contract receivable - DPW Building	299,345	387,897
Capital assets - net of accumulated depreciation:		
Land	605,219	605,219
Building & improvements	41,262,863	42,232,664
Utility system	60,661,399	61,310,911
Machinery & equipment	938,677	1,022,169
Total capital assets - net of accumulated depreciation	103,468,158	105,170,963
Designated for future projects	4,689,955	1,104,363
Total noncurrent assets	108,457,458	106,663,223
Total Assets	\$ 134,173,935	\$ 133,479,686

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF NET ASSETS
DECEMBER 31, 2009 and 2008

LIABILITIES & NET ASSETS

	2009	2008
Current Liabilities - unrestricted:		
Accounts payable	\$ 1,793,542	\$ 1,967,551
Due to restricted	3,949,359	4,398,330
Due to general fund	3,387,911	1,303,296
Current portion of revenue bonds payable	2,739,082	2,644,082
Accrued wages payable	88,821	96,946
Payroll taxes, deductions & benefits	83,882	95,349
Customer deposits	143,626	135,884
Total current liabilities - unrestricted	12,186,223	10,641,438
Current Liabilities - restricted:		
Accounts payable	370,212	598,659
Accrued interest payable	327,421	345,150
Construction contracts to be performed in future periods	4,689,955	1,104,363
Current portion of installment purchase agreement	-	42,605
Total current liabilities - restricted	5,387,588	2,090,777
Total current liabilities	17,573,811	12,732,215
Noncurrent Liabilities - unrestricted:		
Bonds payable	47,433,447	49,750,543
Unamortized discount	(170,030)	(201,631)
Deferred refunding charge	(1,633,356)	(1,757,083)
Accumulated sick leave	1,135,915	1,487,430
Accumulated compensatory time	137,818	139,118
Total noncurrent liabilities - unrestricted	46,903,794	49,418,377
Noncurrent Liabilities - restricted:		
Unamortized discount	-	(106)
Total noncurrent liabilities - restricted	-	(106)
Total noncurrent liabilities	46,903,794	49,418,271
Total liabilities	64,477,605	62,150,486
Net Assets:		
Invested in capital assets, net of related debt	56,454,299	56,090,337
Restricted for debt service	5,188,487	6,650,731
Restricted for construction	2,578,618	4,628,660
Restricted for insurance claims	500,000	500,000
Unrestricted	4,974,926	3,459,472
Total net assets	69,696,330	71,329,200
Total Liabilities & Net Assets	\$ 134,173,935	\$ 133,479,686

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	NET ASSETS			
	INVESTED IN			
	CAPITAL ASSETS	RESTRICTED	UNRESTRICTED	TOTAL
Net Assets - January 1, 2009	\$ 56,090,337	\$ 11,779,391	\$ 3,459,472	\$ 71,329,200
Net income (loss):				
Operating revenues	-	-	32,062,895	32,062,895
Interest on investments	-	7,010	9,066	16,076
Other income	-	4,145	1,283	5,428
Operating expenses	-	-	(27,557,790)	(27,557,790)
Depreciation	(4,222,106)	-	-	(4,222,106)
Debt service interest	-	(1,781,940)	-	(1,781,940)
Amortization	(155,327)	(106)	-	(155,433)
Net income (loss)	(4,377,433)	(1,770,891)	4,515,454	(1,632,870)
Other changes in net assets:				
Fixed assets capitalized	2,519,301	(2,519,301)	-	-
Bond principal paid	2,686,686	(2,686,686)	-	-
Assets capitalized from existing bond proceeds	(421,987)	421,987	-	-
Budget transfers	-	3,000,000	(3,000,000)	-
Transfer of debt service liability	(42,605)	42,605	-	-
Total other changes in net assets	4,741,395	(1,741,395)	(3,000,000)	-
Total changes to net assets	363,962	(3,512,286)	1,515,454	(1,632,870)
Net Assets - December 31, 2009	\$ 56,454,299	\$ 8,267,105	\$ 4,974,926	\$ 69,696,330

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS
YEARS ENDED DECEMBER 31, 2009 AND 2008

	<u>2009</u>	<u>2008</u>
Operating Revenues:		
Charges for services	\$ 32,062,895	\$ 30,465,234
Total operating revenues	<u>32,062,895</u>	<u>30,465,234</u>
Operating Expenses:		
Water purchases	7,198,830	6,920,391
Wages & salaries	6,360,774	6,236,950
Employee benefits	6,480,536	6,460,328
Supplies & materials	816,552	866,527
Other services & charges	6,701,098	6,610,754
Depreciation - straight line method	<u>4,222,106</u>	<u>4,279,950</u>
Total operating expenses	<u>31,779,896</u>	<u>31,374,900</u>
Operating income (loss)	<u>282,999</u>	<u>(909,666)</u>
Non-Operating Revenues (Expenses):		
Interest on investments	16,076	271,749
Interest on revenue bonds	(1,781,940)	(1,902,657)
Amortization of bond discount	(155,433)	(154,712)
Other income	5,428	-
Total non-operating revenue (expense)	<u>(1,915,869)</u>	<u>(1,785,620)</u>
Net income (loss)	(1,632,870)	(2,695,286)
Net assets - beginning of year	<u>71,329,200</u>	<u>74,024,486</u>
Net assets - end of year	<u>\$ 69,696,330</u>	<u>\$ 71,329,200</u>

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2009 AND 2008

	2009	2008
Operating Revenues:	\$ 32,062,895	\$ 30,465,234
Less: Operating expenses before depreciation	27,557,790	27,094,950
Operating revenue (loss) before depreciation	4,505,105	3,370,284
Less: Depreciation - straight line method	4,222,106	4,279,950
Operating income (loss)	282,999	(909,666)
Non-Operating Income (Expense):		
Interest on investments	16,076	271,749
Interest on revenue bonds	(1,781,940)	(1,902,657)
Amortization of bond discounts & deferred refunding fees	(155,433)	(154,712)
Other income	5,428	-
Total Non-Operating Revenue (Expense)	(1,915,869)	(1,785,620)
Net income (loss)	\$ (1,632,870)	\$ (2,695,286)

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008

Increase (Decrease) In Cash And Cash Equivalents

	2009	2008
Cash flows from operating activities:		
Cash received from customers	\$ 28,304,835	\$ 27,431,463
Cash payments to suppliers for goods and services	(12,895,445)	(14,772,765)
Cash payments to employees for services	(13,266,897)	(12,944,686)
Other operating revenues	2,459,866	1,817,927
	4,602,359	1,531,939
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,077,023)	(1,871,274)
Interest paid on revenue bonds	(1,781,940)	(1,902,657)
Increase (decrease) in long term liability	(2,282,429)	(2,559,829)
	(7,141,392)	(6,333,760)
Cash flows from investing activities:		
Interest on investments	16,279	271,629
	16,279	271,629
Net cash used in investing activities	16,279	271,629
Net increase (decrease) in cash and cash equivalents	(2,522,754)	(4,530,192)
Cash and cash equivalents at beginning of year	10,173,193	14,703,385
Cash and cash equivalents at end of year	\$ 7,650,439	\$ 10,173,193

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMPARATIVE STATEMENT OF CASH FLOWS FOR THE YEARS ENDED
DECEMBER 31, 2009 and 2008

Operating Income To Net Cash Provided By Operations Reconciliation

	2009	2008
Operating income (loss)	\$ 282,999	\$ (909,666)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	4,222,106	4,279,950
Other income on statement of income	1,283	-
Change in assets and liabilities:		
Decrease (increase) in accounts receivable	(1,309,876)	(1,215,801)
Decrease (increase) in due from city	-	(40)
Decrease (increase) in land contract interest receivable	2,657	2,504
Decrease (increase) in inventory	(89,571)	(53,519)
Decrease (increase) in prepaid expenses	(53,180)	28,317
Increase (decrease) in accounts payable	(174,009)	(13,141)
Increase (decrease) in general fund interfund balances	2,084,615	(308,436)
Increase (decrease) in wages and benefits payable	(372,407)	(275,722)
Increase (decrease) in customer deposits	7,742	(2,507)
Total adjustments	4,319,360	2,441,605
Net cash provided (used) by operating activities	\$ 4,602,359	\$ 1,531,939

The accompanying notes section is an integral part of the financial statements

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 1 – OVERVIEW OF THE RESULTS OF FISCAL 2009 OPERATIONS

The Water and Sewer System generated operating revenue, before depreciation, of \$4,505,105 on sales of 713,369,000 cubic feet. Net loss, after depreciation, interest income, debt service interest and other non-operating income and expense items was \$1,632,870. Compared to the Fiscal 2008 net loss of \$2,695,286 this was a change of \$1,062,416. The principal reason for the increase in net income from last year was the additional revenue generated from the approved rate increase. Operating revenue, before depreciation, increased in Fiscal 2009 by \$1,134,821 even with a decrease in sales volume of 6.13%.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Warren Water and Sewer System provides water delivery and treatment services for residential, commercial and industrial customers in the City of Warren and some parcels in adjacent communities. The Water Division and Waste Water Treatment Plant operate under the control of the Mayor and City Council and are divisions under the Department of Public Service. In accordance with the provisions of the National Council of Governmental Accounting Statement 3, certain other funds are not considered to be part of the Water and Sewer System for financial reporting purposes. The criteria established by NCGA for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibilities, scope of public service and special financing relationships. On this basis the financial statements of certain other funds listed below are not included in the financial statements of the Water and Sewer System.

The financial statements for the Waste Water Treatment Plant Expansion Fund are included in the City's comprehensive annual financial report for the year ended June 30, 2009. As various segments of the Waste Water Treatment Plant are completed, the asset and related contribution is then recorded in the Water and Sewer System records. The capital project fund used to accumulate Treatment Plant expansion had a fund balance of \$96,828 at June 30, 2008. The fund has since been dissolved resulting in a zero fund balance at year end. The capital project fund received a total of \$39,912,477 and expended \$39,815,649. During fiscal year 2009 the remaining balance was transferred to the Water & Sewer System.

The pension fund statements are also included in the comprehensive annual financial report for the City. The pension fund is treated as a separate fund to which the Water and Sewer System makes a contribution each payroll period based on gross payroll.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 - BASIS OF PRESENTATION - PROPRIETARY FUNDS

Enterprise funds account for operations that are financed and operated in a manner similar to private business enterprises. The intent of the City is that costs (expenses including depreciation) of providing goods and services to the general public on a continuing basis are financed or recovered primarily through user charges. The acquisition, maintenance and improvement of physical plant facilities required to provide these goods and services are financed from cash resources, the issuance of bonds (revenue or general obligation), Federal grants or other City funds. The financial activities of the Water and Sewer System are recorded in separate funds categorized and described as follows:

Receiving Fund

Revenues are initially deposited in the receiving fund in accordance with State statutes and local revenue ordinances adopted by the City of Warren. Monies are transferred, as needed, to the Operation and Maintenance Fund and Debt Service Reserve and Construction Reserve funds.

Operation and Maintenance Fund

The Operation and Maintenance Fund is used to account for revenues generated by user charges for the provision of goods and services to customers of the Water and Sewer System. The Operation and Maintenance Fund records the cost of providing goods and services to Water and Sewer System customers. Water purchases from the City of Detroit, payroll and related fringe benefits, routine maintenance of the Water and Sewer System infrastructure and treatment of residential, municipal and industrial waste through the Waste Water Treatment Plant are all components of that cost.

In accordance with Statement No. 9 of the Governmental Accounting Standards Board (GASB), "Reporting Cash Flows of Proprietary and Non-expendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting", a **Comparative Statement of Cash Flows** is included as an integral part of the financial statements. This statement classifies cash receipts and payments according to whether they stem from operating, capital and related financing and investing activities.

Debt Service and Construction Reserves

Ordinance Number 80-448, adopted by the City of Warren City Council on January 11, 1994, calls for the establishment of the various funds for the operation, debt service, infrastructure replacement and infrastructure improvement of the Water & Sewer System. Specifically, the following funds are included in this report:

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 3 - BASIS OF PRESENTATION - PROPRIETARY FUNDS {continued}

Bond & Interest Redemption Fund {designated in the supplemental schedules as “**Debt Service Reserve**”} was established to set aside funds for the payment of bonded indebtedness on the 1999, 2000 and 2005 Revenue Bond issues, 2003 and 2006 Capital Improvement issues, and 5134-01, 5134-02, 5134-03 and 5134-04 issues.

Replacement Fund {designated in the supplemental schedules as the “**Infrastructure Replacement Reserve**”}

Building Authority Lease Payment Fund {designated in the supplemental schedules as “**Building Construction Reserve**”}

Waste Water Treatment Plant Improvement Fund {designated in the supplemental schedules as “**Waste Water Improvement Reserve**”}

Also established by City Ordinance and in accordance with State statute are various reserves to set aside funds for major infrastructure and other capital improvements and replacements. Included in this category are the following reserves:

- **Meter Replacement Reserve**
- **Capital Equipment Replacement Reserve**

Activity for the fiscal year is recorded in the appropriate fund or reserve as it occurs. These various separate *recording* entities are then combined and consolidated to produce one *reporting* entity called the Water and Sewer System Fund. During fiscal year 2008, both the Meter Replacement Reserve and the Building Construction Reserve were dissolved and the remaining net assets were transferred to the Capital Equipment Replacement Reserve. Interest on the investments in the Meter Replacement and Building Construction Reserves were transferred during 2009 to the Capital Equipment Replacement Reserve. Debt service liability remaining in the Capital Equipment Replacement reserve fund was transferred during 2009 to the Operation & Maintenance fund.

NOTE 4 - BASIS OF ACCOUNTING

The accrual basis of accounting is used to record data in the Water and Sewer System Fund. Revenues are recognized in the accounting period in which they are earned and become measurable, and expenses are recognized in the period incurred, if measurable.

NOTE 5 - BUDGETS AND BUDGETARY ACCOUNTING

The budget for the Water and Sewer System of the City is fairly inflexible. An encumbrance system is in place and the City Council approves appropriations from retained earnings and all transfers between funds.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 5 - BUDGETS AND BUDGETARY ACCOUNTING {continued}

There is no informational summary in the Water and Sewer System Fund for the estimated total cost and proposed method of financing for each capital construction project. Nor is there an informational summary on the annual operating costs and proposed method of financing the operating costs for a period of three years beyond the fiscal year covered by the budget, as is required by Act 621 of 1978. Construction projects are budgeted on an annual basis only.

Encumbrances are utilized during the year to alert officials to possible areas of budget deficiency or over-spending. Encumbrances are not included in the final expense totals for the annual financial report. One activity exceeded budget appropriations and twenty-seven line items were over-expended. Line item over expenditures ranged from \$41 to \$159,688. The largest over-expenditures related to overtime costs. Overall Operation and Maintenance Fund expenditures were \$2,707,677 lower than budgeted appropriations. An expenditure line item was added during fiscal year 2009 for uncollectible debt. As a result of the depressed economic climate in Michigan, the County of Macomb auctioned tax forfeited properties for less than the tax and water lien amounts. The portion of delinquent water liens that could not be recovered from the sale during fiscal year 2009 was \$30,781.

Ordinance Number 80-448 stipulates the Water & Sewer System is to be operated in an efficient manner. The Water & Sewer System is expressly prohibited from providing free services or services or use of the System at less than cost to "... any person, firm, or corporation, public or private or to any public agency or instrumentality..."

Ordinance 80-448 recognized that the rates for services were estimated to be "sufficient to provide for the payment of expenses of administration and operation and such expenses for maintenance of the System as are necessary to preserve the System in good repair and working order, to provide for the payment of the principal of and interest on the Bonds {City of Warren Water and Sewer System Revenue Bonds, Series 1999, 2000 and 2005} as they become due and payable, and the maintenance of the Reserve therefore and to provide for all other obligations, expenditures and funds for the System required by law and this Ordinance."

