

# **City of Harper Woods**

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**Financial Report  
with Supplemental Information  
December 31, 2006**

# City of Harper Woods, Michigan

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## Mayor and City Council

Mayor  
Mayor Pro Tem

Kenneth A. Poynter  
Vivian M. Sawicki

Council Member  
Council Member  
Council Member  
Council Member  
Council Member

Cheryl A. Costantino  
Michael P. Monaghan  
John M. Szymanski  
Hugh Marshall  
Daniel S. Palmer

## City Administration

City Manager

James E. Leidlein

City Clerk

Mickey D. Todd

City Treasurer

Enid L. Pierson

Finance Director

Laura Stowell

## City Auditors

Plante & Moran, PLLC

# **City of Harper Woods, Michigan**

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## **General Comments**

The City is administered under a council-manager form of government in accordance with a home rule charter as adopted by the electors on October 24, 1951 and subsequently amended.

The elective officials of the City consist of six council members and the mayor, all of whom are nominated and elected from the City at large. Three of its members are elected to the council every two years for four-year terms. The mayor is elected every two years for a two-year term.

City officials who are appointed by and sit at the pleasure of the council are the manager, clerk, and treasurer. All other administrative officers are appointed by the manager, subject to confirmation by the council.

# City of Harper Woods

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# City of Harper Woods

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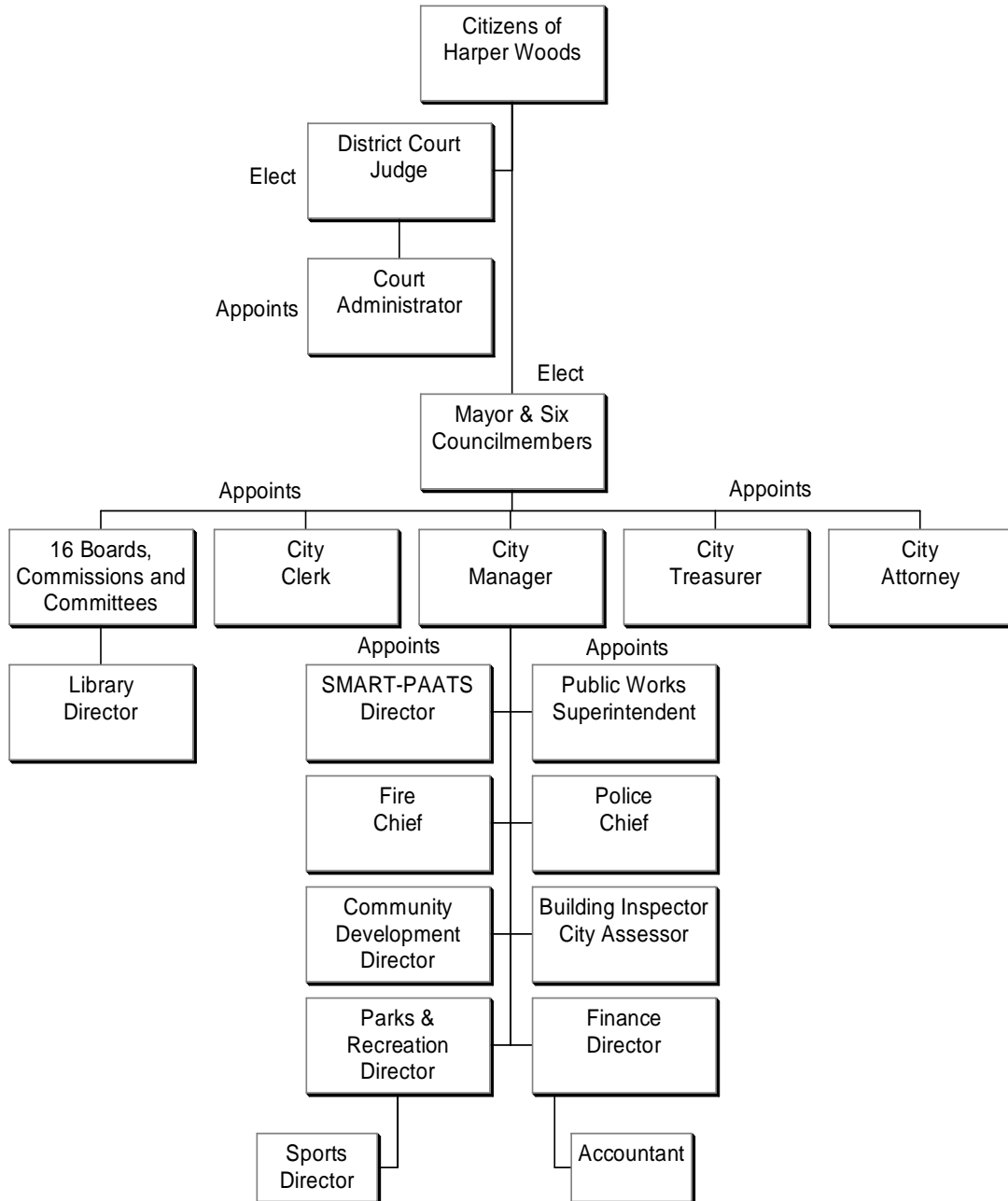
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# **Introductory Section**

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# City of Harper Woods, Michigan

## CITY OF HARPER WOODS ADMINISTRATIVE ORGANIZATION CHART



## **Financial Section**

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## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Harper Woods

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harper Woods, Michigan (the "City") as of and for the year ended December 31, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harper Woods, Michigan as of December 31, 2006 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

To the Honorable Mayor and  
Members of the City Council  
City of Harper Woods

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Harper Woods, Michigan's basic financial statements. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Alente & Morse, PLLC*

May 23, 2007

# City of Harper Woods, Michigan

## Management's Discussion and Analysis

This section of the annual financial report for the City of Harper Woods, Michigan (the "City") is our discussion and analysis of the City's performance for the fiscal year ended December 31, 2006. Please read it in conjunction with the City's financial statements which follow.

### Using this Annual Report

This annual report includes a series of financial statements. Two kinds of statements follow which present different views of the City. The statement of net assets and the statement of activities provide information about the City as a whole and present a longer-term view of the City's finances. This kind of statement measures the cost of providing services for the year and shows whether the taxpayers have funded the full cost of providing government services and uses the accrual basis of accounting.

The second kind of statement includes the fund financial statements, which show the status of the City in more detail. The fund financial statements also show how the services and programs of the City were financed in the short term. The fund statements include the fiduciary fund statements, which provide information about activities in which the City acts solely as a trustee or agent for benefit of those outside the government.