Rates are to be adjusted as required to assure that net revenues are produced in an amount equal to 110% of the principal and interest on the revenue bonds coming due in each fiscal year. The ordinance covenants that rates for services are to be maintained, at all times, at a level sufficient to provide for operating, maintenance and debt service costs.

The City of Warren Water and Sewer System operates on a calendar year fiscal period and an independent public accounting firm provides an audit of the records of the System each year.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS

Assets

Deposits and Investments - Cash received by the City is deposited in various bank accounts. The City Treasurer invests all temporary cash surpluses. Earnings from these investments are credited to the Operation and Maintenance Fund or the appropriate restricted use reserve.

Cash balances, without recognizing checks issued but not cashed at December 31, 2009, and including Certificates of Deposit in the amount of \$100,000 totaled \$460,304. The carrying amount of these deposits as recorded in the financial statements is \$219,637. These deposits would be considered predominantly uninsured and uncollateralized since the Water and Sewer System utilizes the same depositories as other City funds. Due to the amount of cash deposits and the limits of FDIC insurance, the City has determined that it is impractical to insure all deposits. The Investment Policy Commission evaluates each financial institution used as a depository for City funds and assesses the level of risk of each institution.

Investments consist primarily of certificates of deposit, repurchase agreements, commercial paper, United States Treasury Bills and deposits in municipal investment pools. The City Council, by ordinance, created the Investment Policy Commission to regulate City investments in a manner more restrictive than prescribed by State statute. Investments are stated at cost, which approximates market.

Investments of the City Water and Sewer System as of December 31, 2009 are categorized below to give an indication of the level of risk assumed. Category 1 includes investments that are insured or registered, or securities held by the City or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the depository's trust department in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the depository's safekeeping department in the City's name. There are no investments included in Risk Categories 1, 2 or 3.

The Governmental Pool Investment Funds in the amount of \$7,430,802 are not categorized because they are not evidenced by securities that exist in physical or book entry form.

Accounts receivable include amounts due from Water and Sewer System customers for goods supplied and services rendered as of December 31, 2009.

Accrued interest on investments represents investment interest earned but not received as of December 31, 2009.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Due from general fund includes amounts due for services provided to the City's general operating fund as of the end of the Water and Sewer System fiscal year.

Land contract interest receivable is the interest receivable, through December 31, 2009, on the land contract sale of property sold to the City for use by the Department of Public Works discussed below.

Inventories are recorded at cost and are expensed as used utilizing the average cost method of inventory valuation.

Restricted Assets included in the financial report are as follows:

Due from state	\$ 421,987
Investments	3,014,197
Due from unrestricted	3,949,359
Due from city – capital improvement bonds	1,079,195
Designated for future projects	<u>4,689,955</u>
Total Restricted Assets	<u>\$ 13,154,693</u>

Restricted Assets are used for:

Accounts payable	\$ 370,212
Accrued interest payable	327,421
Construction contracts to be performed in future periods	4,689,955
Reserve for debt service	5,188,485
Reserve for construction & capital equipment	<u>2,578,620</u>
Total Restricted Asset Uses	<u>\$ 13,154,693</u>

Property, Plant and Equipment were originally recorded in the Water and Sewer System financial records in 1968, using estimated costs of acquisition or construction provided by the Division of Engineering. Since 1968, property and equipment have been recorded at cost. Depreciation is computed using the straight-line method. Estimated useful lives of capitalized assets range from 10 years to 50 years, depending on the type of property or equipment being depreciated.

Land contract receivable - DPW Building is the principal balance receivable from the City for the land contract sale of the former Water Division Building for use by the Department of Public Works. The original cost was based on the undepreciated book value of the building plus the cost of improvements to the building through contracts awarded by the City of Warren Building Authority. The effective date of the transfer to the City was July 1, 1992. Principal and interest payments commenced on January 1, 1994 on a 20-year 6% interest land contract.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Current Liabilities

Accounts payable represents those goods and services supplied to the Water and Sewer System prior to December 31, 2009 but unpaid as of the end of the fiscal year.

Due to restricted represents the net of inter-fund payables and receivables. As of December 31, 2009, the unrestricted inter-fund payables exceeded the restricted inter-fund receivables, resulting in a current unrestricted liability.

Due to general fund represents transactions between the Water and Sewer System to provide services that had not been reimbursed as of December 31, 2009.

Current portion of revenue bonds payable is the principal portion of the revenue bonds issues in fiscal years 1999, 2000 and 2005, capital improvement bonds issued in fiscal years 2003 and 2006 and State of Michigan SRF financing instruments issued in fiscal years 2003 and 2004 due within 12 months of the end of the fiscal year.

Accrued wages and benefits payable represents the amounts earned by Water & Sewer System employees prior to the end of the fiscal year but not paid until January 2010.

Customer deposits represent amounts received from Water & Sewer System customers for the purchase of meters to be placed in service. Once the meter is installed (at customer expense) and inspected by Water & Sewer System personnel, the amount deposited is recognized as meter sales revenue.

Long Term Liabilities

Revenue bonds payable is detailed as follows:

1999 Refunding Issue

Bonds payable through May 1, 2016	\$ 7,075,000
Less – current portion (due May 1, 2010)	(975,000)
Less – unamortized bond discount	(39,530)
Less – unamortized deferred refunding charge	<u>(329,000)</u>
Net 1999 refunding bonds payable	<u>5,731,470</u>

1999 Revenue Bonds {non-refunded}

Bonds payable through November 1, 2011	100,000
Less – current portion (due November 1, 2010)	(50,000)
Less – unamortized bond discount	<u>(14,312)</u>
Net 1999 revenue bonds payable	<u>35,688</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

2000 Revenue Bonds {non-refunded}	
Bonds payable through November 1, 2011	1,225,000
Less – current portion (due November 1, 2010)	(600,000)
Less – unamortized bond discount	<u>(27,034)</u>
Net 2000 revenue bonds payable	<u>597,966</u>
2005 Refunding Issue	
Bonds payable through November 1, 2026	20,825,000
Less – current portion (due November 1, 2010)	(130,000)
Less – unamortized bond discount	(67,234)
Less – unamortized deferred refunding charge	<u>(1,304,356)</u>
Net 2005 refunding bonds payable	<u>19,323,410</u>
2003 Capital Improvement Bonds	
Bonds payable through June 1, 2023	990,000
Less – current portion (due June 1, 2010)	(55,000)
Less – unamortized bond discount	<u>(2,958)</u>
Net 2003 Capital Improvement Bonds	<u>932,042</u>
2006 Capital Improvement Bonds	
Bonds payable through September 1, 2026	2,078,451
Less – current portion (due September 1, 2010)	(14,082)
Less – unamortized bond discount	<u>(18,962)</u>
Net 2006 Capital Improvement Bonds	<u>2,045,407</u>
2003 State of Michigan SRF Financing 5134-01	
Bonds payable through October 1, 2024	3,775,000
Less – current portion (due October 1, 2010)	<u>(210,000)</u>
Net SRF revenue bonds payable – 5134-01	<u>3,565,000</u>
2004 State of Michigan SRF Financing 5134-02	
Bonds payable through April 1, 2026	5,660,000
Less – current portion (due April 1, 2010)	<u>(280,000)</u>
Net SRF revenue bonds payable – 5134-02	<u>5,380,000</u>
2004 State of Michigan SRF Financing 5134-03	
Bonds payable through October 1, 2024	887,091
Less – current portion (due October 1, 2010)	<u>(55,000)</u>
Net SRF revenue bonds payable – 5134-03	<u>832,091</u>
2004 State of Michigan SRF Financing 5134-04	
Bonds payable through April 1, 2026	7,135,000
Less – current portion (due April 1, 2010)	<u>(370,000)</u>
Net SRF revenue bonds payable - 5134-04	<u>6,765,000</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS (continued)

Long Term Liabilities (continued)

Revenue bonds payable (continued):

2009 State of Michigan SRF Financing 5401-01

Bonds payable through October 1, 2030	421,987
Less – current portion	<u>-</u>
Net SRF revenue bonds payable – 5401-01	<u>421,987</u>

Total net revenue bonds payable \$ 45,630,061

The \$12,000,000 City of Warren Water and Sewer System Revenue Refunding Bonds, Series 1999, were dated February 1, 1999, and sold January 26, 1999, to Merrill Lynch & Co. {See Note 16 for further discussion}

The non-refunded \$300,000 City of Warren Water and Sewer System Revenue Bonds, Series 1999, were dated March 1, 1999, and sold February 23, 1999, to Prudential Securities, Inc. with ABN Amro Securities, Inc.; Dain Rauscher, Inc.; and Griffin, Kubik, Stephens & Thompson, Inc. {See Note 17 for further discussion}

The non-refunded \$3,750,000 City of Warren Water and Sewer System Revenue Bonds, Series 2000, were dated September 1, 2000, and sold October 3, 2000, to Dain Rauscher Incorporated. {See Note 18 for further discussion}

The \$21,675,000 City of Warren Water and Sewer System Revenue Refunding Bonds, Series 2005, were dated September 1, 2005, and sold September 13, 2005, to Piper Jaffray & Company. {See Note 19 for further discussion}

The \$3,585,000 City of Warren Capital Improvement Bonds, Series 2003, were dated July 1, 2003, and sold to Fahnstock & Co., Inc. {See Note 21 for further discussion}

The \$4,750,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-01, were authorized by City Council on September 25, 2003. {See Note 22 for further discussion}

The \$6,465,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-02, were authorized by City Council on September 23, 2004. {See Note 23 for further discussion}

The \$1,220,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-03, were authorized by City Council on March 25, 2004. {See Note 24 for further discussion}

The \$8,200,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5134-04, were authorized by City Council on March 31, 2005. {See Note 25 for further discussion}

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS (continued)

Long Term Liabilities (continued)

Revenue bonds payable (continued):

The \$7,530,000 City of Warren Capital Improvement Bonds, Series 2006, were dated December 1, 2006, and sold to Morgan Keegan & Co., Inc. {See Note 26 for further discussion}

The \$3,090,000 Act 34 Sewage Disposal Capital Improvement Bonds, 5401-01, were authorized by City Council on November 24, 2009. {See Note 27 for further discussion}

Compensated Absences - Collective bargaining agreements provide for the compensated absences discussed in greater detail below. GASB Statement-16 {Accounting for Compensated Absences}, requires that liabilities are calculated at the pay or salary rates in effect as of the balance sheet date and include payments "*directly and incrementally associated with payments made for compensated absences...*". Accordingly, the reserved amounts include the costs of employer social security and medicare taxes, the Voluntary Employee Benefit Association (VEBA) trust and the City's contribution to the Employees Retirement System.

Accumulated Sick Leave - All full-time employees of the City earn one sick leave day for each month of service rendered, not to exceed twelve days in any calendar year. Sick leave days may be accumulated each year up to a maximum sick leave bank that varies depending on hire date. Employees hired prior to March 7, 1984 may accumulate a maximum of 225 sick leave days. Employees hired between March 7, 1984 and February 9, 1988, inclusive, may accumulate a maximum of 140 sick leave days. Employees hired after February 9, 1988 may accumulate a maximum of 65 sick leave days.

Upon retirement, most employees are paid eighty percent of their accumulated sick bank. If an employee dies while in the service of the City, the beneficiary is paid one hundred percent of the accumulated sick bank. An employee is paid twenty five percent of the accumulated sick bank upon severance from the City in good standing after five years of service. Payments are based on the employee's current rate of pay.

In addition, the City has adopted an incentive program based upon good attendance that permits employees to use sick days as bonus vacation days or receive cash payment, thereby reducing their sick leave banks.

The maximum liability of the Water and Sewer System at December 31, 2009 is \$1,135,915 and is fully funded.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS (continued)

Long Term Liabilities (continued)

Accumulated Compensatory Time - Based on their respective collective bargaining agreements, employees may elect to be paid for their overtime or receive compensatory time. As of December 31, 2009 the value of unpaid compensatory time was \$137,818 and is fully funded.

Net Assets

Insurance is provided for both prior and current fiscal years under a retrospective insurance plan package covering workers' compensation, general liability and vehicle related claims. Under a retrospective plan, the City, as the insured party, shares the risk of loss with the insurance company. Final insurance costs are dependent upon actual loss experience for the policy period.

When determining the City's loss experience for a given time period, the insurance company must estimate the expected financial settlement of known claims. Actual loss experience for a policy period may be substantially different if the settlement of claims exceeds the estimates and/or additional claims are filed for incidents, which occurred prior to the preparation of the estimates but were not reported. These variations can potentially result in additional liability for a previous or current policy period.

The City has elected to accept responsibility for the payment of additional claims, even those involving Water & Sewer System personnel and equipment. The City also retains any return of premium payment resulting from a favorable experience rating without reimbursing the Water and Sewer System for its portion of returned premium payments.

Restricted for insurance claims - Effective October 1, 1986, the City of Warren implemented a self-insured program for health benefits for City employees and retirees. Program liability covers the first \$100,000 of actual health costs per person, per year, except for deductible amounts. An insurance policy has been purchased to cover costs in excess of the \$100,000 limitation up to \$1,000,000 per person, per year, not to exceed an aggregate total of \$2,000,000.

Included in the fund balance reserved in the Operation and Maintenance Fund is \$500,000 designated for future self-insurance claims.

Included in the fund balance reserved in the Operation and Maintenance Fund is \$500,000 designated for future self-insurance claims.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 6 - ASSETS, LIABILITIES AND NET ASSETS {continued}

Restricted for debt service and construction net assets are established by Ordinance 58 and Ordinance 64 of the City of Warren. Retained earnings are to be reserved for revenue bond debt service and additional amounts as defined in the ordinance for bonded debt and system improvements and replacements.

NOTE 7 - CONTRACTUAL AGREEMENT

An agreement between the City of Warren and the City of Detroit Board of Water Commissioners provides for the sale and delivery of water to the City of Warren. This agreement is for a minimum term of thirty-five (35) years, commencing on January 23, 1980, and requires ninety (90) days notice in the event of any rate change. The rate at January 1, 2009 was \$8.56 per 1,000 cubic feet. The rate was increased to \$9.47 per 1,000 cubic feet effective September 1, 2009 and remains in effect until July 1, 2010.

NOTE 8 - SUMMARY OF PROPERTY, PLANT AND EQUIPMENT

A summary of the Water and Sewer System property, plant and equipment at December 31, 2009 is as follows:

	<u>Book Value</u>	<u>Depreciable Life</u>
Land	\$ 605,219	N/A
Building and Improvements	63,742,396	40
Water and Sewer Mains	109,957,314	50
Meters and Remote Registers	6,177,217	25
Pumping Equipment	1,709,634	25
Equipment	<u>11,022,794</u>	10
Total Cost	193,214,574	
Less Accumulated Depreciation	<u>89,746,416</u>	
Net Carrying Amount	<u>\$ 103,468,158</u>	

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS

The City's post-employment health and dental benefits are administered under a combination of premium based, self-insurance, and/or Medicare coverage plans. The City provides 100 percent of the cost of health insurance and either 50 percent or 100 percent of dental coverage dependent upon the coverage selected. In general, if a retiree or members of his immediate family are entitled to retirement benefits under the City Employees Retirement System or the Police and Fire Retirement System then they are entitled to the post-retirement health and dental insurance benefits.

General Retirement Health, Life and Disability Benefits Plan and Trust:

Plan Description. Established by City Ordinance and collective bargaining agreements, the City of Warren General Employees' Retirement System is the administrator of a single-employer public employee' Voluntary Employee Benefit Association (VEBA) Trust.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 9 – POST-EMPLOYMENT HEALTH BENEFITS {continued}

The Trust is created for the exclusive purpose of providing funding for health, life and disability benefits for those retirees and beneficiaries eligible to receive such retirement benefits under the City of Warren General Employees Retirement System. At December 31, 2008, the most recent valuation date, the plan consisted of 567 retirees and beneficiaries currently receiving benefits, 41 inactive vested participants, and 374 active employees.