### The City of Harper Woods as a Whole

The following table shows, in a condensed format, the assets as of December 31, 2006 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Assets</b>						
Current assets	\$ 22,582	\$ 22,552	\$ 950	\$ 947	\$ 23,532	\$ 23,499
Noncurrent assets -						
Capital assets	<u>25,597</u>	<u>26,637</u>	<u>3,127</u>	<u>3,257</u>	<u>28,724</u>	<u>29,894</u>
Total assets	48,179	49,189	4,077	4,204	52,256	53,393
<b>Liabilities</b>						
Current liabilities	14,613	13,624	357	536	14,970	14,160
Long-term liabilities	<u>14,628</u>	<u>15,919</u>	-	-	<u>14,628</u>	<u>15,919</u>
Total liabilities	<u>29,241</u>	<u>29,543</u>	<u>357</u>	<u>536</u>	<u>29,598</u>	<u>30,079</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	10,762	10,456	3,127	3,257	13,889	13,713
Restricted	3,560	4,162	-	-	3,560	4,162
Unrestricted net assets	<u>4,616</u>	<u>5,028</u>	<u>593</u>	<u>411</u>	<u>5,209</u>	<u>5,439</u>
Total net assets	<u>\$ 18,938</u>	<u>\$ 19,646</u>	<u>\$ 3,720</u>	<u>\$ 3,668</u>	<u>\$ 22,658</u>	<u>\$ 23,314</u>

# City of Harper Woods, Michigan

## Management's Discussion and Analysis (Continued)

The City's combined net assets decreased by 2.8 percent from a year ago - from \$23.3 million to \$22.7 million. The governmental activities decreased by 3.7 percent. This is a result of the major and nonmajor funds incurring losses this year. The business-type activities' net assets increased by 1.4 percent as a result of the operating gain in the Water and Sewer Fund.

The following table shows the change in net assets for the year ended December 31, 2006 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2006	2005	2006	2005	2006	2005
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 3,228	\$ 3,247	\$ 2,616	\$ 2,753	\$ 5,844	\$ 6,000
Operating grants and contributions	1,072	1,026	-	-	1,072	1,026
General revenue:						
Property taxes	9,465	9,171	-	-	9,465	9,171
State-shared revenues	1,551	1,564	-	-	1,551	1,564
Interest	616	470	81	56	697	526
Franchise fees	-	155	-	-	-	155
Miscellaneous	256	242	-	-	256	242
Total revenue	16,188	15,875	2,697	2,809	18,885	18,684
<b>Program Expenses</b>						
General government	4,454	4,182	-	-	4,454	4,182
Public safety	6,073	6,067	-	-	6,073	6,067
Public works	4,772	4,383	-	-	4,772	4,383
Recreation and culture	1,141	854	-	-	1,141	854
Interest on long-term debt	556	593	-	-	556	593
Water and sewer	-	-	2,545	2,511	2,545	2,511
Total program expenses	16,996	16,079	2,545	2,511	19,541	18,590
<b>Transfers</b>	100	-	(100)	-	-	-
<b>Net Change in Net Assets</b>	(708)	(204)	52	298	(656)	94
<b>Net Assets - Beginning of year</b>	19,646	19,850	3,668	3,370	23,314	23,220
<b>Net Assets - End of year</b>	<u>\$ 18,938</u>	<u>\$ 19,646</u>	<u>\$ 3,720</u>	<u>\$ 3,668</u>	<u>\$ 22,658</u>	<u>\$ 23,314</u>

# City of Harper Woods, Michigan

## Management's Discussion and Analysis (Continued)

### **Governmental Activities**

Total revenues for the City's governmental activities were \$16.2 million for December 31, 2006. The City again experienced a decrease in state-shared revenues. However, interest income increased.

Expenses for the City's governmental activities totaled \$17.0 million for December 31, 2006. Total expenses increased by approximately 5.8 percent with public works showing the largest increase. The other activities which provide direct City services (e.g., general government, public safety, etc.) are showing small increases or have decreased over the last year.

The following represents the most significant financial highlights for the year ended December 31, 2006:

The City's continued diligence to curb spending was able to offset the large reduction in revenue, mainly caused by state-shared revenue cuts. The City did not make reductions in City service areas, but instead maintained spending in the service areas. Capital outlays were reduced. There were several long-term employees who left or retired whose payouts resulted in higher wages reported than expected.

Interest income showed marked improvement and exceeded the anticipated level. The City will continue to look at its investing policy to find the best opportunities for good rates of return.

### **Business-type Activities**

The City's business-type activities consist of the Water and Sewer Fund. We provide potable water to our residents. The City pumps its sewage to the City of Detroit for treatment and disposal. This year's operations were positive, despite the City of Detroit's Water and Sewer Department rate increases. The positive outcome is due primarily to Wayne County's invoicing changes for sewer and drain charges. Beginning in 2005, 50 percent of the excess flow is charged to the Storm Drain Fund for Milk River Drain maintenance.

### **The City's Funds**

Our analysis of the City's major funds begins on page 11, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Funds are created to help manage money for specific purposes, as well as show accountability for certain activities. The City's major funds are the General Fund, General Obligation Bonds Fund, Storm Drain Fund, and the Water and Sewer Fund.

The General Fund pays for most of the City's governmental services. The most significant are police and fire services, which incurred expenses of approximately \$6.1 million in 2006. The General Fund is supported primarily by property taxes and state-shared revenue.

# **City of Harper Woods, Michigan**

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## **Management's Discussion and Analysis (Continued)**

The Storm Drain Fund manages the Milk River Drain, debt, and maintenance. It is funded by a storm water utility charge based on property area and imperviousness. The General Obligation Bond Fund records activity for the street bond.

### **General Fund Budgetary Highlights**

Over the course of the year, the City administration and City Council monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. There were no amendments made in 2006. Significant revenue budget variances were due to the increased revenue from service fees and improved interest rates on invested cash. Significant expenditure variances were due to the cost of health care as well as employee wages, retiree payouts, and repairs on aging equipment.

### **Capital Asset and Debt Administration**

At the end of fiscal year 2006, the City had \$28.7 million invested in capital assets (land, buildings, equipment, vehicles, and water, sewer, and storm lines).

Debt reported in these financial statements is related to the three general obligation street bonds issued in 1995, 1999, and 2001, the Milk River-County Drain bonds, and the Library bonds. The street bonds have a maturity in 2014, the various Milk River bonds have final maturity in 2012, and the Library bond has a maturity in 2024.

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

The City will continue to face challenges with the cuts in state-shared revenue, the impact of Proposal A, and the slow recovery in interest revenues we experienced in the past. The City will need to watch the budget closely and consider amendments as necessary.