Summary of Significant Accounting Policies. The financial statements of the Trust are prepared using the accrual basis of accounting. Employer contributions are recognized as revenues in the period in which employee services are performed. Retiree health, life and disability benefits are recognized in the period incurred.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price at current exchange rates. The assets of the Trust include no loans to any participants or officers of the Trust, City officials or any other related party.

Funding Policy. The contribution rate to pre-fund the Plan is computed to be 33.50% of covered payroll for the period of January 1, 2009 through December 31, 2009, in accordance with the most recent actuarial valuation of December 31, 2006. Actuarial assumptions used in calculating the contribution rate include 1.) investment return of 7.5% per year, 2.) medical care inflation rate of 5.0% and 3.) salary increases of 5.0%.

Actuarial accrued liabilities of the Plan as of December 31, 2008, were computed to be \$158,665,734. The reported market value of fund assets of the Plan was \$16,522,158 as of December 31, 2008.

The City has developed plans to help contain retiree health insurance costs. Recent contract settlements provide a different program for new hires. The City contributes 1% and the employee can contribute up to 4% of payroll costs into a health savings fund from which health insurance costs will be directly paid upon the employee's retirement.

NOTE 10 – PENSION PLANS

The City has a defined benefit single employer pension plan and a defined contribution pension plan covering substantially all full-time non-public safety employees.

Employees' Retirement System Defined Benefit Plan:

Plan Description. Established under General City Ordinance on January 1, 1958, the City of Warren Employees' Retirement System is the administrator of a single-employer public employees' retirement system that covers all full time employees, except police and fire personnel.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10 – PENSION PLANS {continued}

The System provides retirement, disability and death benefits to plan members and their beneficiaries. The obligation to contribute to and maintain the System for these employees was established by City ordinance and negotiation with the various collective bargaining units. At December 31, 2008, membership consisted of 544 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 207 current active employees of which all are fully vested in the system.

The plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to the City of Warren Employees' Retirement System, One City Square, Warren, Michigan 48093.

Summary of Significant Accounting Policies. The financial statements of the Employees' Retirement System are prepared using the accrual basis of accounting. Employee and employer contributions are recognized as revenues in the period in which employee services are performed. Pension benefits and refund of contributions are recognized in the period such payments are made.

Investments are reported at fair value. Securities traded on a national exchange are valued at the last reported sales price.

The assets of the Employees' Retirement System include no loans to any participants or officers of the System, City officials or any other related party.

Funding Policy. The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an Aggregate actuarial funding method. Employer contributions represented 47.94% of covered payroll for the period of January 1, 2009 through June 30, 2009 in accordance with the actuarial valuation dated December 31, 2006 and 49.17% of covered payroll for the period of July 1, 2009 through December 31, 2009 in accordance with the actuarial valuation dated December 31, 2007. Employees are not required to contribute to the System. Amounts shown as employee contributions represent purchase of prior service credit. Administrative costs are financed through investment earnings.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10 – PENSION PLANS {continued}

Reserves. A description of each legally required reserve and its fully funded balance at December 31, 2009 is as follows:

Reserve for Employees' Contribution: \$ 367,802

Composed of accumulated contributions by active employees plus interest thereon.

Reserve for Employer's Contribution: \$ (14,548,069)

Composed of accumulated City contributions, net of amounts transferred for the payment of pensions to the Reserve for Retirees' Benefit Payments plus interest thereon.

Reserve for Retirees' Benefit Payments: \$ 127,733,072

Actuarially determined to provide sufficient resources for annuity payments. Upon retirement of an employee, expected future benefit payments are computed and transfers are then made into this reserve from the Reserve for Employees' Contribution and Employer's Contribution. This account is credited annually with interest from the Reserve for Undistributed Income.

Reserve for Undistributed Income: \$ -

Composed of net investment income less expenditures for other services and charges, and interest transferred to the Reserves for Employees' Contribution, Employer's Contribution and Retirees' Benefit Payments.

Deposits and Investments

The Board of Trustees of the Employees' Retirement System is authorized by Act No. 314 of the Public Acts of Michigan of 1965, as amended, to make investments in stocks, bonds, or other evidences of indebtedness, that in its judgment it may deem proper to purchase as an investment. The Employees' Retirement System Board of Trustees has contracted with independent investment firms to manage the system's investment portfolio.

Securities Lending Agreement - As permitted under state statutes, the System is authorized to participate in securities lending transactions. The System entered into a securities lending authorization agreement with Comerica Bank to lend its securities to broker-dealers and banks pursuant to the agreement.

During the fiscal year, Comerica Bank at the direction of the System lent securities and received United States currency as collateral. Borrowers were required to deliver collateral for each loan equal to at least one hundred percent (100%) of the market value of the loaned securities.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10 – PENSION PLANS {continued}

The System did not impose any restrictions during the fiscal year on the amount of the loans that Comerica Bank made on its behalf. There were no failures by any borrowers to return loaned securities or pay distributions thereon during the fiscal year. There were no losses to the System or Comerica Bank during the fiscal year resulting from default of the borrowers.

During the fiscal year, the System and the borrower maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested, together with the cash collateral of other lenders, in a pool. The average duration of such investment pool as of December 31, 2009 was 6 days. Because the loans could terminate on demand, their duration did not generally match the duration of the investments made with the cash collateral. The collateral held and the fair value of the underlying securities, including accrued interest thereon, on loan for the System as of December 31, 2009 were \$6,200,712* and \$5,981,512 respectively.

*The cash collateral received is invested in a pool by Comerica Bank's Securities Lending Program in accordance with the Program's guidelines regarding quality and issuer concentration. The Program purchased "Sigma Finance Medium Term Notes, due 05/19/09" which at the time of acquisition was an AAA rated security and fully compliant with the Program's investment guidelines. On September 30, 2008 as a result of a decrease in the market value of Sigma's underlying holdings, Standard & Poors and Moody's downgraded Sigma's senior debt from A/A3 to CCC-/Ca, a drop of 13 levels by each rating agency. Subsequently, Sigma Finance announced that it had ceased trading and Ernst & Young was appointed as its receiver. The System's pro rata share of this investment is \$179,912. Comerica Bank is monitoring the progress of the receivership in order to maximize any recovery of this investment. While the Sigma outcome remains unresolved, the recovery, if any, is anticipated to be minimal.

Deposit and Investment Risk - The provisions of GASB Statement No. 40 require the following disclosures regarding the Retirement System's deposits and investments and their exposure to various risks (custodial credit, credit, interest rate, foreign currency and concentration).

Custodial credit risk for deposits is the risk that in the event of the failure of a depository financial institution, the System will not be able to recover deposits or collateral securities that are in the possession of an outside party. Cash balances, without recognizing checks issued but not cashed, at December 31, 2009, excluding impress funds, were \$25,001. All deposits were covered by the Federal Deposit Insurance Corporation (FDIC). The System evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10 – PENSION PLANS {continued}

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty to a transaction, the System will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the System, and are held by either the counterparty or the counterparty's trust department or agent but not in the System's name. At December 31, 2009, none of the System's investments were exposed to custodial credit risk.

The System's investments in debt securities are exposed to credit and interest rate risks. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. To minimize exposure to these risks, the System has implemented the following policies for its fixed income investments: 1.) a maximum investment of 30 percent in bonds rated BBB, the balance in investment grade bonds rated A or better; 2.) may only invest in commercial paper maturing within 270 days of any domestic issuer provided such commercial paper be rated A1 or equivalent; and 3.) a weighted average portfolio maturity not to exceed 10 years.

A detailed discussion of the Employees' Retirement System including historical activity, investment performance and credit and interest rate risk disclosures is included in the City's Comprehensive Annual Financial Report for the fiscal year ended June 30, 2009.

Defined Contribution Plan and Trust

Plan Description. The Defined Contribution Plan and Trust was approved by the Warren City Council at their meeting of April 8, 1997. The plan is administered by the International City Management Association Retirement Corporation (ICMA). Participation in the plan is extended to all full time employees, other than police and fire personnel. Employees were allowed to transfer the actuarially determined value of prior service credit from the City Employees' Retirement System to the Defined Contribution Plan upon adoption of the plan and settlement of respective collective bargaining agreements. Employees hired after ratification of the respective collective bargaining agreements are automatically enrolled in the Defined Contribution Plan. There were 219 active participants in the plan as of June 30, 2009.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 10 – PENSION PLANS {continued}

Funding Policy. For employees transferring from the Defined Benefit Pension Plan to the Defined Contribution Plan, the City contributes 15.0% of payroll and the employee contributes 3.0%. For employees hired after ratification of their respective union contracts, the City contributes 10.0% of payroll and the employee contributes 4.0%.

NOTE 11 - DEFERRED COMPENSATION PLAN

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full time employees, permits them to defer a portion of their current salary until future years. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

In accordance with the provision of IRC Section 457, subsection (g), plan assets are held for the exclusive benefit of employees in a trust or qualifying insurance contract in an amount equal to the fair market value of the deferred account maintained with respect to each participant.

The City's primary responsibility is to process employee payroll withholdings and remits the withheld funds to the plan administrators. The City does not perform any investing function. Accordingly, due to the absence of fiduciary responsibility with respect to these funds, deferred compensation plan assets are not reported in the accompanying financial statements.

NOTE 12 - INTERFUND RECEIVABLES AND PAYABLES

The amounts of interfund receivables and payables are as follows:

<u>Fund</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
General (including 2006 capital improvement bond proceeds receivable)	<u>\$ 1,086,735</u>	<u>\$ 3,387,911</u>

NOTE 13 - CONTINGENT LIABILITIES

In the opinion of the City of Warren City Attorney, there were no lawsuits pending as of December 31, 2009, which could materially affect the financial condition of the Water and Sewer System.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 14 - 1994 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On February 22, 1994, the City of Warren City Council approved the sale of the \$8.5 million Water & Sewer System Bonds, Series 1994, to the firm of Merrill Lynch, Pierce, Fenner & Smith. The bonds are dated February 1, 1994, and have various maturity dates up to May 1, 2013. Interest on bond coupons ranges from 4.80% to 5.60% annually, with the average interest rate of the total issue at 5.5025%.

On January 26, 1999, the City sold \$12,000,000 of Water and Sewer System Revenue Refunding Bonds, Series 1999. Included in this issue was the defeasance of \$7,470,000 of then outstanding balance of \$8,045,000 of the Series 1994 Bonds. All issuance costs were paid directly from bond proceeds.

Principal and interest requirements for the remaining debt from issue were paid in full as of December 31, 2004.

NOTE 15 - 1996 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On February 23, 1996, the City of Warren City Council approved the sale of the \$4.0 million Water & Sewer System Bonds, Series 1996, to the firm of Dean Witter Reynolds, Inc. The bonds are dated April 1, 1996, and have various maturity dates up to November 1, 2016. Interest on bond coupons ranges from 5.60% to 7.60% annually.

On January 26, 1999, the City sold \$12,000,000 of Water and Sewer System Revenue Refunding Bonds, Series 1999. Included in this issue was the defeasance of \$3,635,000 of then outstanding balance of \$3,920,000 of the Series 1996 Bonds. All issuance costs were paid directly from bond proceeds.

Principal and interest requirements for the remaining debt from this issue were paid in full as of December 31, 2004.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS

On January 26, 1999, the City of Warren City Council approved the sale of the \$12.0 million Water & Sewer System Revenue Refunding Bonds, Series 1999, to Merrill Lynch & Co. The bonds are dated February 1, 1999, and have various maturity dates up to May 1, 2016. Interest on bond coupons ranges from 4.30% to 4.75% annually.

The proceeds are earmarked for the defeasance of \$7,470,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 1994 {See Note 14} and \$3,635,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 1996 {See Note 15}.

Principal and interest requirements for the remaining debt from the Series 1999 Revenue Refunding Bonds from December 31, 2009 through final maturity of May 1, 2016, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	4.30%	\$ 975,000.00	\$ 298,920.00	\$ 1,273,920.00
2011	4.35%	1,035,000.00	255,446.25	1,290,446.25
2012	4.50%	1,080,000.00	208,635.00	1,288,635.00
2013	4.50%	1,135,000.00	158,797.50	1,293,797.50
2014	4.60%	1,060,000.00	108,880.00	1,168,880.00
2015	4.70%	1,050,000.00	59,825.00	1,109,825.00
2016	4.75%	<u>740,000.00</u>	<u>17,575.00</u>	<u>757,575.00</u>
Total		<u>\$ 7,075,000.00</u>	<u>\$ 1,108,078.75</u>	<u>\$ 8,183,078.75</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The following bond principal amounts were defeased per the 1999 Revenue Refunding Bond issue:

1994 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
05-01-2004	4.90%	\$ 130,000
05-01-2005	5.00%	650,000
05-01-2006	5.10%	685,000
05-01-2007	5.20%	725,000
05-01-2008	5.30%	765,000
05-01-2009	5.40%	805,000
05-01-2010	5.50%	850,000
05-01-2011	5.60%	900,000
05-01-2012	5.60%	950,000
05-01-2013	5.60%	<u>1,010,000</u>
Total 1994 Series Bonds Defeased		<u>7,470,000</u>

1996 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
11-01-2005	5.60%	\$ 55,000
11-01-2006	5.60%	60,000
11-01-2007	5.60%	65,000
11-01-2008	5.60%	65,000
11-01-2009	5.60%	70,000
11-01-2010	5.60%	75,000
11-01-2011	5.65%	80,000
11-01-2012	5.70%	80,000
11-01-2013	5.75%	85,000
11-01-2014	5.75%	1,000,000
11-01-2015	5.80%	1,000,000
11-01-2016	5.85%	<u>1,000,000</u>
Total 1996 Series Bonds Defeased		<u>3,635,000</u>

Grand Total \$ 11,105,000

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

On February 1, 1999, the City entered into an Escrow Agreement appointing Michigan National Bank as escrow agent for the purpose of redeeming, prior to maturity, the callable 1994 Revenue Bonds scheduled to mature in the years 2004 through 2013 and the callable 1996 Revenue Bonds scheduled to mature in the years 2005 through 2016.