On the expense side of the equation, medical insurance continues to be a rising cost and concern. The City has researched alternative plans and switched to a new plan for employees whose union contracts have been negotiated. Water rates have not been increased since 2004 and, because of the rates imposed by the City of Detroit, we will need to monitor the budget in the Water and Sewer Fund closely and again make amendments and adjustments as necessary.

### **Contacting the City's Management**

This financial report is intended to provide our citizens, taxpayers, customers, and investors with an overview of the City's finances and to show the City's accountability for the revenue it receives. If you have any questions about this report or need additional information, we invite you to contact the City of Harper Woods' finance department.

# City of Harper Woods

## Statement of Net Assets December 31, 2006

	Primary Government			Brownfield Redevelopment Authority - Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>Assets</b>				
Cash and investments (Note 3)	\$ 14,523,941	\$ 1,546,662	\$ 16,070,603	\$ -
Receivables:				
Taxes	4,942,885	-	4,942,885	-
Customers	-	734,125	734,125	-
Interest and other	60,241	-	60,241	-
Service fee	747,539	-	747,539	-
Other governmental units	683,056	-	683,056	-
Due from primary government	-	-	-	156,852
Internal balances (Note 5)	1,339,499	(1,339,499)	-	-
Inventories and prepaid items	235,702	8,370	244,072	-
Investment in joint venture (Note 9)	48,716	-	48,716	-
Capital assets (Note 4):				
Assets not subject to depreciation	760,574	-	760,574	-
Assets subject to depreciation - Net	24,836,853	3,127,556	27,964,409	-
Total assets	48,179,006	4,077,214	52,256,220	156,852
<b>Liabilities</b>				
Accounts payable	726,152	320,365	1,046,517	-
Due to component units	156,852	-	156,852	-
Accrued liabilities and other	830,629	36,880	867,509	-
Deferred property tax revenue (Note 1)	10,916,454	-	10,916,454	156,852
Rehabilitation escrow	318,665	-	318,665	-
Noncurrent liabilities (Note 6):				
Due within one year	1,664,382	-	1,664,382	-
Due in more than one year:				
Accumulated employee benefits	960,299	-	960,299	-
Net pension obligation (Note 8)	196,339	-	196,339	-
Long-term debt - Net of current portion	13,471,210	-	13,471,210	-
Total liabilities	29,240,982	357,245	29,598,227	156,852
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	10,761,835	3,127,556	13,889,391	-
Restricted for:				
Streets and highways	201,566	-	201,566	-
Debt service	1,966,994	-	1,966,994	-
Library	9,599	-	9,599	-
Refuse	1,276,829	-	1,276,829	-
Drug enforcement	104,782	-	104,782	-
Unrestricted	4,616,419	592,413	5,208,832	-
Total net assets	<b>\$ 18,938,024</b>	<b>\$ 3,719,969</b>	<b>\$ 22,657,993</b>	<b>\$ -</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Harper Woods

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 4,453,603	\$ 1,235,129	\$ 127,243
Public safety	6,072,857	239,470	99,000
Public works	4,772,031	1,483,078	835,899
Recreation and culture	1,140,853	269,883	10,296
Interest on long-term debt	556,655	-	-
Total governmental activities	16,995,999	3,227,560	1,072,438
Business-type activities - Water and Sewer	2,544,960	2,616,061	-
Total primary government	<u>\$ 19,540,959</u>	<u>\$ 5,843,621</u>	<u>\$ 1,072,438</u>
Component unit - Brownfield Redevelopment Authority	<u>\$ 136,625</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
State-shared revenues			
Interest			
Miscellaneous			
Total general revenues			
<b>Transfers</b>			
<b>Change in Net Assets</b>			
<b>Net Assets - Beginning of year</b>			
<b>Net Assets - End of year</b>			

**Statement of Activities**  
**Year Ended December 31, 2006**

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (3,091,231)	\$ -	\$ (3,091,231)	\$ -
(5,734,387)	-	(5,734,387)	-
(2,453,054)	-	(2,453,054)	-
(860,674)	-	(860,674)	-
<u>(556,655)</u>	<u>-</u>	<u>(556,655)</u>	<u>-</u>
(12,696,001)	-	(12,696,001)	-
-	71,101	71,101	-
<u>(12,696,001)</u>	<u>71,101</u>	<u>(12,624,900)</u>	<u>-</u>
-	-	-	(136,625)
9,465,078	-	9,465,078	136,625
1,551,248	-	1,551,248	-
615,845	81,275	697,120	-
<u>256,574</u>	<u>-</u>	<u>256,574</u>	<u>-</u>
11,888,745	81,275	11,970,020	136,625
<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
(707,256)	52,376	(654,880)	-
<u>19,645,280</u>	<u>3,667,593</u>	<u>23,312,873</u>	<u>-</u>
<b><u>\$ 18,938,024</u></b>	<b><u>\$ 3,719,969</u></b>	<b><u>\$ 22,657,993</u></b>	<b><u>\$ -</u></b>

# City of Harper Woods

## Governmental Funds Balance Sheet December 31, 2006

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and investments (Note 3)	\$ 3,181,014	\$ 2,186,596	\$ 3,911,025	\$ 5,226,433	\$ 14,505,068
Receivables:					
Taxes	3,656,625	645,950	-	640,310	4,942,885
Interest and other	38,006	3,675	-	18,560	60,241
Service fee	-	-	747,539	-	747,539
Other governmental units	463,045	-	-	220,011	683,056
Due from other funds (Note 5)	5,022,334	468,892	-	5,437,957	10,929,183
Inventories and prepaid items	225,187	-	-	10,515	235,702
<b>Total assets</b>	<b>\$12,586,211</b>	<b>\$ 3,305,113</b>	<b>\$ 4,658,564</b>	<b>\$11,553,786</b>	<b>\$32,103,674</b>
<b>Liabilities and Fund Balances</b>					
<b>Liabilities</b>					
Accounts payable	\$ 148,323	\$ -	\$ 499,007	\$ 70,531	\$ 717,861
Due to component units	137,185	-	-	19,667	156,852
Due to other funds	2,645,264	1,578,368	1,290,568	4,761,269	10,275,469
Accrued liabilities and other	721,656	-	-	10,708	732,364
Deferred property tax revenue (Note 1)	7,074,422	1,245,982	1,382,758	1,213,292	10,916,454
Rehabilitation escrow	-	-	-	318,665	318,665
<b>Total liabilities</b>	<b>10,726,850</b>	<b>2,824,350</b>	<b>3,172,333</b>	<b>6,394,132</b>	<b>23,117,665</b>
<b>Fund Balances</b>					
Reserved for:					
Inventories and prepaid items	225,187	-	-	10,515	235,702
Drug law enforcement	-	-	-	101,782	101,782
Unreserved, reported in:					
General Fund:					
Designated (Note 11)	914,000	-	-	-	914,000
Undesignated	720,174	-	-	-	720,174
Debt Service Fund -					
Designated	-	480,763	1,486,231	-	1,966,994
Nonmajor Special Revenue Funds:					
Designated (Note 11)	-	-	-	3,881,478	3,881,478
Undesignated	-	-	-	1,165,879	1,165,879
<b>Total fund balances</b>	<b>1,859,361</b>	<b>480,763</b>	<b>1,486,231</b>	<b>5,159,654</b>	<b>8,986,009</b>
<b>Total liabilities and fund balances</b>	<b>\$12,586,211</b>	<b>\$ 3,305,113</b>	<b>\$ 4,658,564</b>	<b>\$11,553,786</b>	<b>\$32,103,674</b>

The Notes to Financial Statements are an  
Integral Part of this Statement.

# City of Harper Woods

## **Governmental Funds** **Reconciliation of the Balance Sheet of Governmental Funds to the** **Statement of Net Assets** **December 31, 2006**

<b>Fund Balance - Total Governmental Funds</b>	\$ 8,986,009
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	25,384,392
Investments in joint ventures are not reported in the funds	48,716
Net pension obligation is not due and payable in the current period and is not reported in the funds	(196,339)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(14,835,592)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,260,299)
Accrued interest obligations are not due and payable in the current period and are not reported in the funds	(95,445)
Internal Service Funds are included as part of governmental activities	<u>906,582</u>
<b>Net Assets - Governmental Activities</b>	<b><u><u>\$ 18,938,024</u></u></b>

# City of Harper Woods

## Governmental Funds

### Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2006

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenue</b>					
Property taxes	\$ 7,044,083	\$ 1,223,308	\$ -	\$ 1,197,687	\$ 9,465,078
Licenses and permits	117,950	-	-	-	117,950
Federal sources	4,400	-	-	-	4,400
State sources	1,681,291	-	-	862,995	2,544,286
Contribution from component unit	75,000	-	-	-	75,000
Charges for services	1,626,532	-	-	99,739	1,726,271
Service fees	-	-	1,383,339	-	1,383,339
Interest	85,224	97,698	224,441	208,482	615,845
Miscellaneous revenue	189,304	-	-	87,037	276,341
Total revenue	<u>10,823,784</u>	<u>1,321,006</u>	<u>1,607,780</u>	<u>2,455,940</u>	<u>16,208,510</u>
<b>Expenditures - Current</b>					
General government	5,179,340	-	-	113,003	5,292,343
Public safety	5,180,719	-	-	3,129	5,183,848
Public works	405,426	-	1,326,140	2,045,632	3,777,198
Recreation and culture	458,652	-	-	496,127	954,779
Debt service:					
Principal retirement	-	650,000	596,830	-	1,246,830
Interest and fiscal charges	-	544,826	118,543	-	663,369
Total expenditures	<u>11,224,137</u>	<u>1,194,826</u>	<u>2,041,513</u>	<u>2,657,891</u>	<u>17,118,367</u>
<b>Excess of Revenue Over (Under) Expenditures</b>	(400,353)	126,180	(433,733)	(201,951)	(909,857)
<b>Other Financing Sources (Uses)</b>					
Transfers in	436,250	-	-	235,000	671,250
Transfers out	(25,000)	-	-	(578,250)	(603,250)
Total other financing sources (uses)	<u>411,250</u>	<u>-</u>	<u>-</u>	<u>(343,250)</u>	<u>68,000</u>
<b>Net Change in Fund Balances</b>	10,897	126,180	(433,733)	(545,201)	(841,857)
<b>Fund Balances - Beginning of year</b>	<u>1,848,464</u>	<u>354,583</u>	<u>1,919,964</u>	<u>5,704,855</u>	<u>9,827,866</u>
<b>Fund Balances - End of year</b>	<u>\$ 1,859,361</u>	<u>\$ 480,763</u>	<u>\$ 1,486,231</u>	<u>\$ 5,159,654</u>	<u>\$ 8,986,009</u>

The Notes to Financial Statements are an Integral Part of this Statement.

# City of Harper Woods

## **Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2006**

<b>Net Change in Fund Balances of Governmental Funds</b>	\$ (841,857)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay expenditures	334,074
Depreciation expense	(1,305,383)
Income from a joint venture is reported in the statement of activities as it is earned; this revenue is reported in the governmental funds when distributions are received	(19,767)
Net pension obligation is not due and payable in the current period and is not reported in the funds	(196,339)
Interest expense is recorded when incurred in the statement of activities	8,249
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	1,345,295
Compensated absence liabilities are recorded when earned in the statement of activities	123,529
Internal Service Funds are included as part of governmental activities	<u>(155,057)</u>
<b>Change in Net Assets of Governmental Activities</b>	<b><u>\$ (707,256)</u></b>

# City of Harper Woods

## Proprietary Funds Statement of Net Assets December 31, 2006

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Funds
<b>Assets</b>		
Current assets:		
Cash and investments (Note 3)	\$ 1,546,662	\$ 18,873
Customer receivables	734,125	-
Due from other funds (Note 5)	759,546	2,570,122
Prepaid expenses and other assets	8,370	-
Total current assets	3,048,703	2,588,995
Noncurrent assets - Capital assets being depreciated - Net (Note 4)	3,127,556	213,035
Total assets	6,176,259	2,802,030
<b>Liabilities - Current</b>		
Accounts payable	320,365	8,291
Due to other funds	2,099,045	1,884,337
Accrued liabilities and other	36,880	2,820
Total liabilities	2,456,290	1,895,448
<b>Net Assets</b>		
Investment in capital assets - Net of related debt	3,127,556	213,035
Unrestricted	592,413	693,547
Total net assets	<b>\$ 3,719,969</b>	<b>\$ 906,582</b>

# City of Harper Woods

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2006

	Business-type Activities Water and Sewer Fund	Governmental Activities Internal Service Funds
<b>Operating Revenue</b>		
Customer billings	\$ 2,601,994	\$ -
Billings to other funds	-	239,370
Other revenue	14,067	-
Total operating revenue	2,616,061	239,370
<b>Operating Expenses</b>		
Cost of materials	-	80,251
Water supply and sewage disposal	1,617,883	-
Operation and maintenance	499,004	207,627
General and administrative expenses	298,869	71,000
Depreciation	129,204	67,962
Total operating expenses	2,544,960	426,840
<b>Operating Income (Loss)</b>	71,101	(187,470)
<b>Nonoperating Revenue</b> - Interest income	81,275	413
<b>Income (Loss)</b> - Before transfers	152,376	(187,057)
<b>Transfers In</b>	-	180,000
<b>Transfers Out</b>	(100,000)	(148,000)
<b>Change in Net Assets</b>	52,376	(155,057)
<b>Net Assets</b> - Beginning of year	3,667,593	1,061,639
<b>Net Assets</b> - End of year	<b>\$ 3,719,969</b>	<b>\$ 906,582</b>