On February 9, 1999, the City irrevocably transferred to Michigan National Bank proceeds from the 1999 Revenue Refunding Bonds in the amount of \$11,802,457.21 and monies on hand in the Series 1994 Reserve fund in the amount of \$9,810.89 for a total of \$11,812,268.10. All but \$0.10 {to be held in the Escrow Fund as beginning balance} was invested in United States Government Obligation known as "SLGS" {State and Local Government Series} as follows:

Purchase Date	Amount	Rate	Maturity
02-09-1999	\$ 188,564	4.290%	05-01-1999
02-09-1999	45,974	4.410%	11-01-1999
02-09-1999	47,446	4.430%	05-01-2000
02-09-1999	48,497	4.500%	11-01-2000
02-09-1999	49,588	4.540%	05-01-2001
02-09-1999	50,714	4.540%	11-01-2001
02-09-1999	51,865	4.530%	05-01-2002
02-09-1999	53,040	4.520%	11-01-2002
02-09-1999	7,524,239	4.451%	05-01-2003
02-09-1999	20,476	4.510%	11-01-2003
02-09-1999	20,937	4.500%	05-01-2004
02-09-1999	<u>3,710,928</u>	4.500%	11-01-2004
 Total	 <u>\$ 11,812,268</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

These investments and interest thereon are to be used to meet the following combined schedule of escrow payments:

Date	Interest & Premium	Principal	Total
05-01-1999	\$ 306,118.75	\$ -	\$ 306,118.75
11-01-1999	306,118.75	-	306,118.75
05-01-2000	306,118.75	-	306,118.75
11-01-2000	306,118.75	-	306,118.75
05-01-2001	306,118.75	-	306,118.75
11-01-2001	306,118.75	-	306,118.75
05-01-2002	306,118.75	-	306,118.75
11-01-2002	306,118.75	-	306,118.75
05-01-2003	306,118.75	7,470,000.00	7,776,118.75
11-01-2003	104,903.75	-	104,903.75
05-01-2004	104,903.75	-	104,903.75
11-01-2004	<u>159,428.75*</u>	<u>3,635,000.00</u>	<u>3,794,428.75</u>
Total	<u>\$ 3,124,305.00</u>	<u>\$ 11,105,000.00</u>	<u>\$ 14,229,305.00</u>

*includes Redemption Premium of \$54,525.00

The Escrow Fund Cash Flow is detailed as follows:

Date	Beginning Cash	Investment Principal	Investment Interest	Total	Debt		Ending Cash
					Service Defeasance	Net Cash Flow	
02-09-1999	\$ 0.10	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.10
05-01-1999	0.10	188,564.00	117,554.95	306,118.95	306,118.75	0.20	0.30
11-01-1999	0.30	45,974.00	260,145.03	306,119.03	306,118.75	0.28	0.58
05-01-2000	0.58	47,446.00	258,673.04	306,119.04	306,118.75	0.29	0.87
11-01-2000	0.87	48,497.00	257,622.11	306,119.11	306,118.75	0.36	1.23
05-01-2001	1.23	49,588.00	256,530.93	306,118.93	306,118.75	0.18	1.41
11-01-2001	1.41	50,714.00	255,405.28	306,119.28	306,118.75	0.53	1.94
05-01-2002	1.94	51,865.00	254,254.07	306,119.07	306,118.75	0.32	2.26
11-01-2002	2.26	53,040.00	253,079.33	306,119.33	306,118.75	0.58	2.84
05-01-2003	2.84	7,524,239.00	251,880.63	7,776,119.63	7,776,118.75	0.88	3.72
11-01-2003	3.72	20,476.00	84,428.69	104,904.69	104,903.75	0.94	4.66
05-01-2004	4.66	20,937.00	83,966.96	104,903.96	104,903.75	0.21	4.87
11-01-2004	4.87	3,710,928.00	83,495.88	3,794,423.88	3,794,428.75	(4.87)	(0.00)
		<u>\$ 11,812,268.00</u>	<u>\$ 2,417,036.90</u>	<u>\$ 14,229,304.90</u>	<u>\$ 14,229,305.00</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 16 - 1999 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The Net Present Value Savings Analysis, prepared by Municipal Financial Consultants, Inc., indicates a Net Present Value Savings of \$382,987.46 to the Water & Sewer System as a result of the issuance of the 1999 Water and Sewer Revenue Refunding Bonds. The schedule is reproduced below:

Date	Combined Outstanding Debt Service	Combined Non-Refunded Debt Service	New Debt Service	Net Savings (Loss)	Annual Net Savings (Loss)	4.46802% Present Value Debt Service
05-01-1999	\$ 434,698.75	\$ 128,580.00	\$ 327,914.38	\$ (21,795.63)		\$ (21,577.36)
11-01-1999	367,178.75	61,060.00	261,636.25	44,482.50	\$ 22,686.87	43,074.73
05-01-2000	435,658.75	129,540.00	321,636.25	(15,517.50)		(14,698.05)
11-01-2000	368,018.75	61,900.00	260,346.25	45,772.50	30,255.00	42,407.94
05-01-2001	436,308.75	130,190.00	325,346.25	(19,227.50)		(17,424.89)
11-01-2001	363,548.75	57,430.00	258,948.75	47,170.00	27,942.50	41,813.61
05-01-2002	436,838.75	130,720.00	323,948.75	(17,830.00)		(15,459.94)
11-01-2002	363,958.75	57,840.00	257,551.25	48,567.50	30,737.50	41,191.42
05-01-2003	437,058.75	130,940.00	327,551.25	(21,432.50)		(17,780.27)
11-01-2003	359,058.75	52,940.00	256,046.25	50,072.50	28,640.00	40,632.12
05-01-2004	437,658.75	1,540.00	456,046.25	(19,927.50)		(15,817.13)
11-01-2004	359,473.75	56,540.00	251,746.25	51,187.50	31,260.00	39,741.42
05-01-2005	952,933.75	-	1,031,746.25	(78,812.50)		(59,852.06)
11-01-2005	341,683.75	-	234,976.25	106,707.50	27,895.00	79,265.38
05-01-2006	970,143.75	-	1,049,976.25	(79,832.50)		(58,006.00)
11-01-2006	327,676.25	-	217,453.75	110,222.50	30,390.00	78,337.21
05-01-2007	990,996.25	-	1,072,453.75	(81,457.50)		(56,628.30)
11-01-2007	312,146.25	-	199,071.25	113,075.00	31,617.50	76,890.67
05-01-2008	1,010,326.25	-	1,089,071.25	(78,745.00)		(52,376.28)
11-01-2008	290,053.75	-	179,936.25	110,117.50	31,372.50	71,642.81
05-01-2009	1,028,233.75	-	1,109,936.25	(81,702.50)		(51,994.35)
11-01-2009	271,498.75	-	159,941.25	111,557.50	29,855.00	69,442.32
05-01-2010	1,049,538.75	-	1,134,941.25	(85,402.50)		(51,999.68)
11-01-2010	251,163.75	-	138,978.75	112,185.00	26,782.50	66,814.30
05-01-2011	1,074,063.75	-	1,173,978.75	(99,915.00)		(58,206.29)
11-01-2011	228,863.75	-	116,467.50	112,396.25	12,481.25	64,046.54
05-01-2012	1,096,603.75	-	1,196,467.50	(99,863.75)		(55,661.68)
11-01-2012	200,003.75	-	92,167.50	107,836.25	7,972.50	58,791.95
05-01-2013	1,127,723.75	-	1,227,167.50	(99,443.75)		(53,031.65)
11-01-2013	174,443.75	-	66,630.00	107,813.75	8,370.00	56,238.85
05-01-2014	87,000.00	-	1,126,630.00	(1,039,630.00)		(530,451.51)
11-01-2014	1,087,000.00	-	42,250.00	1,044,750.00	5,120.00	521,415.42
05-01-2015	58,250.00	-	1,092,250.00	(1,034,000.00)		(504,773.60)
11-01-2015	1,058,250.00	-	17,575.00	1,040,675.00	6,675.00	496,930.69
05-01-2016	29,250.00	-	757,575.00	(728,325.00)		(340,181.36)
11-01-2016	1,029,250.00	-	-	1,029,250.00	300,925.00	470,230.48
	<u>\$ 19,846,557.50</u>	<u>\$ 999,220.00</u>	<u>\$ 18,156,359.38</u>	<u>\$ 690,978.12</u>	<u>\$ 690,978.12</u>	<u>\$ 382,987.46</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 17 - 1999 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On February 23, 1999, the City of Warren City Council approved the sale of the \$11.4 million Water & Sewer System Bonds, Series 1999, to Prudential Securities, Inc. with ABN Amro Securities, Inc.; Dain Rauscher, Inc.; and Griffin, Kubik, Stephens & Thompson, Inc. The bonds are dated March 1, 1999, and have various maturity dates up to November 1, 2026. Interest on bond coupons ranges from 4.00% to 5.25% annually. The proceeds are earmarked for various water and sewer infrastructure projects and capital improvements at the Waste Water Treatment Plant.

On September 13, 2005, the City sold \$21,675,000 of Water and Sewer System Revenue Refunding Bonds, Series 2005 {see Note 19}. Included in this issue was the defeasance of \$11,100,000 of then outstanding balance of \$11,400,000 of the Series 1999 Bonds. All issuance costs were paid directly from bond proceeds.

The redemption schedule outstanding as of December 31, 2009 for the defeased portion of the Series 1999 Bonds through the principle redemption on November 1, 2011, is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 563,850	\$ 563,850
2011	<u>11,100,000</u>	<u>563,850</u>	<u>11,663,850</u>
Total	<u>\$ 11,100,000</u>	<u>\$ 1,127,700</u>	<u>\$ 12,227,700</u>

Principal and interest requirements for the remaining \$300,000 debt from the Series 1999 Bonds from December 31, 2009 through final maturity of November 1, 2011, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	4.40%	\$ 50,000	\$ 4,450	\$ 54,450
2011	4.50%	<u>50,000</u>	<u>2,250</u>	<u>52,250</u>
Total		<u>\$ 100,000</u>	<u>\$ 6,700</u>	<u>\$ 106,700</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 18 - 2000 CITY OF WARREN WATER AND SEWER REVENUE BONDS

On October 3, 2000, the City of Warren City Council approved the sale of the \$13.75 million Water & Sewer System Bonds, Series 2000, to Dain Rauscher, Inc. The bonds are dated September 1, 2000, and have various maturity dates up to November 1, 2021. Interest on bond coupons ranges from 5.00% to 5.25% annually. The proceeds are earmarked for various water and sewer infrastructure projects and capital improvements at the Waste Water Treatment Plant.

On September 13, 2005, the City sold \$21,675,000 of Water and Sewer System Revenue Refunding Bonds, Series 2005 {see Note 19}. Included in this issue was the defeasance of \$8,800,000 of then outstanding balance of \$12,550,000 of the Series 2000 Bonds. All issuance costs were paid directly from bond proceeds.

The redemption schedule outstanding as of December 31, 2009 for the defeased portion of the Series 2000 Bonds through the principal redemption on November 1, 2011, is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 459,344	\$ 459,344
2011	<u>8,800,000</u>	<u>459,344</u>	<u>9,259,344</u>
Total	<u>\$ 8,800,000</u>	<u>\$ 918,688</u>	<u>\$ 9,718,688</u>

Principal and interest requirements for the remaining debt from the Series 2000 Bonds from December 31, 2009 through final maturity of November 1, 2011, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	5.125%	\$ 600,000	\$ 62,781	\$ 662,781
2011	5.125%	<u>625,000</u>	<u>32,031</u>	<u>657,031</u>
Total		<u>\$ 1,225,000</u>	<u>\$ 94,812</u>	<u>\$ 1,319,812</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS

On September 13, 2005, the City of Warren City Council approved the sale of the \$21.675 million Water & Sewer System Revenue Refunding Bonds, Series 2005, to Piper Jaffray & Company. The bonds are dated September 1, 2005, and have various maturity dates up to November 1, 2026. Interest on bond coupons ranges from 3.50% to 4.75% annually.

The proceeds are earmarked for the defeasance of \$11,100,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 1999 {See Note 17} and \$8,800,000 in outstanding obligations from the Water and Sewer System Revenue Bonds, Series 2000 {See Note 18}.

Principal and interest requirements for the remaining debt from the Series 2005 Revenue Refunding Bonds from December 31, 2009 through final maturity of November 1, 2026, are as follows:

<u>Date</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.625%	\$ 130,000	\$ 875,831	\$ 1,005,831
2011	3.750%	135,000	871,119	1,006,119
2012	3.750%	865,000	866,056	1,731,056
2013	3.750%	885,000	833,619	1,718,619
2014	4.000%	930,000	800,431	1,730,431
2015	4.000%	975,000	763,231	1,738,231
2016	4.000%	1,870,000	724,231	2,594,231
2017	4.125%	2,005,000	649,431	2,654,431
2018	4.125%	2,040,000	566,725	2,606,725
2019	4.250%	2,075,000	482,575	2,557,575
2020	4.250%	2,110,000	394,388	2,504,388
2021	4.250%	2,170,000	304,712	2,474,712
2022	4.500%	1,030,000	212,488	1,242,488
2023	4.500%	1,025,000	166,138	1,191,138
2024	4.500%	1,015,000	120,012	1,135,012
2025	4.750%	1,010,000	74,338	1,084,338
2026	4.750%	<u>555,000</u>	<u>26,362</u>	<u>581,362</u>
		<u>\$ 20,825,000</u>	<u>\$ 8,731,687</u>	<u>\$ 29,556,687</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The following bond principal amounts were defeased per the 2005 Revenue Refunding Bond issue:

1999 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
11-01-2012	4.600%	\$ 50,000
11-01-2013	4.700%	50,000
11-01-2014	4.800%	50,000
11-01-2015	4.900%	50,000
11-01-2016	4.900%	900,000
11-01-2017	4.900%	1,000,000
11-01-2018	5.000%	1,000,000
11-01-2019	5.000%	1,000,000
11-01-2020	5.000%	1,000,000
11-01-2021	5.125%	1,000,000
11-01-2022	5.125%	1,000,000
11-01-2023	5.125%	1,000,000
11-01-2024	5.250%	1,000,000
11-01-2025	5.250%	1,000,000
11-01-2026	5.250%	<u>1,000,000</u>
Total 1999 Series Bonds Defeased		<u>\$ 11,100,000</u>

2000 Water & Sewer System Revenue Bonds

Due Date	Interest Rate	Amount
11-01-2012	5.125%	\$ 675,000
11-01-2013	5.125%	700,000
11-01-2014	5.125%	750,000
11-01-2015	5.250%	800,000
11-01-2016	5.250%	850,000
11-01-2017	5.250%	900,000
11-01-2018	5.250%	950,000
11-01-2019	5.250%	1,000,000
11-01-2020	5.250%	1,050,000
11-01-2021	5.250%	<u>1,125,000</u>
Total 2000 Series Bonds Defeased		<u>\$ 8,800,000</u>
Grand Total		<u>\$ 19,900,000</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

On September 1, 2005, the City entered into an Escrow Agreement appointing LaSalle Bank, N.A. as escrow agent for the purpose of redeeming, prior to maturity, a portion of the callable 1999 Revenue Bonds scheduled to mature in the years 2006 through 2026 and a portion of the callable 2000 Revenue Bonds scheduled to mature in the years 2005 through 2021.

On September 13, 2005, the City irrevocably transferred to LaSalle Bank, N.A. proceeds from the 2005 Revenue Refunding Bonds {net of issuance expenses} in the amount of \$20,996,864.11 and monies on hand in the amount of \$403,703.75 for a total of \$21,400,567.86. All but \$0.86 {to be held in the Escrow Fund as beginning balance} was invested in United States Government Obligation known as "SLGS" {State and Local Government Series} as follows:

Purchase Date	Amount	Rate	Maturity
09-13-2005	\$ 395,969	3.330%	11-01-2005
09-13-2005	82,068	3.830%	05-01-2006
09-13-2005	84,049	3.880%	11-01-2006
09-13-2005	85,679	3.940%	05-01-2007
09-13-2005	87,367	4.000%	11-01-2007
09-13-2005	89,115	4.020%	05-01-2008
09-13-2005	90,906	4.040%	11-01-2008
09-13-2005	92,742	4.040%	05-01-2009
09-13-2005	94,616	4.050%	11-01-2009
09-13-2005	96,531	4.060%	05-01-2010
09-13-2005	98,491	4.070%	11-01-2010
09-13-2005	100,495	4.080%	05-01-2011
09-13-2005	<u>20,002,539</u>	4.090%	11-01-2011
 Total	 <u>\$ 21,400,567</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

These investments and interest thereon are to be used to meet the following combined schedule of escrow payments:

Date	Interest	Principal	Total
11-01-2005	\$ 511,596.88		\$ 511,596.88
05-01-2006	511,596.88		511,596.88
11-01-2006	511,596.88		511,596.88
05-01-2007	511,596.88		511,596.88
11-01-2007	511,596.88		511,596.88
05-01-2008	511,596.88		511,596.88
11-01-2008	511,596.88		511,596.88
05-01-2009	511,596.88		511,596.88
01-01-2009	511,596.88		511,596.88
05-01-2010	511,596.88		511,596.88
11-01-2010	511,596.88		511,596.88
05-01-2011	511,596.88		511,596.88
01-01-2011	<u>511,596.88</u>	<u>\$ 19,900,000.00</u>	<u>20,411,596.88</u>
Total	<u>\$ 6,650,759.44</u>	<u>\$ 19,900,000.00</u>	<u>\$ 26,550,759.44</u>

The Escrow Fund Cash Flow is detailed as follows:

Date	Beginning Cash	Investment Principal	Investment Interest	Total	Debt Service Defeasance	Net Cash Flow	Ending Cash
09-13-2005	\$ 0.86	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 0.86
11-01-2005	0.86	395,969.00	115,628.17	511,597.17	511,596.88	\$ 0.29	\$ 1.15
05-01-2006	1.15	82,068.00	429,529.18	511,597.18	511,596.88	\$ 0.30	\$ 1.45
11-01-2006	1.45	84,049.00	427,548.53	511,597.53	511,596.88	\$ 0.65	\$ 2.10
05-01-2007	2.10	85,679.00	425,917.98	511,596.98	511,596.88	\$ 0.10	\$ 2.20
11-01-2007	2.20	87,367.00	424,230.11	511,597.11	511,596.88	\$ 0.23	\$ 2.43
05-01-2008	2.43	89,115.00	422,482.77	511,597.77	511,596.88	\$ 0.89	\$ 3.32
11-01-2008	3.32	90,906.00	420,691.56	511,597.56	511,596.88	\$ 0.68	\$ 4.00
05-01-2009	4.00	92,742.00	418,855.25	511,597.25	511,596.88	\$ 0.37	\$ 4.37
11-01-2009	4.37	94,616.00	416,981.87	511,597.87	511,596.88	\$ 0.99	\$ 5.36
05-01-2010	5.36	96,531.00	415,065.89	511,596.89	511,596.88	\$ 0.01	\$ 5.37
11-01-2010	5.37	98,491.00	413,106.31	511,597.31	511,596.88	\$ 0.43	\$ 5.80
05-01-2011	5.80	100,495.00	411,102.02	511,597.02	511,596.88	\$ 0.14	\$ 5.94
11-01-2011	5.94	<u>20,002,539.00</u>	<u>409,051.92</u>	<u>20,411,590.92</u>	<u>20,411,596.88</u>	\$ (5.96)	\$ (0.02)
		<u>\$ 21,400,567.00</u>	<u>\$ 5,150,191.56</u>	<u>\$ 26,550,758.56</u>	<u>\$ 26,550,759.44</u>		

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 19 - 2005 CITY OF WARREN WATER AND SEWER REVENUE REFUNDING BONDS {continued}

The Net Present Value Savings Analysis, prepared by Municipal Financial Consultants, Inc., indicates a Net Present Value Savings of \$518,901.17 to the Water & Sewer System as a result of the issuance of the 2005 Water and Sewer Revenue Refunding Bonds. The schedule is reproduced below:

Date	Combined Outstanding Debt Service	Combined Non-Refunded Debt Service	New Debt Service	Net Savings/(Loss)	Annual Net Savings/(Loss)	4.20452% Present Value Savings/(Loss)
11-01-2005	\$ 1,062,846.88	\$ 551,250.00	\$ 548,424.17	\$ (36,827.29)		\$ (36,433.55)
05-01-2006	601,596.88	90,000.00	442,518.75	69,078.13	\$ 32,250.84	66,932.48
11-01-2006	1,126,596.88	615,000.00	557,518.75	(45,921.87)		(43,579.34)
05-01-2007	588,721.88	77,125.00	440,707.50	70,889.38	24,967.51	65,888.08
11-01-2007	1,138,721.88	627,125.00	560,707.50	(49,110.62)		(44,706.00)
05-01-2008	575,196.88	63,600.00	438,757.50	72,839.38	23,728.76	64,941.34
11-01-2008	1,150,196.88	638,600.00	563,757.50	(52,160.62)		(45,547.28)
05-01-2009	561,021.88	49,425.00	436,726.25	74,870.63	22,710.01	64,031.81
11-01-2009	1,186,021.88	674,425.00	566,726.25	(55,129.37)		(46,177.67)
05-01-2010	545,212.50	33,615.63	434,451.25	77,145.62	22,016.25	63,288.52
11-01-2010	1,195,212.50	683,615.63	569,451.25	(57,854.38)		(46,485.18)
05-01-2011	528,737.50	17,140.63	432,088.75	79,508.12	21,653.74	62,568.31
11-01-2011	1,203,737.50	692,140.63	572,088.75	(60,491.88)		(46,623.47)
05-01-2012	511,596.88		429,428.75	82,168.13	21,676.25	62,026.26
11-01-2012	1,236,596.88		1,289,428.75	(52,831.87)		(39,060.06)
05-01-2013	493,150.00		413,088.75	80,061.25	27,229.38	57,972.75
11-01-2013	1,243,150.00		1,293,088.75	(49,938.75)		(35,416.35)
05-01-2014	474,037.50		395,928.75	78,108.75	28,170.00	54,253.85
11-01-2014	1,274,037.50		1,320,928.75	(46,891.25)		(31,899.75)
05-01-2015	453,618.75		377,891.25	75,727.50	28,836.25	50,456.11
11-01-2015	1,303,618.75		1,347,891.25	(44,272.50)		(28,890.75)
05-01-2016	431,393.75		358,491.25	72,902.50	28,630.00	46,594.20
11-01-2016	2,181,393.75		2,218,491.25	(37,097.50)		(23,221.95)
05-01-2017	387,031.25		321,291.25	65,740.00	28,642.50	40,304.03
11-01-2017	2,287,031.25		2,316,291.25	(29,260.00)		(17,569.43)
05-01-2018	338,906.25		279,895.00	59,011.25	29,751.25	34,704.27
11-01-2018	2,288,906.25		2,309,895.00	(20,988.75)		(12,089.25)
05-01-2019	288,968.75		237,772.50	51,196.25	30,207.50	28,881.22
11-01-2019	2,288,968.75		2,302,772.50	(13,803.75)		(7,626.74)
05-01-2020	237,718.75		194,407.50	43,311.25	29,507.50	23,437.29
11-01-2020	2,287,718.75		2,294,407.50	(6,688.75)		(3,545.00)
05-01-2021	185,156.25		149,782.50	35,373.75	28,685.00	18,361.88
11-01-2021	2,310,156.25		2,309,782.50	373.75		190.01
05-01-2022	130,000.00		103,342.50	26,657.50	27,031.25	13,273.48
11-01-2022	1,130,000.00		1,128,342.50	1,657.50		808.32
05-01-2023	104,375.00		81,305.00	23,070.00	24,727.50	11,019.00
11-01-2023	1,104,375.00		1,096,305.00	8,070.00		3,775.14
05-01-2024	78,750.00		58,975.00	19,775.00	27,845.00	9,060.25
11-01-2024	1,078,750.00		1,073,975.00	4,775.00		2,142.70
05-01-2025	52,500.00		36,645.00	15,855.00	20,630.00	6,968.18
11-01-2025	1,052,500.00		1,036,645.00	15,855.00		6,824.71
05-01-2026	26,250.00		14,145.00	12,105.00	27,960.00	5,103.26
11-01-2026	1,026,250.00		629,145.00	397,105.00	397,105.00	163,965.52
	<u>\$ 39,750,728.18</u>	<u>\$ 4,813,062.52</u>	<u>\$ 33,983,704.17</u>	<u>\$ 953,961.49</u>	<u>\$ 953,961.49</u>	<u>\$ 518,901.20</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 20 - 2002 CAPITAL EQUIPMENT INSTALLMENT PURCHASES

In 2002, the City of Warren issued Multi-Purpose bonds through the City of Warren Building Authority to finance various capital asset acquisitions. The Water & Sewer System share of the issue was \$266,280. Assets were capitalized as purchases were made.

Principal and interest payments were budgeted each year in the Water & Sewer System Capital Equipment Replacement Reserve. As of December 31, 2009, principal and interest requirements for the debt from this issue were paid in full.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 21 - CITY OF WARREN CAPITAL IMPROVEMENT BONDS, SERIES 2003

On April 8, 2003, the City of Warren City Council approved the sale of the \$3.585 million City of Warren Capital Improvement Bonds, Series 2003, to Fahnestock & Co., Inc. The bonds are dated July 1, 2003, and have various maturity dates up to June 1, 2023. Interest on bond coupons ranges from 2.25% to 5.25% annually. Of this bond issue, \$1,280,542.69 was earmarked for capital improvements at the Waste Water Treatment Plant.

Principal and interest requirements for the remaining debt from the Series 2003 Bonds from December 31, 2009 through final maturity of June 1, 2023, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	2.550%	\$ 55,000	\$ 34,128	\$ 89,128
2011	5.125%	55,000	32,670	87,670
2012	5.125%	60,000	31,059	91,059
2013	5.125%	60,000	29,304	89,304
2014	5.125%	65,000	27,388	92,388
2015	5.250%	65,000	25,300	90,300
2016	5.250%	70,000	23,003	93,003
2017	5.250%	70,000	20,518	90,518
2018	5.250%	75,000	17,870	92,870
2019	5.250%	75,000	15,058	90,058
2020	5.250%	80,000	12,073	92,073
2021	4.000%	85,000	8,813	93,813
2022	4.000%	85,000	5,413	90,413
2023	4.125%	<u>90,000</u>	<u>1,856</u>	<u>91,856</u>
Total		<u>\$ 990,000</u>	<u>\$ 284,453</u>	<u>\$ 1,274,453</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 22 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-01

On September 25, 2003, the City of Warren City Council approved the issuance of \$4,750,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5134-01, financed through the State of Michigan. Bond interest is set at 2.50% and the estimated final maturity date is October 1, 2024. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State.

The remaining principal and interest requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 210,000	\$ 94,375	\$ 304,375
2011	215,000	89,305	304,305
2012	220,000	83,750	303,750
2013	225,000	78,250	303,250
2014	230,000	72,625	302,625
2015	240,000	66,875	306,875
2016	245,000	60,875	305,875
2017	250,000	54,750	304,750
2018	255,000	48,500	303,500
2019	265,000	42,125	307,125
2020	270,000	35,500	305,500
2021	275,000	28,750	303,750
2022	285,000	21,875	306,875
2023	290,000	14,750	304,750
2024	<u>300,000</u>	<u>7,500</u>	<u>307,500</u>
Total	<u>\$ 3,775,000</u>	<u>\$ 799,805</u>	<u>\$ 4,574,805</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 23 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-02

On September 23, 2004, the City of Warren City Council approved the issuance of \$6,465,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5134-02, financed through the State of Michigan. Bond interest is set at 2.125% and the estimated final maturity date is April 1, 2026. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State.

The remaining principal and interest requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 280,000	\$ 117,300	\$ 397,300
2011	285,000	111,297	396,297
2012	290,000	105,187	395,187
2013	300,000	98,919	398,919
2014	305,000	92,491	397,491
2015	310,000	85,956	395,956
2016	315,000	79,316	394,316
2017	325,000	72,516	397,516
2018	330,000	65,556	395,556
2019	340,000	58,437	398,437
2020	345,000	51,159	396,159
2021	355,000	43,722	398,722
2022	360,000	36,125	396,125
2023	370,000	28,369	398,369
2024	375,000	20,453	395,453
2025	385,000	12,378	397,378
2026	<u>390,000</u>	<u>4,144</u>	<u>394,144</u>
Total	<u>\$ 5,660,000</u>	<u>\$ 1,083,325</u>	<u>\$ 6,743,325</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 24 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-03

On March 25, 2004, the City of Warren City Council approved the issuance of \$1,220,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRF Project # 5134-03, financed through the State of Michigan. Bond interest is set at 2.125% and the estimated final maturity date is October 1, 2024. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State. The difference between the approved funding and actual expenditures (\$72,909.00) will not be used.

The remaining principal and interest requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 55,000	\$ 18,851	\$ 73,851
2011	55,000	17,682	72,682
2012	55,000	16,513	71,513
2013	60,000	15,344	75,344
2014	60,000	14,070	74,070
2015	60,000	12,794	72,794
2016	65,000	11,520	76,520
2017	65,000	10,138	75,138
2018	65,000	8,757	73,757
2019	65,000	7,376	72,376
2020	70,000	5,994	75,994
2021	70,000	4,507	74,507
2022	70,000	3,019	73,019
2023	70,000	1,532	71,532
2024	<u>2,091</u>	<u>44</u>	<u>2,135</u>
Total	<u>\$ 887,091</u>	<u>\$ 148,141</u>	<u>\$ 1,035,232</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 25 - 2004 STATE OF MICHIGAN SRF FINANCING 5134-04

On March 31, 2005, the City of Warren City Council approved the issuance of \$8,200,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5134-04, financed through the State of Michigan. Bond interest is set at 1.625% and the estimated final maturity date is April 1, 2026. The proceeds are earmarked for capital improvements at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. All funds under this project have been disbursed by the State.

The remaining principal and interest requirements are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 370,000	\$ 112,938	\$ 482,938
2011	375,000	106,884	481,884
2012	380,000	100,750	480,750
2013	385,000	94,534	479,534
2014	390,000	88,237	478,237
2015	400,000	81,819	481,819
2016	405,000	75,278	480,278
2017	410,000	68,656	478,656
2018	420,000	61,913	481,913
2019	425,000	55,047	480,047
2020	430,000	48,100	478,100
2021	440,000	41,031	481,031
2022	445,000	33,841	478,841
2023	455,000	26,528	481,528
2024	460,000	19,094	479,094
2025	470,000	11,538	481,538
2026	<u>475,000</u>	<u>3,859</u>	<u>478,859</u>
Total	<u>\$ 7,135,000</u>	<u>\$ 1,030,047</u>	<u>\$ 8,165,047</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 26 - CITY OF WARREN CAPITAL IMPROVEMENT BONDS, SERIES 2006

On November 14, 2006, the City of Warren City Council approved the sale of the \$7.53 million City of Warren Capital Improvement Bonds, Series 2006, to Morgan Keegan & Co., Inc. The bonds are dated December 1, 2006, and have various maturity dates up to September 1, 2026. Interest on bond coupons ranges from 3.75% to 4.00% annually. Of this bond issue, \$2,120,696.49 was earmarked for various water main replacement projects.

The Water & Sewer interests in the bond issue is summarized as follows:

Bond settlement:	
Principal	\$2,120,696.49
Accrued interest	1,359.76
Bond discount	(22,307.90)
Issuance costs	<u>(27,082.25)</u>
Water & Sewer share of bond proceeds	<u>\$2,072,666.10</u>

Physical proceeds from the 2006 Capital Improvement Bonds are retained by the City's General Fund. In Fiscal 2009, funds in the amount of \$15.15 were paid on behalf of the Water & Sewer System to contractors involved in the various capital projects, leaving a balance of \$1,079,194.72 earmarked for future capital improvement payments. Principal and interest requirements for the remaining debt from the Series 2006 Bonds from December 31, 2009 through final maturity of September 1, 2026, are as follows:

<u>Year</u>	<u>Coupon Rate</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	3.750%	\$ 14,082	\$ 80,002	\$ 94,084
2011	3.750%	42,245	79,473	121,718
2012	3.750%	42,245	77,889	120,134
2013	3.750%	87,306	76,305	163,611
2014	3.750%	133,776	73,031	206,807
2015	3.750%	140,816	68,014	208,830
2016	3.750%	147,857	62,734	210,591
2017	3.750%	154,898	57,190	212,088
2018	3.750%	161,939	51,380	213,319
2019	3.800%	176,021	45,307	221,328
2020	3.850%	183,061	38,620	221,681
2021	3.900%	197,143	31,571	228,714
2022	4.000%	118,286	23,882	142,168
2023	4.000%	118,286	19,151	137,437
2024	4.000%	119,694	14,420	134,114
2025	4.000%	119,694	9,632	129,326
2026	4.000%	<u>121,102</u>	<u>4,844</u>	<u>125,946</u>
Total		<u>\$ 2,078,451</u>	<u>\$ 813,445</u>	<u>\$ 2,891,896</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 27 - 2009 STATE OF MICHIGAN SRF FINANCING 5404-01

On November 24, 2009, the City of Warren City Council approved the issuance of \$3,090,000 in Act 34 Sewage Disposal Capital Improvement Bonds for CWRP Project # 5401-01, financed through the State of Michigan. Bond interest is set at 2.50% and the estimated final maturity date is October 1, 2030. The proceeds are earmarked for an ultraviolet-light disinfection system at the Waste Water Treatment Plant.