# City of Harper Woods

## Proprietary Funds Statement of Cash Flows Year Ended December 31, 2006

	Business-type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
<b>Cash Flows from Operating Activities</b>		
Receipts from customers	\$ 2,809,719	\$ -
Receipts from interfund services and reimbursements	(338,043)	35,445
Payments to suppliers	(2,086,823)	(184,908)
Payments to employees	(511,229)	(170,364)
Internal activity - Payments to other funds	(60,704)	287,827
Net cash used in operating activities	(187,080)	(32,000)
<b>Cash Flows from Noncapital Financing Activities</b>		
Transfers from other funds	-	180,000
Transfers to other funds	(100,000)	(148,000)
Net cash (used in) provided by noncapital financing activities	(100,000)	32,000
<b>Cash Flows from Investing Activities</b> - Interest received on investments	81,275	412
<b>Net (Decrease) Increase in Cash and Cash Equivalents</b>	(205,805)	412
<b>Cash and Cash Equivalents</b> - Beginning of year	1,752,467	18,461
<b>Cash and Cash Equivalents</b> - End of year	\$ 1,546,662	\$ 18,873
<b>Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities</b>		
Operating income (loss)	\$ 71,101	\$ (187,470)
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	129,204	67,962
Changes in assets and liabilities:		
Receivables	193,658	-
Due from other funds	(338,043)	(235,925)
Inventories	(3,287)	-
Accounts payable	(170,038)	3,005
Due to other funds	(60,704)	319,827
Accrued and other liabilities	(8,971)	601
Net cash used in operating activities	\$ (187,080)	\$ (32,000)

There were no significant noncash investing or financing activities during the year ended December 31, 2006.

# City of Harper Woods

## Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2006

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System	Agency Funds
<b>Assets</b>		
Cash	\$ 103	\$ 2,708,059
Investments:		
U.S. government securities	4,784,103	-
Common stocks	7,979,205	-
Corporate bonds	7,099,606	-
Mutual funds	18,950,742	-
Accrued interest and dividends receivable	204,577	-
Due from primary government	360,000	-
Total assets	39,378,336	<b>\$ 2,708,059</b>
<b>Liabilities</b>		
Due to other governmental units	199,501	\$ 14,897
Bond deposits	-	55,416
Tax collections distributable	-	2,637,746
Total liabilities	199,501	<b>\$ 2,708,059</b>
<b>Net Assets Held in Trust for Pension Benefits</b>		<b>\$ 39,178,835</b>

# City of Harper Woods

## Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2006

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 1,164,556
Net appreciation in fair value of investments	2,844,329
Less investment expenses	<u>(176,958)</u>
Net investment income	3,831,927
Contributions:	
Employer	360,000
Employee	<u>372,315</u>
Total contributions	<u>732,315</u>
Total additions	4,564,242
<b>Deductions</b>	
Benefit payments	2,340,412
Refunds to employees	1,083,010
General and administrative expenses	<u>(29,793)</u>
Total deductions	<u>3,393,629</u>
<b>Net Increase in Net Assets</b>	1,170,613
<b>Net Assets Held in Trust for Pension Benefits - Beginning of year</b>	<u>38,008,222</u>
<b>Net Assets Held in Trust for Pension Benefits - End of year</b>	<u><b>\$39,178,835</b></u>

### **Note 1 - Summary of Significant Accounting Policies**

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

#### **Reporting Entity**

The City is governed by an elected seven-member council. As required by accounting principles generally accepted in the United States of America, these basic financial statements present the City of Harper Woods, Michigan and its component unit. The individual component unit discussed below is included in the City's reporting entity because of the significance of its operational or financial relationship with the City.

**Discretely Presented Component Unit** - The City has a Brownfield Redevelopment Authority, which was created to facilitate the implementation of plans for the identification, treatment, and revitalization of an environmentally distressed area within the City designated as the Brownfield Redevelopment Zone. Complete financial statements can be obtained from the City of Harper Woods at 19617 Harper Avenue, Harper Woods, MI 48225.

#### **Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. The effect of interfund activity has been removed from these statements.

Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from the discretely presented component unit for which the primary government is financially accountable.

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

### **Note 1 - Summary of Significant Accounting Policies (Continued)**

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual Enterprise Funds are reported as separate columns in the fund financial statements.

The City reports the following major funds:

#### **Governmental Funds**

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The General Obligation Bonds Fund accounts for the annual payment of principal and interest on outstanding unlimited tax general obligation bond issues. Financing is provided through a tax levy.
- The Storm Drain Fund accounts for the annual payment of principal and interest on the City's share of Wayne County storm drain improvement bonds as well as related maintenance costs on the drains. Financing is provided through a service fee charged to all properties within the City.

The City reports the following major Enterprise Fund:

- The Water and Sewer Fund accounts for the results of operations that provide water and sewer services to citizens and is financed by a user charge for the provision of those services.

Additionally, the City reports the following fund types:

- Internal Service Funds are used to account for the financing of services by one department to other departments of the City, primarily on a cost-reimbursement basis.
- The Pension and Other Employee Benefit Trust Fund accounts for the activities of the employees' retirement system, which accumulates resources for pension payments to qualified employees.
- The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

### Note 1 - Summary of Significant Accounting Policies (Continued)

#### Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become susceptible to accrual - that is, when they become both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues susceptible to accrual include property taxes, intergovernmental sources, and interest. All other revenue items are considered available only when the cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's ongoing operations. Operating expenses include the cost of providing services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private sector standards of accounting issued prior to December 1, 1989 are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The City has elected not to follow private sector standards issued after November 30, 1989 for its Enterprise Fund.

#### Assets, Liabilities, and Net Assets or Equity

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

**Receivables and Payables** - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances."

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Property Taxes** - Properties are assessed as of December 31 and the related taxes become a lien at that time. The taxes are billed on December 1 of the following year. These taxes are due on February 14 with a final collection date of February 28 before they are added to the county tax rolls.

The 2005 taxable valuation of the City totaled \$404,163,000, on which ad valorem taxes levied consisted of 17.03 mills for the City's operating purposes, 3.00 mills for debt service, 0.92 mills for the library, and 2.00 mills for rubbish removal. The ad valorem taxes raised \$7,044,000 for general operations, \$1,223,000 for debt service, \$376,000 for the library, and \$822,000 for rubbish removal. These amounts are recorded in their respective funds as tax revenue.