These bonds differ from traditional financing instruments in that the City does not receive the proceeds of a bond sale on closing but rather requests reimbursements from the State of Michigan for progress payments made on construction activity. The actual debt service will be adjusted in accordance with reimbursement history.

For purposes of financial statement presentation, the receivable from the State and corresponding long-term debt service is limited to reimbursable expenses incurred prior to the end of the current fiscal year. At December 31, 2009, \$421,987 in project related expenditures had been committed. This represents 13.7% of the total authorized costs of \$3,090,000.

The schedule on the following page represents the anticipated total debt service cost for this financing instrument when all funds under this project have been disbursed.

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

NOTE 27 - 2009 STATE OF MICHIGAN SRF FINANCING 5404-01 {continued}

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ -	\$ 19,300	\$ 19,300
2011	120,000	67,600	187,600
2012	125,000	74,200	199,200
2013	125,000	71,200	196,200
2014	130,000	68,000	198,000
2015	135,000	64,800	199,800
2016	135,000	61,400	196,400
2017	140,000	58,000	198,000
2018	145,000	54,600	199,600
2019	145,000	50,800	195,800
2020	150,000	47,200	197,200
2021	155,000	43,600	198,600
2022	160,000	39,600	199,600
2023	165,000	35,600	200,600
2024	165,000	31,600	196,600
2025	170,000	27,400	197,400
2026	175,000	23,200	198,200
2027	180,000	18,800	198,800
2028	185,000	14,200	199,200
2029	190,000	9,600	199,600
2030	<u>195,000</u>	<u>4,800</u>	<u>199,800</u>
Total	<u>\$ 3,090,000</u>	<u>\$ 885,500</u>	<u>\$ 3,975,500</u>

**SUPPLEMENTARY
INFORMATION**

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMBINED STATEMENT OF REVENUES, EXPENSES
& CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

	TOTAL	OPERATION & MAINTENANCE	SELF- INSURANCE RESERVE
OPERATING REVENUES:			
Water & sewer charges	\$ 29,606,969	\$ 29,606,969	
Other operating revenue	2,455,926	2,455,926	-
NON-OPERATING REVENUES:			
Interest on investments	16,076	9,066	-
Other income	5,428	1,283	-
TRANSFERS FROM:			
Operation & Maintenance - budget transfers	3,000,000	-	-
Operation & Maintenance - use of bond proceeds	421,987	-	-
Operation & Maintenance - long-term debt	-	-	-
Reserves	2,686,899	2,686,686	-
TOTAL FINANCIAL RESOURCES	38,193,285	34,759,930	-
OPERATING EXPENSES:			
Water purchases	7,198,830	7,198,830	-
Water & sewer maintenance	6,559,534	6,559,534	-
Shared services	4,829,751	4,829,751	-
Waste water treatment plant	8,938,894	8,938,894	-
Uncollectible debt	30,781	30,781	-
NON-OPERATING EXPENSES:			
Construction contracts & related project costs	2,941,289	421,987	-
Other non-operating expenses	1,937,373	155,327	-
TRANSFERS TO:			
Operation & Maintenance	2,686,686	-	-
Reserves	3,000,212	3,000,000	-
TOTAL EXPENSES	38,123,350	31,135,104	-
NET FISCAL YEAR INCREASE (DECREASE)	69,935	3,624,826	-
OTHER ADJUSTMENTS:			
Fixed assets capitalized	2,519,301	2,519,301	-
Depreciation	(4,222,106)	(4,222,106)	-
Transfer to/from other funds - debt service liability	0	(42,605)	-
Net Assets - January 1, 2009	71,329,200	59,549,809	500,000
Net Assets - December 31, 2009	\$ 69,696,330	\$ 61,429,225	\$ 500,000

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

COMBINED STATEMENT OF REVENUES, EXPENSES
& CHANGES IN NET ASSETS
YEAR ENDED DECEMBER 31, 2009

WASTE WATER IMPROVEMENT RESERVE	INFRASTRUCTURE REPLACEMENT RESERVE	METER REPLACEMENT RESERVE	EQUIPMENT REPLACEMENT RESERVE	BUILDING CONSTRUCTION RESERVE	DEBT SERVICE RESERVE
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,605	2,360	182	598	30	2,235
-	-	-	-	-	4,145
-	-	-	-	-	3,000,000
421,987	-	-	-	-	-
-	-	-	-	-	-
-	-	-	213	-	-
423,592	2,360	182	811	30	3,006,380
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
459,678	1,711,226	-	348,398	-	-
-	-	-	106	-	1,781,940
-	-	-	-	-	2,686,686
-	-	182	-	30	-
459,678	1,711,226	182	348,504	30	4,468,626
(36,086)	(1,708,866)	-	(347,693)	-	(1,462,246)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	42,605	-	-
150,069	3,960,973	-	517,618	-	6,650,731
\$ 113,983	\$ 2,252,107	\$ -	\$ 212,530	\$ -	\$ 5,188,485

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
REVENUES & OTHER FINANCING SOURCES
YEAR ENDED DECEMBER 31, 2009

	ORIGINAL BUDGET	AMENDED BUDGET	REVENUES	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATING REVENUES:				
Industrial Water Sales	\$ 6,125,700	\$ 6,125,700	\$ 4,931,125	\$ (1,194,575)
Domestic Water Sales	9,188,700	9,188,700	9,150,715	(37,985)
Unmetered Water Sales	12,000	12,000	9,345	(2,655)
Water Service Charge	1,041,650	1,041,650	1,069,709	28,059
Public Fire Protection	90,000	90,000	90,000	-
Penalties	300,000	300,000	846,116	546,116
Miscellaneous	15,000	15,000	31,213	16,213
Garage Rental	19,500	19,500	19,309	(191)
Meter Repairs	40,000	40,000	11,750	(28,250)
Outside Service	10,000	10,000	59,375	49,375
Meter Sales	35,000	35,000	74,740	39,740
Centerline Transmission	17,000	17,000	10,452	(6,548)
Cross Connection Charges	320,000	320,000	278,713	(41,287)
Total Water Division Revenue	17,214,550	17,214,550	16,582,562	(631,988)
Sewer Treatment Charge	13,182,300	13,182,300	11,822,526	(1,359,774)
Sewer Service Charge	2,608,440	2,608,440	2,632,894	24,454
Sewer Treatment Other Income	160,000	160,000	316,315	156,315
Pretreatment Surcharges	940,200	940,200	708,598	(231,602)
Total Waste Water Treatment Revenue	16,890,940	16,890,940	15,480,333	(1,410,607)
Total Operating Revenues	34,105,490	34,105,490	32,062,895	(2,042,595)
NON-OPERATING REVENUES:				
Interest on Investments	150,000	150,000	9,066	(140,934)
Gain on Sale of Fixed Assets	10,000	10,000	1,283	(8,717)
Total Non-Operating Revenues	160,000	160,000	10,349	(149,651)
TOTAL REVENUES	\$ 34,265,490	\$ 34,265,490	\$ 32,073,244	\$ (2,192,246)

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2009

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
OPERATION & MAINTENANCE FUND SUMMARY BY CATEGORY & FUNCTION				
Personnel Services:				
Water & sewer maintenance	\$ 2,393,552	\$ 2,393,552	\$ 2,482,817	\$ (89,265)
Shared services	1,082,362	1,082,362	1,063,543	18,819
Waste water treatment	3,216,110	3,216,110	2,814,414	401,696
<i>Total personnel services</i>	<u>6,692,024</u>	<u>6,692,024</u>	<u>6,360,774</u>	<u>331,250</u>
Employee benefits:				
Water & sewer maintenance	2,683,635	2,683,635	2,600,769	82,866
Shared services	1,035,191	1,035,191	997,433	37,758
Waste water treatment	3,641,617	3,641,617	2,882,334	759,283
<i>Total employee benefits</i>	<u>7,360,443</u>	<u>7,360,443</u>	<u>6,480,536</u>	<u>879,907</u>
Supplies & materials:				
Water & sewer maintenance	465,000	465,000	379,469	85,531
Shared services	12,000	12,000	8,122	3,878
Waste water treatment	475,000	475,000	428,961	46,039
<i>Total supplies & materials</i>	<u>952,000</u>	<u>952,000</u>	<u>816,552</u>	<u>135,448</u>
Other services & charges				
Water purchases	8,025,000	8,025,000	7,198,830	826,170
Uncollectible debt	-	-	30,781	(30,781)
Water & sewer maintenance	1,359,000	1,359,000	1,096,479	262,521
Shared services	2,855,000	2,855,000	2,760,653	94,347
Waste water treatment	3,022,000	3,022,000	2,813,185	208,815
<i>Total other services & charges</i>	<u>15,261,000</u>	<u>15,261,000</u>	<u>13,899,928</u>	<u>1,361,072</u>
GRAND TOTAL	<u><u>\$ 30,265,467</u></u>	<u><u>\$ 30,265,467</u></u>	<u><u>\$ 27,557,790</u></u>	<u><u>\$ 2,707,677</u></u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2009

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WATER & SEWER MAINTENANCE				
Personnel Services:				
Permanent employees	\$ 2,083,552	\$ 2,083,552	\$ 2,016,751	\$ 66,801
Temporary employees	60,000	60,000	56,378	3,622
Overtime	250,000	250,000	409,688	(159,688)
<i>Total Personnel Services</i>	<u>2,393,552</u>	<u>2,393,552</u>	<u>2,482,817</u>	<u>(89,265)</u>
Employee Benefits:				
Education & training	8,950	8,950	13,626	(4,676)
Auto Allowance	6,600	6,600	3,292	3,308
Social security	192,822	192,822	194,963	(2,141)
Employee insurances	600,694	600,694	432,301	168,393
Employees' VEBA trust	758,995	758,995	783,957	(24,962)
Health savings expense	1,624	1,624	1,683	(59)
Supplemental life insurance	972	972	1,044	(72)
Longevity	82,080	82,080	83,124	(1,044)
Retirement fund	959,767	959,767	1,025,910	(66,143)
Defined contribution expense	50,505	50,505	43,251	7,254
Cost of living	8,431	8,431	4,360	4,071
Uniforms	6,460	6,460	7,856	(1,396)
My lawyer expense	5,735	5,735	5,402	333
<i>Total Employee Benefits</i>	<u>2,683,635</u>	<u>2,683,635</u>	<u>2,600,769</u>	<u>82,866</u>
<i>Total Personnel & Benefits</i>	<u>5,077,187</u>	<u>5,077,187</u>	<u>5,083,586</u>	<u>(6,399)</u>
Supplies & materials:				
Operating supplies	320,000	320,000	314,970	5,030
Materials	95,000	95,000	28,153	66,847
Meter replacement	50,000	50,000	36,346	13,654
<i>Total Supplies & Materials</i>	<u>465,000</u>	<u>465,000</u>	<u>379,469</u>	<u>85,531</u>
Other Services & Charges:				
Professional services	130,000	130,000	55,140	74,860
Dirt removal	150,000	150,000	127,343	22,657
Pavement & lawn repairs	750,000	750,000	643,567	106,433
Telephone	9,000	9,000	9,145	(145)
Auto expense	190,000	190,000	139,028	50,972
Utilities	110,000	110,000	91,237	18,763
Building improvements	20,000	20,000	31,019	(11,019)
<i>Total Other Services & Charges</i>	<u>1,359,000</u>	<u>1,359,000</u>	<u>1,096,479</u>	<u>262,521</u>
GRAND TOTAL	<u>\$ 6,901,187</u>	<u>\$ 6,901,187</u>	<u>\$ 6,559,534</u>	<u>\$ 341,653</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2009

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
SHARED SERVICES				
Personnel Services:				
Permanent employees	\$ 912,362	\$ 912,362	\$ 872,188	\$ 40,174
Temporary employees	35,000	35,000	24,179	10,821
Overtime	135,000	135,000	167,176	(32,176)
<i>Total Personnel Services</i>	<u>1,082,362</u>	<u>1,082,362</u>	<u>1,063,543</u>	<u>18,819</u>
Employee Benefits:				
Education & training	9,600	9,600	6,162	3,438
Auto allowance	3,000	3,000	3,000	-
Social security	85,824	85,824	84,763	1,061
Employee insurances	209,914	209,914	219,818	(9,904)
Employees' VEBA trust	328,541	328,541	316,629	11,912
Health savings expense	917	917	1,421	(504)
Supplemental life insurance	1,087	1,087	960	127
Longevity	37,218	37,218	37,185	33
Retirement fund	283,613	283,613	241,940	41,673
Defined contribution expense	69,723	69,723	81,117	(11,394)
Cost of living	3,239	3,239	1,967	1,272
Uniforms	190	190	231	(41)
My lawyer expense	2,325	2,325	2,240	85
<i>Total Employee Benefits</i>	<u>1,035,191</u>	<u>1,035,191</u>	<u>997,433</u>	<u>37,758</u>
<i>Total Personnel & Benefits</i>	<u>2,117,553</u>	<u>2,117,553</u>	<u>2,060,976</u>	<u>56,577</u>
Supplies & Materials:				
Operating supplies	12,000	12,000	8,122	3,878
<i>Total Supplies & Materials</i>	<u>12,000</u>	<u>12,000</u>	<u>8,122</u>	<u>3,878</u>
Other Services & Charges:				
Professional services	550,000	550,000	450,327	99,673
Auditing	16,000	16,000	15,500	500
Postage	200,000	200,000	203,654	(3,654)
Unemployment benefits	1,000	1,000	2,688	(1,688)
Auto expense	3,000	3,000	449	2,551
General insurance	400,000	400,000	400,000	-
Utilities	1,000	1,000	599	401
Administrative expense	1,658,000	1,658,000	1,666,150	(8,150)
MSDWA annual fee	25,000	25,000	21,286	3,714
Debt issuance costs	1,000	1,000	-	1,000
<i>Total Other Services & Charges</i>	<u>2,855,000</u>	<u>2,855,000</u>	<u>2,760,653</u>	<u>94,347</u>
GRAND TOTAL	<u>\$ 4,984,553</u>	<u>\$ 4,984,553</u>	<u>\$ 4,829,751</u>	<u>\$ 154,802</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

BUDGETARY COMPARISON SCHEDULE
EXPENDITURES & OTHER FINANCING USES
OPERATION & MAINTENANCE FUND
YEAR ENDED DECEMBER 31, 2009

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
WASTE WATER TREATMENT PLANT				
Personnel Services:				
Permanent employees	\$ 2,916,110	\$ 2,916,110	\$ 2,591,601	\$ 324,509
Temporary employees	50,000	50,000	17,861	32,139
Overtime	250,000	250,000	204,952	45,048
<i>Total Personnel Services</i>	<u>3,216,110</u>	<u>3,216,110</u>	<u>2,814,414</u>	<u>401,696</u>
Employee Benefits:				
Education & training	75,000	75,000	47,763	27,237
Certification bonuses	45,000	45,000	34,664	10,336
Social security	268,179	268,179	219,776	48,403
Holiday pay	73,883	73,883	57,311	16,572
Employee insurances	720,137	720,137	579,309	140,828
Employees' VEBA trust	1,108,798	1,108,798	928,532	180,266
Health savings expense	1,011	1,011	2,369	(1,358)
Supplemental life insurance	2,276	2,276	2,252	24
Longevity	104,601	104,601	111,176	(6,575)
Retirement fund	1,050,231	1,050,231	676,082	374,149
Defined contribution expense	169,861	169,861	207,267	(37,406)
Cost of living	9,740	9,740	4,663	5,077
Uniforms	6,080	6,080	4,911	1,169
My lawyer expense	6,820	6,820	6,259	561
<i>Total Employee Benefits</i>	<u>3,641,617</u>	<u>3,641,617</u>	<u>2,882,334</u>	<u>759,283</u>
<i>Total Personnel & Benefits</i>	<u>6,857,727</u>	<u>6,857,727</u>	<u>5,696,748</u>	<u>1,160,979</u>
Supplies & Materials:				
Operating supplies	75,000	75,000	86,393	(11,393)
Chemicals	400,000	400,000	342,568	57,432
<i>Total Supplies & Materials</i>	<u>475,000</u>	<u>475,000</u>	<u>428,961</u>	<u>46,039</u>
Other Services & Charges:				
Professional services	150,000	150,000	89,524	60,476
Building lease	54,000	54,000	54,000	-
Odor control	45,000	45,000	11,809	33,191
Ash removal	85,000	85,000	64,766	20,234
Telephone & radio	13,000	13,000	13,939	(939)
Auto expense	15,000	15,000	14,558	442
Utilities	1,000,000	1,000,000	746,436	253,564
Electric power	1,100,000	1,100,000	1,184,693	(84,693)
Repairs & maintenance	525,000	525,000	598,113	(73,113)
Management agency fees	35,000	35,000	35,347	(347)
<i>Total Other Services & Charges</i>	<u>3,022,000</u>	<u>3,022,000</u>	<u>2,813,185</u>	<u>208,815</u>
GRAND TOTAL	<u>\$ 10,354,727</u>	<u>\$ 10,354,727</u>	<u>\$ 8,938,894</u>	<u>\$ 1,415,833</u>

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF RESTRICTED RESERVES
YEAR ENDED DECEMBER 31, 2009

	TOTAL	SELF INSURANCE RESERVE
SOURCES OF FINANCIAL RESOURCES		
Interest on investments	\$ 7,010	\$ -
Other income	4,145	-
Transfer from operating cash - budget transfers	3,000,000	-
Transfer from operating cash - use of bond proceeds	421,987	-
Transfer from reserves	213	-
TOTAL SOURCES OF FINANCIAL RESOURCES	3,433,355	-
USES OF FINANCIAL RESOURCES:		
Construction contracts & related project costs	2,519,302	-
Other non-operating expenses	1,782,046	-
Transfer to operating cash	2,686,898	-
TOTAL USES OF FINANCIAL RESOURCES	6,988,246	-
NET FISCAL YEAR INCREASE (DECREASE)	(3,554,891)	-
OTHER ADJUSTMENTS:		
Transfer to/from other funds - debt service liability	42,605	-
Net Assets - January 1, 2009	11,779,391	500,000
Net Assets - December 31, 2009	\$ 8,267,105	\$ 500,000

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF RESTRICTED RESERVES
YEAR ENDED DECEMBER 31, 2009

	DEBT SERVICE RESERVE		CONSTRUCTION PROGRAM RESERVES
\$	2,235	\$	4,775
	4,145		-
	3,000,000		-
	-		421,987
	-		213
	<hr/> 3,006,380		<hr/> 426,975
	-		2,519,302
	1,781,940		106
	2,686,686		212
	<hr/> 4,468,626		<hr/> 2,519,620
	(1,462,246)		(2,092,645)
	-		42,605
	6,650,731		4,628,660
	<hr/> \$ 5,188,485		<hr/> \$ 2,578,620

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF CONSTRUCTION PROGRAM RESERVES
YEAR ENDED DECEMBER 31, 2009

	TOTAL	WASTE WATER IMPROVEMENT RESERVE
SOURCES OF FINANCIAL RESOURCES		
Interest on investments	\$ 4,775	\$ 1,605
Transfer from operating cash - budget transfers	-	-
Transfer from operating cash - use of bond proceeds	421,987	421,987
Transfer from reserves	213	-
TOTAL SOURCES OF FINANCIAL RESOURCES	426,975	423,592
 USES OF FINANCIAL RESOURCES:		
Construction contracts & related project costs	2,519,302	459,678
Other non-operating expenses	106	-
Transfer to reserves	212	-
TOTAL USES OF FINANCIAL RESOURCES	2,519,620	459,678
 NET FISCAL YEAR INCREASE (DECREASE)	 (2,092,645)	 (36,086)
OTHER ADJUSTMENTS:		
Transfer to/from other funds - debt service liability	42,605	-
Net Assets - January 1, 2009	4,628,660	150,069
 Net Assets - December 31, 2009	 \$ 2,578,620	 \$ 113,983

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

STATEMENT OF CONSTRUCTION PROGRAM RESERVES
YEAR ENDED DECEMBER 31, 2009

INFRASTRUCTURE REPLACEMENT RESERVE	METER REPLACEMENT RESERVE	CAPITAL EQUIPMENT REPLACEMENT RESERVE	BUILDING CONSTRUCTION RESERVE
\$ 2,360	\$ 182	\$ 598	\$ 30
-	-	-	-
-	-	-	-
-	-	213	-
<hr/>			
2,360	182	811	30
<hr/>			
1,711,226	-	348,398	-
-	-	106	-
-	182	-	30
<hr/>			
1,711,226	182	348,504	30
<hr/>			
(1,708,866)	-	(347,693)	-
-	-	42,605	-
3,960,973	-	517,618	-
<hr/>			
\$ 2,252,107	\$ -	\$ 212,530	\$ -
<hr/> <hr/>			

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

INVESTMENTS IN OPERATING & RESTRICTED FUNDS
AS OF DECEMBER 31, 2009

				COST	MATURITY VALUE	MARKET VALUE	INTEREST ACCRUED @ 12/31/2009
Operating Fund:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		4,254,605	4,254,605	4,254,605	-
<i>National City:</i>							
Certificates of Deposit:							
	Purchase	Maturity	Rate				
	09-03-2009	03-11-2010	0.27%	100,000	100,000	100,000	89
Municipal Pooled Funds		Variable		62,000	62,000	62,000	-
Total Operating Fund				\$ 4,416,605	\$ 4,416,605	\$ 4,416,605	\$ 89
Waste Water Treatment Improvement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		296,794	296,794	296,794	-
Total Waste Water Treatment Improvement Reserve				\$ 296,794	\$ 296,794	\$ 296,794	\$ -
Infrastructure Replacement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		1,709,843	1,709,843	1,709,843	-
Total Infrastructure Replacement Reserve				\$ 1,709,843	\$ 1,709,843	\$ 1,709,843	\$ -
Equipment Replacement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		232,387	232,387	232,387	-
Total Equipment Replacement Reserve				\$ 232,387	\$ 232,387	\$ 232,387	\$ -
Debt Retirement Reserve:							
<i>Comerica:</i>							
Municipal Pooled Funds		Variable		775,173	775,173	775,173	-
Total Debt Retirement Reserve				\$ 775,173	\$ 775,173	\$ 775,173	\$ -
GRAND TOTAL - ALL FUNDS				\$ 7,430,802	\$ 7,430,802	\$ 7,430,802	\$ 89

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
SCHEDULE OF FIXED ASSETS & DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2009

ASSETS				
<u>Asset</u>	<u>Beginning</u> <u>Balance</u>	<u>2009</u> <u>Additions</u>	<u>2009</u> <u>Deletions</u>	<u>Ending</u> <u>Balance</u>
Land	\$ 605,219	\$ -	\$ -	\$ 605,219
Buildings & Improvements				
Aeration Tanks	1,276,300	-	-	1,276,300
Ash Lagoon	113,490	-	-	113,490
Blower Building	1,239,400	-	-	1,239,400
Chlorine Building	28,530	-	-	28,530
Incinerator Building	1,406,990	-	-	1,406,990
Nine Mile Pumping Station	171,578	-	-	171,578
Retention Basin	6,099,488	-	-	6,099,488
WWTP Service Building	654,150	-	-	654,150
Water Division Headquarters	6,544,277	-	-	6,544,277
Settling Tank	511,300	-	-	511,300
Sludge Handling Building	261,100	-	-	261,100
Switchgear Building	145,200	-	-	145,200
Tertiary Filter Building	3,498,708	-	-	3,498,708
Waste Water Storage Facilities	2,397,933	-	-	2,397,933
Waste Water Treatment Plant	38,785,406	608,546	-	39,393,952
Total Buildings & Improvements	63,133,850	608,546	-	63,742,396
Utility Systems				
Water Mains	50,162,119	1,372,931	44,058	51,490,992
Water Service Connections	8,204,969	-	-	8,204,969
Sewer Lines	49,938,966	338,295	15,908	50,261,353
Water Meters	4,461,698	-	-	4,461,698
Outside Reading Devices	1,715,519	-	-	1,715,519
Total Utility Systems	114,483,271	1,711,226	59,966	116,134,531
Machinery & Equipment				
Pumping Equipment	1,709,634	-	-	1,709,634
Tools & Working Equipment	3,749,569	68,927	1,283	3,817,213
Automobiles & Trucks	5,478,903	107,512	-	5,586,415
Office Furniture & Equipment	1,596,076	23,090	-	1,619,166
Total Machinery & Equipment	12,534,182	199,529	1,283	12,732,428
GRAND TOTAL	\$ 190,756,522	\$ 2,519,301	\$ 61,249	\$ 193,214,574

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
SCHEDULE OF FIXED ASSETS & DEPRECIATION
FOR THE YEAR ENDED DECEMBER 31, 2009

ALLOWANCE FOR DEPRECIATION				
Beginning	2009	2009	Ending	Book
<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>	<u>Value</u>
\$ -	\$ -	\$ -	\$ -	\$ 605,219
721,118	31,908	-	753,026	523,274
64,106	2,837	-	66,943	46,547
664,843	30,985	-	695,828	543,572
16,539	713	-	17,252	11,278
815,605	35,175	-	850,780	556,210
99,510	4,289	-	103,799	67,779
3,751,184	152,487	-	3,903,671	2,195,817
379,418	16,354	-	395,772	258,378
2,770,725	163,607	-	2,934,332	3,609,945
288,893	12,783	-	301,676	209,624
151,447	6,528	-	157,975	103,125
84,216	3,630	-	87,846	57,354
2,029,143	87,468	-	2,116,611	1,382,097
1,589,459	59,948	-	1,649,407	748,526
7,474,980	969,635	-	8,444,615	30,949,337
20,901,186	1,578,347	-	22,479,533	41,262,863
18,645,710	1,046,419	44,058	19,648,071	31,842,921
6,452,486	164,099	-	6,616,585	1,588,384
22,424,977	1,014,369	15,908	23,423,438	26,837,915
3,933,668	135,851	-	4,069,519	392,179
1,715,519	-	-	1,715,519	-
53,172,360	2,360,738	59,966	55,473,132	60,661,399
1,656,987	2,194	-	1,659,181	50,453
3,655,404	94,165	1,283	3,748,286	68,927
5,285,500	109,099	-	5,394,599	191,816
914,122	77,563	-	991,685	627,481
11,512,013	283,021	1,283	11,793,751	938,677
\$ 85,585,559	\$ 4,222,106	\$ 61,249	\$ 89,746,416	\$ 103,468,158

CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

CAPITAL ASSETS
DECEMBER 31, 2009

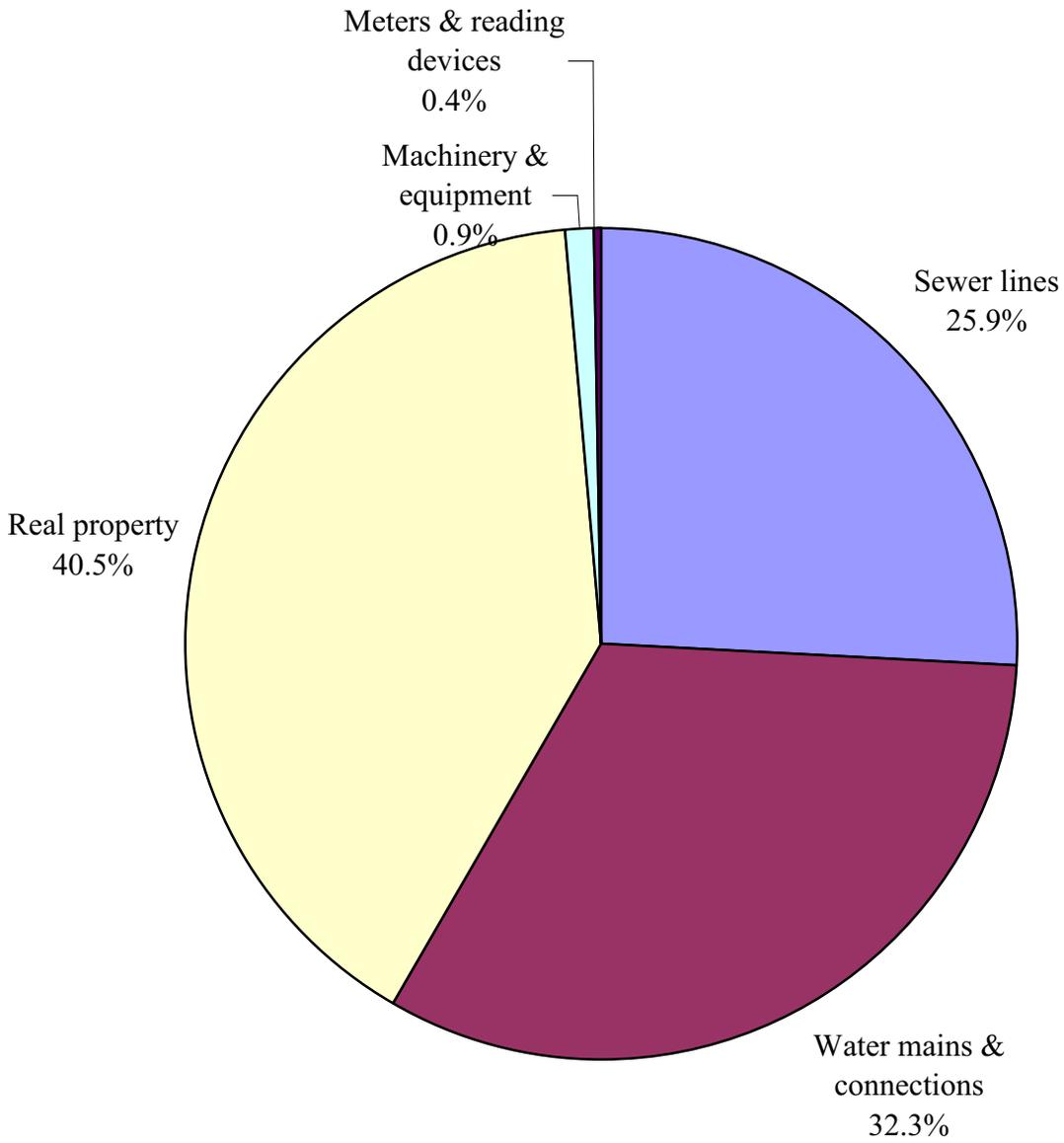
This chart depicts capital assets acquired since the inception of the City of Warren's
Water & Sewer System.

Amounts indicated in the chart reflect net asset values after the provision for depreciation
as summarized below.