**Deferred Revenue** - Property taxes billed during the month of December 2006 will be used to finance 2007 operations. As such, these taxes are unearned and recorded as deferred revenue in the respective funds at December 31, 2006.

**Inventories and Prepaid Items** - Inventories in the governmental funds are recorded at cost; fund balance has been reserved in an equal amount. Certain payments, such as insurance premiums, reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets** - Capital assets, which include property, buildings, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and storm drains) are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$2,500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Capital assets are depreciated using the straight-line method over the following useful lives:

Infrastructure:

Roads	25 years
Sidewalks	20 years
Storm drains	40 years
Land improvements	15-20 years
Buildings and improvements	25-50 years
Vehicles	5-15 years
Office furnishings	10-20 years
Machinery and equipment	5-20 years
Water and sewer system	50 years

### Note 1 - Summary of Significant Accounting Policies (Continued)

**Compensated Absences** - The City allows employees to accumulate earned but unused sick and vacation pay benefits. Under the City's policies, employees earn benefits based on time of service with the City. The government-wide and proprietary fund statements accrue all vacation and sick pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment, generally when time is taken off or employees terminate their employment.

**Long-term Obligations** - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

**Fund Equity** - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

**Fund Deficit** - As of December 31, 2006, the Equipment Internal Service Fund has an accumulated deficit of unrestricted net assets. Plans to eliminate the deficit will be filed with the State of Michigan Local Audit Finance Division.

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

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 2 - Stewardship, Compliance, and Accountability

#### Budgetary Information

The annual budget is prepared by the City management and adopted by the City Council; subsequent amendments are also approved by the City Council. Unexpended appropriations lapse at year end and encumbrances are not included as expenditures. The amount of encumbrances outstanding at December 31, 2006 has not been calculated. During the current year, the budget was not amended for any fund.

The budget has been prepared in accordance with accounting principles generally accepted in the United States of America. Budgetary comparison schedules are presented on the same basis of accounting used in preparing the adopted budget.

The budget document presents information by fund, activity, and line item. The level of budgetary control adopted by the City Council is the activity level. Expenditures at this level in excess of appropriations are a violation of state law. A comparison of the adopted budget with the actual revenue and expenditures for the year for the General Fund is presented as required supplemental information following the notes to the financial statements.

#### Excess of Expenditures Over Appropriations in Budgeted Funds

**Public Safety** - Law enforcement expenditures in the General Fund were approximately \$124,000 higher than the appropriation as a result of overtime expenditures being higher than the amount anticipated.

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

Shortfall at January 1, 2006		\$	(214,780)
Current year permit revenue			111,155
Related expenses:			
Direct costs	\$	106,310	
Estimated indirect costs		<u>10,631</u>	<u>116,941</u>
Current year shortfall			<u>(5,786)</u>
Cumulative shortfall at December 31, 2006		\$	<u>(220,566)</u>

### Note 3 - Deposits and Investments

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

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

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

**Custodial Credit Risk of Bank Deposits and Investments** - Custodial credit risk is the risk that in the event of a third-party custodian's failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City's investment policy requires that the City limit investments to the safest types of securities, prequalify the financial institutions, brokers, dealers, intermediaries, and advisors with which the City does business, and diversify the investment portfolio so potential losses on individual securities will be minimized. At year end, the City had \$14.4 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it invests funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

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

At year end, the following investment securities were uninsured and unregistered, and held by a counterparty or by its trust department or agent but not in the City's name:

Investment Type	Fair Value	How Held
United States government agency securities	\$ 4,784,103	Counterparty
Corporate bonds	7,099,606	Counterparty
Equity securities	25,493,762	Counterparty
Total uninsured and unregistered	<u>\$ 37,377,471</u>	

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

Investment	Fair Value	Less than six years	6 to 15 Years	Greater than 15 Years
<b>Primary Government</b>				
Bank investment pools	\$ 1,204,397	\$ 1,204,397	\$ -	\$ -
United States government agency securities	1,123,570	1,123,570	-	-
Commercial paper	1,068,064	1,068,064	-	-
<b>Employees' Retirement System</b>				
Corporate bonds	7,099,606	2,104,837	3,771,107	1,223,662
United States government agency securities	4,784,103	-	439,488	4,344,615

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

Investment	Fair Value	Rating	Rating Organization
United States government agency securities:			
Federal Home Loan Bank	\$ 1,123,570	Not rated	Not rated
Federal Home Loan Mortgage Corporation	2,804,744	Not rated	Not rated
Federal National Mortgage Association	1,919,477	Not rated	Not rated
Government National Mortgage Association	59,882	Not rated	Not rated
Bank investment pool	646,266	Not rated	Not rated
Bank investment pool	558,131	AAA	Standards and Poor's
Corporate bonds	7,099,605	BBB- to AAA	Standards and Poor's
Commercial paper	1,068,064	A+	Standards and Poor's

**Concentration of Credit Risk** - The City and the City's pension fund do not limit investments in any one issuer. At December 31, 2006, the City's pension fund maintained investments in the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association totaling approximately 7.5 percent and 5.1 percent, respectively, of the pension fund's total investments.

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 4 - Capital Assets

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

	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
<b>Governmental Activities</b>				
Capital assets not being depreciated -				
Land	\$ 760,574	\$ -	\$ -	\$ 760,574
Capital assets being depreciated:				
Roads	15,848,501	144,994	-	15,993,495
Sidewalks	1,119,044	-	-	1,119,044
Storm drains	10,890,938	-	-	10,890,938
Land improvements	40,199	-	-	40,199
Buildings and improvements	4,510,658	6,420	-	4,517,078
Vehicles	2,927,743	84,760	-	3,012,503
Office furnishings	235,521	9,590	-	245,111
Machinery and equipment	2,418,450	88,310	-	2,506,760
Subtotal	37,991,054	334,074	-	38,325,128
Accumulated depreciation:				
Roads	3,694,663	636,840	-	4,331,503
Sidewalks	675,386	55,952	-	731,338
Storm drains	3,748,376	272,273	-	4,020,649
Land improvements	7,579	2,557	-	10,136
Building and improvements	727,983	91,981	-	819,964
Vehicles	2,200,846	171,138	-	2,371,984
Office furnishings	15,690	12,085	-	27,775
Machinery and equipment	1,044,407	130,519	-	1,174,926
Subtotal	12,114,930	1,373,345	-	13,488,275
Net capital assets being depreciated	25,876,124	(1,039,271)	-	24,836,853
Net capital assets	<u>\$ 26,636,698</u>	<u>\$ (1,039,271)</u>	<u>\$ -</u>	<u>\$ 25,597,427</u>