	Cost	Accumulated Depreciation	Book Value
Sewer lines	\$ 50,261,353	\$ 23,423,438	\$ 26,837,915
Water mains & connections	59,695,961	26,264,656	33,431,305
Real property	64,347,615	22,479,533	41,868,082
Machinery & equipment	12,732,428	11,793,751	938,677
Meters & reading devices	6,177,217	5,785,038	392,179
<hr/>			
Total	\$ 193,214,574	\$ 89,746,416	\$ 103,468,158
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CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

CAPITAL ASSETS
DECEMBER 31, 2009



NET FIXED ASSETS \$103,468,158

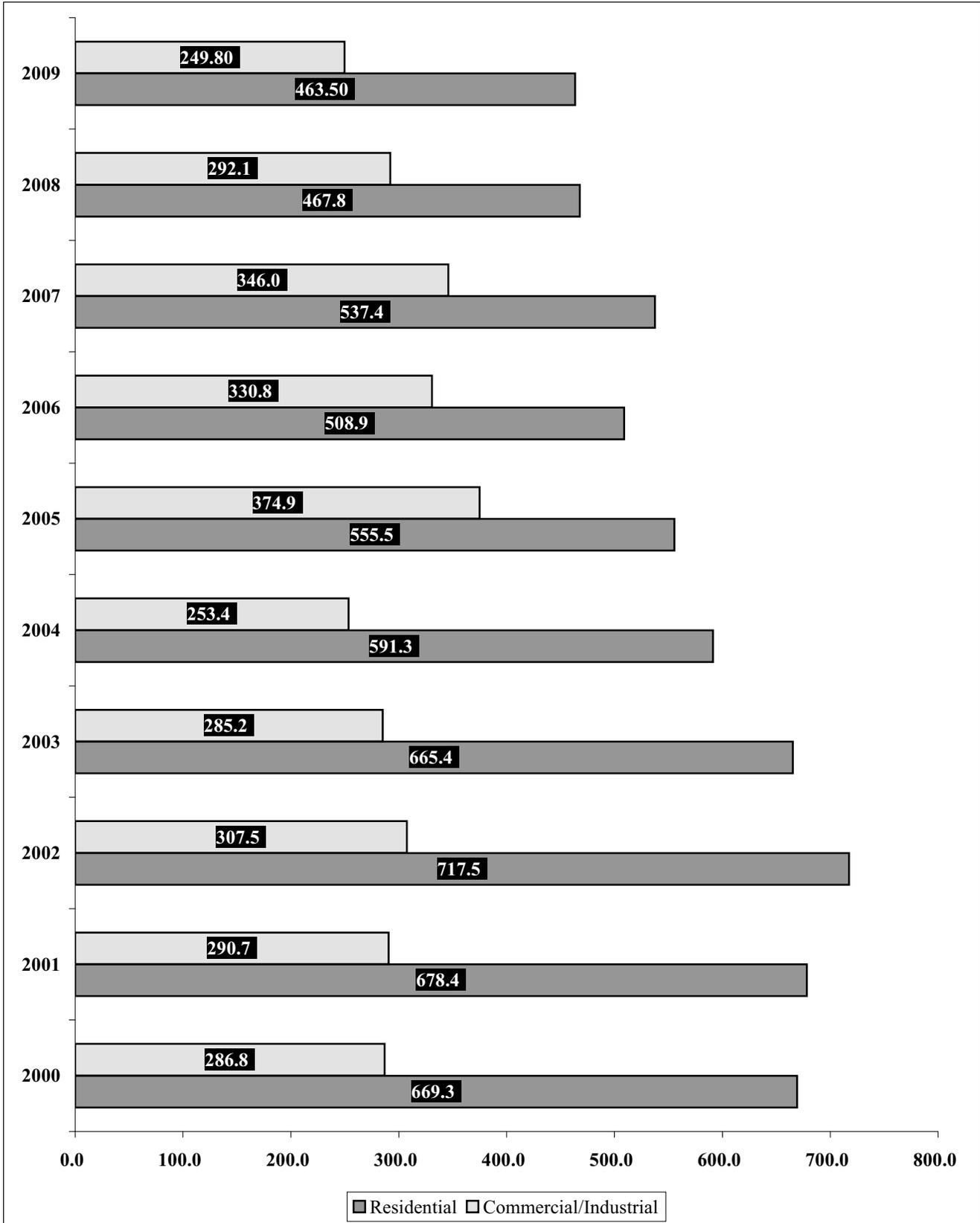
CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM

OPERATING STATISTICS
FOR THE YEAR ENDING DECEMBER 31, 2009

	Residential & Small Commercial Industrial <u>Accounts</u>	Large Commercial Industrial <u>Accounts</u>	<u>Total</u>
Population Served (2000 Census)			138,247
Number of Meters in Service	49,574	652	50,226
Cubic Feet Purchased (in thousands)			794,607.5
Cubic Feet Sold (in thousands)	463,564.2	249,804.8	713,369.0
Water Gain {Loss} (percentage)*			{10.22%}
Revenue from Water Sales	\$ 9,150,715	\$ 4,931,125	\$ 14,081,840

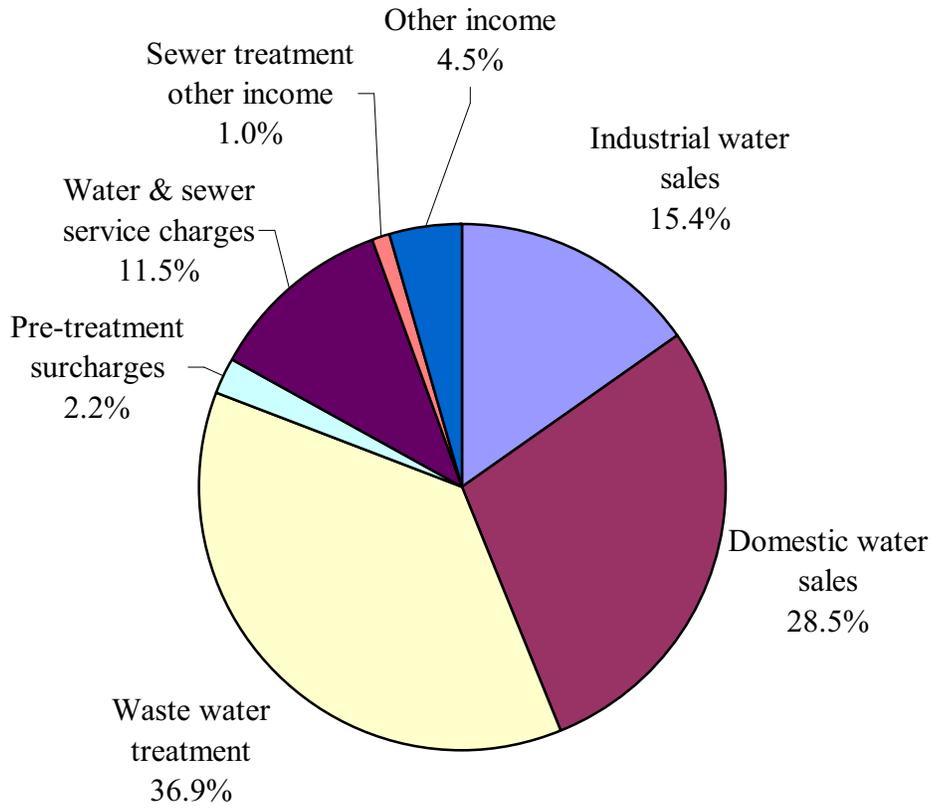
*Water gain or loss represents the difference between cubic feet purchased from the City of Detroit and cubic feet sold to residential, commercial and industrial customers. Factors affecting water loss include seepage from breaks {both detected and undetected}, unmetered usage for fire protection and preventative maintenance within the system and the relative accuracy of City of Detroit meters registering purchases and City of Warren meters registering sales.

CITY OF WARREN, MICHIGAN
 WATER & SEWER SYSTEM
 WATER SALES
 FISCAL 2000 THROUGH FISCAL 2009
 {WATER SALES IN MILLION CUBIC FEET}



CITY OF WARREN, MICHIGAN
WATER & SEWER SYSTEM
OPERATION & MAINTENANCE FUND
SOURCE OF REVENUES

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009



TOTAL REVENUES

\$32,073,244

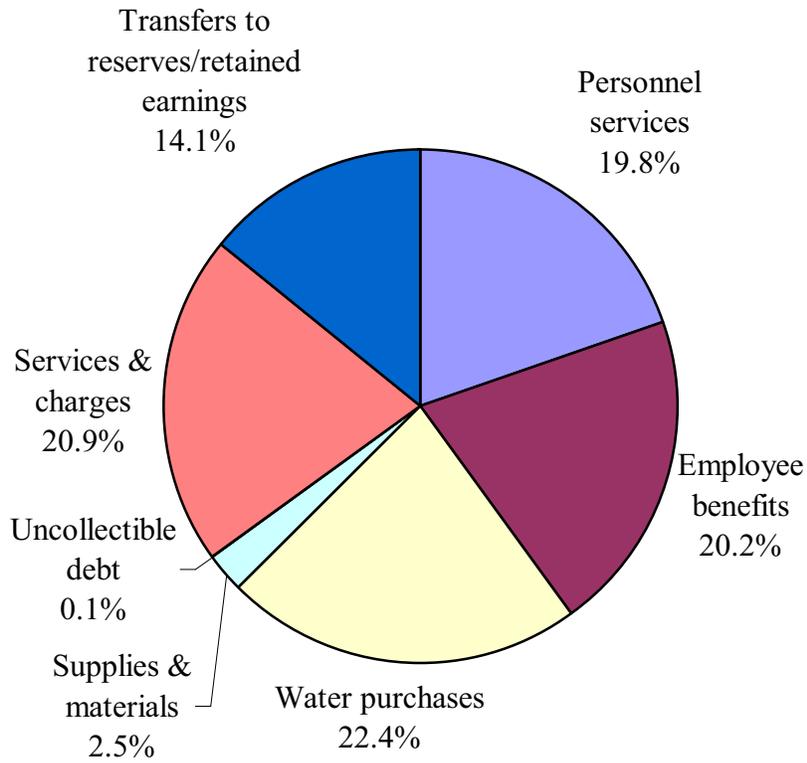
CITY OF WARREN, MICHIGAN

WATER & SEWER SYSTEM

OPERATION & MAINTENANCE FUND

MAJOR COMPONENTS DISTRIBUTION

FOR THE FISCAL YEAR ENDED DECEMBER 31, 2009



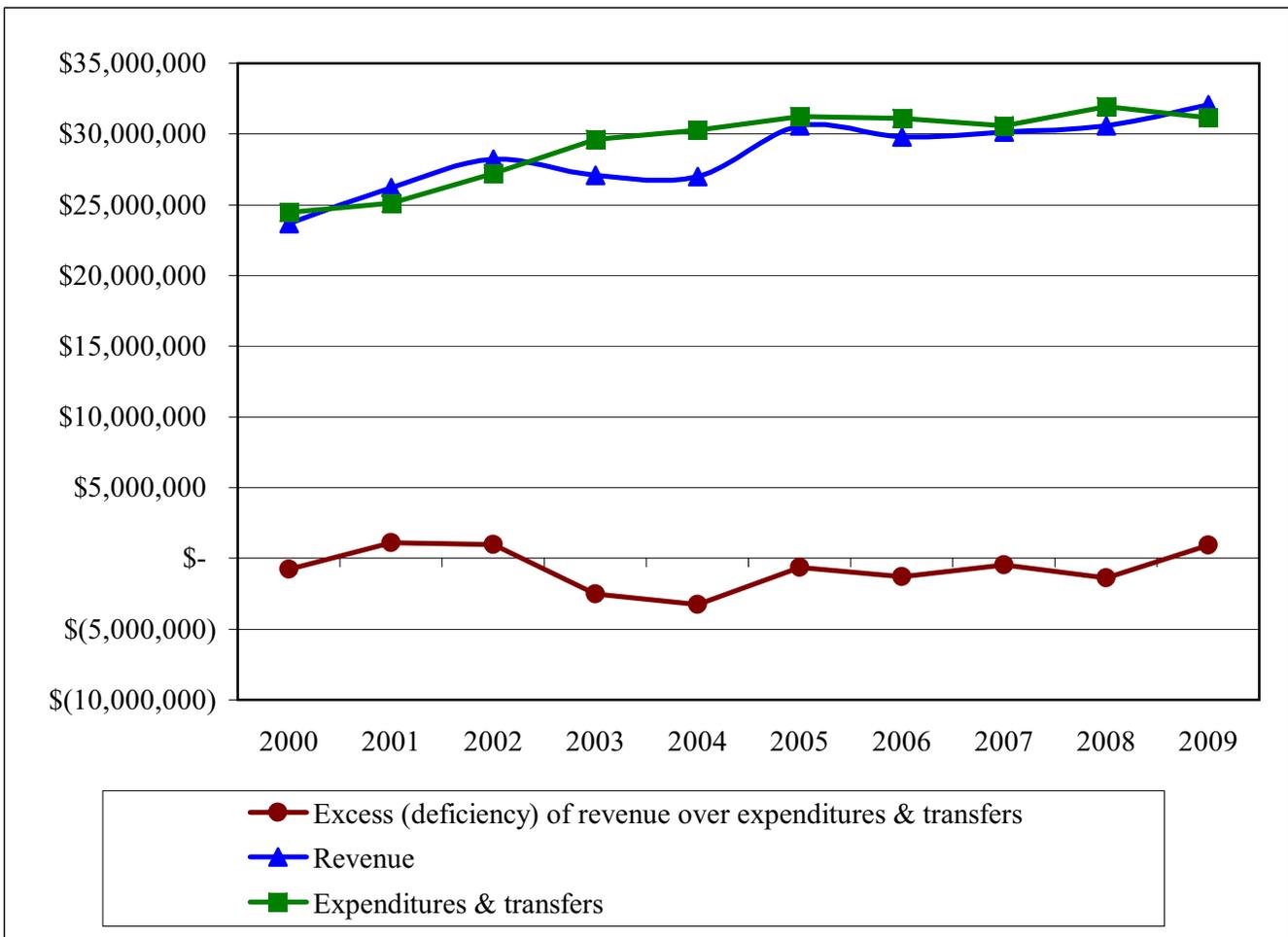
TOTAL DISTRIBUTION

\$32,073,244

CITY OF WARREN, MICHIGAN
 WATER & SEWER SYSTEM
 OPERATION & MAINTENANCE FUND
REVENUES/EXPENDITURES & TRANSFERS COMPARISON
 FISCAL YEARS 2000 THROUGH 2009

The line chart below compares total revenue with total expenditures & transfers for fiscal years 2000 through 2009. The "Excess (deficiency) of revenues over expenditures & transfers" line displays the amount by which total revenues sources exceed or fall short of expenditures & transfers for each year. The transfer of working capital to restricted use reserves is included in the expenditures & transfers amount. Depreciation is not included as it does not involve a cash outlay.

In fiscal periods where revenues exceed expenditures & transfers, reserves are being increased to provide for long term capital needs. In fiscal periods where expenditures & transfers exceed revenues, reserves are being used to subsidize operating costs.



CITY OF WARREN, MICHIGAN
 WATER & SEWER SYSTEM
 OPERATION & MAINTENANCE FUND
OPERATING REVENUE/EXPENSE COMPARISON {before Depreciation}
 FISCAL YEARS 2000 THROUGH 2009

The line chart below compares total operating revenue with total operating expense for fiscal years 2000 through 2009. The "Net operating revenue" line displays the amount by which total operating revenues exceed or fall short of operating expenses for each year.

Operating revenues include water sales, waste water treatment charges and other charges generated through Sections 41-161 and 41-162 of the City of Warren Code of Ordinances.

Operating expenses include water purchases, wages & fringe benefit payments, supplies & materials and other services and charges. Depreciation is excluded, as it does not involve a cash outlay.