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 4 - Capital Assets (Continued)

<b>Business-type Activities</b>	Balance January 1, 2006	Additions	Disposals and Adjustments	Balance December 31, 2006
Capital assets being depreciated:				
Water system	5,110,535	-	-	5,110,535
Sewer system	1,240,998	-	-	1,240,998
Machinery and equipment	62,132	-	-	62,132
Subtotal	6,413,665	-	-	6,413,665
Accumulated depreciation:				
Water system	2,124,268	107,904	-	2,232,172
Sewer system	970,505	21,300	-	991,805
Machinery and equipment	62,132	-	-	62,132
Subtotal	3,156,905	129,204	-	3,286,109
Net capital assets	<u>\$ 3,256,760</u>	<u>\$ (129,204)</u>	<u>\$ -</u>	<u>\$ 3,127,556</u>

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

Governmental activities:	
General government	\$ 26,300
Public safety	148,679
Public works	1,037,807
Recreation and culture	160,559
Total governmental activities	<u>\$ 1,373,345</u>
Business-type activities - Water and sewer	<u>\$ 129,204</u>

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 5 - Interfund Receivables, Payables, and Transfers

Below are the interfund receivables of the City at December 31, 2006:

Receivable Fund	Payable Fund	Amount
General Fund	Water and Sewer Fund	\$ 1,033,970
	Nonmajor governmental funds	2,104,027
	Internal Service Funds	<u>1,884,337</u>
	Total General Fund	5,022,334
General Obligation Bonds Fund	General Fund	160,650
	Nonmajor governmental funds	<u>308,242</u>
	Total General Obligations Bonds Fund	468,892
Nonmajor governmental funds	General Fund	1,583,681
	General Obligations Bonds Fund	1,578,368
	Storm Drain Fund	531,022
	Water and Sewer Fund	434,559
	Nonmajor governmental funds	<u>1,310,327</u>
	Total nonmajor governmental funds	5,437,957
Internal Service Funds	General Fund	900,933
	Water and Sewer Fund	630,518
	Nonmajor governmental funds	<u>1,038,671</u>
	Total Internal Service Funds	2,570,122
Water and Sewer Fund	Storm Drain Fund	<u>759,546</u>
	Total interfund receivables	<u>\$ 14,250,351</u>

### Note 5 - Interfund Receivables, Payables, and Transfers (Continued)

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

Interfund transfers reported in the fund financial statements are comprised of the following:

Transfer In	Transfer out	Amount
General Fund	Other nonmajor funds	\$ 436,250
Other nonmajor funds	General Fund	25,000
	Water and Sewer Fund	100,000
	Other nonmajor funds	<u>290,000</u>
	Total other nonmajor funds	<u>415,000</u>
	Total	<u>\$ 851,250</u>

The transfers from the other nonmajor funds to the General Fund represent the transfer of discretionary funds for capital assets, health insurance, and separation pay expenditures.

The transfers from the General Fund to the other nonmajor funds represent the transfer of discretionary funds for street construction.

The transfers from the Water and Sewer Fund to the other nonmajor funds represent the transfer of discretionary funds for additional equipment and repairs.

The transfers from the other nonmajor funds to other nonmajor funds represent the transfer of discretionary funds for local street construction and for additional equipment and repairs.

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 6 - Long-term Debt

Long-term obligations are summarized as follows:

#### Governmental Activities

Unlimited tax general obligation bonds:

1995 General Obligation Road Bonds, \$5,000,000 original issue, bearing interest from 4.00% to 5.40%, maturing in 2011	\$ 2,225,000
1999 General Obligation Road Bonds, \$5,000,000 original issue, bearing interest from 4.125% to 5.00%, maturing in 2014	4,500,000
2001 General Obligation Road Bonds, \$1,500,000 original issue, bearing interest from 4.00% to 5.00%, maturing in 2014	1,150,000
2004 General Obligation Library Bonds, \$3,100,000 original issue, bearing interest from 3.30% to 5.00%, maturing in 2024	<u>3,025,000</u>

Total unlimited tax general obligation bonds 10,900,000

County Drain Obligations - Milk River Drain, bearing interest from 2.00% to 4.65%, maturing in 2012 3,935,592

Total governmental activity debt \$ 14,835,592

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental Activities</b>					
Unlimited tax general obligation bonds	\$ 11,550,000	\$ -	\$ (650,000)	\$ 10,900,000	\$ 750,000
County drain obligations	4,532,421	-	(596,829)	3,935,592	614,382
Installment purchase obligations	<u>98,466</u>	<u>-</u>	<u>(98,466)</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 16,180,887</u>	<u>\$ -</u>	<u>\$ (1,345,295)</u>	<u>\$ 14,835,592</u>	<u>\$ 1,364,382</u>
Accumulated employee benefits	<u>\$ 1,383,828</u>	<u>\$ 51,958</u>	<u>\$ (175,487)</u>	<u>\$ 1,260,299</u>	<u>\$ 300,000</u>

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 6 - Long-term Debt (Continued)

The City has pledged its full faith and credit to pay its proportionate share of the outstanding debt issued by the Milk River Inter-County Drainage District. The total Milk River Inter-County Drainage District debt consists of three loans and two bond issues with an original face value of approximately \$31,750,000 and an outstanding balance of approximately \$12,630,000 at December 31, 2006.

The City's governmental activity debt, including interest thereon, matures as follows:

	Governmental Activities		
	Principal	Interest	Total
2007	\$ 1,364,382	\$ 572,672	\$ 1,937,054
2008	1,508,692	515,484	2,024,176
2009	1,574,490	452,927	2,027,417
2010	1,643,799	388,832	2,032,631
2011	1,888,108	328,123	2,216,231
2012-2016	4,881,121	738,557	5,619,678
2017-2021	1,075,000	362,569	1,437,569
2022-2024	900,000	62,569	962,569
Total	<u>\$ 14,835,592</u>	<u>\$ 3,421,733</u>	<u>\$ 18,257,325</u>

### Note 7 - Risk Management

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

The Michigan Municipal League risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

### **Note 7 - Risk Management (Continued)**

The City is also exposed to risk of loss as a result of flood damage to resident properties caused by sewage overflows. Previously, incidents such as these were generally considered "acts of God" for which the City was not liable. However, as a result of a recent Michigan Supreme Court ruling, the City could now be liable for flood damages due to sewage overflows. Public Act 222 of 2001 has tempered this court ruling by requiring affected customers to prove that an action by the City was more than 50 percent of the cause in order to support any claim against the City. In May 2002, the City Council adopted an ordinance consistent with the new state statute to further protect the City from sewer backup claims. The City has not purchased commercial insurance to cover such claims. There is no liability outstanding as of December 31, 2006 and the City believes that there are sufficient resources in the Self-insurance Internal Service Fund to cover potential claims that may arise in the near term.

### **Note 8 - Defined Benefit Pension Plan**

#### **Plan Description**

The City of Harper Woods Employees' Retirement System (the "System") is the administrator of a single-employer defined benefit pension plan (the "Plan") that covers all full-time employees of the City. The system provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2005, the date of the most recent actuarial valuation, membership consisted of 89 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 95 current active employees. The plan does not issue a separate financial report.

#### **Contributions**

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Please refer to Note I for further significant accounting policies.

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units and requires a contribution from the employees ranging from 5.0 percent to 7.25 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the Plan are financed through investment earnings.

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 8 - Defined Benefit Pension Plan (Continued)

#### Annual Pension Cost and Net Pension Obligation

Annual required contribution	\$ 556,939
Annual pension cost (APC)	\$ 556,939
Contributions made	<u>360,000</u>
Increase in net pension obligation	<u>\$ 196,939</u>
Net pension obligation - End of year	<u>\$ 196,939</u>

The annual required contribution was determined as part of an actuarial valuation at December 31, 2005, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.75 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.3 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 30 years.

#### Reserves

As of December 31, 2006, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 6,823,385
Reserve for retired benefit payments	20,039,801

#### **Three-year Trend Information**

	Fiscal Year Ended December 31		
	2006	2005	2004
Annual pension cost (APC)	\$ 556,939	\$ 149,082	\$ -
Percentage of APC contributed	65.0 %	100.0 %	- %
Net pension obligation	196,939	-	-

### Note 9 - Joint Venture

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority (the "Authority") joint venture, which provides refuse disposal services to participating municipalities in the counties of Wayne and Macomb, Michigan. Other members include the cities of Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe, Grosse Pointe Shores, Grosse Pointe Woods, and Mount Clemens and the Township of Clinton. The City Council appoints one member to the joint venture's governing board, which then approves its annual budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of costs.

The City's interest in the net assets of the Authority totaled \$48,716 at December 31, 2006 and is reported as part of the governmental activities in the statement of net assets. The Authority is expected to sell real estate assets in future years. It is unknown what benefit the City will realize as a result of these transactions. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional benefit or burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

### Note 10 - Postemployment Benefits

The City provides health care benefits to all full-time employees upon retirement in accordance with labor contracts. Currently, 99 retirees are eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment health care benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$1,114,000.

**Upcoming Reporting Change** - The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care and other postemployment benefits (all benefits other than pensions). The new standard will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

# City of Harper Woods

## Notes to Financial Statements December 31, 2006

### Note 11 - Designated Fund Balance

Designated fund balance in the governmental funds at December 31, 2006 is as follows:

	General Fund	General Obligations Bond Fund	Storm Drain Fund	Other Nonmajor Governmental Funds
Subsequent year's budget	\$ 914,000	\$ -	\$ -	\$ 314,599
Debt service	-	480,763	1,486,231	-
Separation pay	-	-	-	630,000
Municipal improvement	-	-	-	2,936,879
Total	<u>\$ 914,000</u>	<u>\$ 480,763</u>	<u>\$ 1,486,231</u>	<u>\$ 3,881,478</u>

### Note 12 - Contingent Liabilities

The City is a defendant in various legal actions that have arisen in the normal course of business. In the opinion of management, eventual resolution of these claims will not have a material effect on the City's financial position or results of operations.

## **Required Supplemental Information**

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# City of Harper Woods

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2006

	Original Budget	Actual	Variance with Original Budget
<b>Revenue</b>			
Property taxes	\$ 6,933,000	\$ 7,044,083	\$ 111,083
Licenses and permits	86,500	117,950	31,450
Federal sources	-	4,400	4,400
State sources	1,730,500	1,681,291	(49,209)
Contribution from component unit	-	75,000	75,000
Charges for services	1,487,500	1,626,532	139,032
Interest	80,000	85,224	5,224
Miscellaneous revenue	183,000	189,304	6,304
Total revenue	10,500,500	10,823,784	323,284
<b>Expenditures - Current</b>			
General government:			
City Council	28,800	27,063	1,737
City manager	143,100	145,412	(2,312)
General services administration	649,400	733,195	(83,795)
City Clerk/Elections	186,100	198,395	(12,295)
District Court	549,900	555,896	(5,996)
Personnel	268,000	290,143	(22,143)
Other	3,691,500	3,229,236	462,264
Public safety:			
Law enforcement	3,542,200	3,665,885	(123,685)
Fire	1,518,000	1,408,524	109,476
Other	113,000	106,310	6,690
Public works	493,600	405,426	88,174
Recreation and culture	481,500	458,652	22,848
Total expenditures	11,665,100	11,224,137	440,963
<b>Excess of Expenditures Over Revenue</b>	(1,164,600)	(400,353)	764,247
<b>Other Financing Sources (Uses)</b>			
Transfers in	200,000	436,250	236,250
Transfers out	-	(25,000)	(25,000)
Total other financing sources	200,000	411,250	211,250
<b>Net Change in Fund Balance</b>	(964,600)	10,897	975,497
<b>Fund Balance - Beginning of year</b>	1,848,464	1,848,464	-
<b>Fund Balance - End of year</b>	<u>\$ 883,864</u>	<u>\$ 1,859,361</u>	<u>\$ 975,497</u>

# City of Harper Woods

## Required Supplemental Information Employees' Retirement System Schedule of Funding Progress Year Ended December 31, 2006

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/00	\$ 42,068,214	\$ 31,082,713	\$(10,985,501)	135.3	\$ 5,400,958	(203.4)
12/31/01	43,635,585	34,855,217	(8,780,368)	125.2	5,433,995	(161.6)
12/31/02	42,319,742	36,049,125	(6,270,617)	117.4	5,619,098	(111.6)
12/31/03	42,381,685	38,175,120	(4,206,565)	111.0	6,038,012	(69.7)
12/31/04	40,593,702	39,976,469	(617,233)	101.5	6,234,491	(9.9)
12/31/05	39,433,033	39,543,052	110,019	99.7	5,888,821	1.9

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/01	12/31/00	\$ -	-
12/31/02	12/31/01	-	-
12/31/03	12/31/02	-	-
12/31/04	12/31/03	-	-
12/31/05	12/31/04	149,082	100.0
12/31/06	12/31/05	556,939	65.0

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2005, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level of payroll, closed
Amortization period (perpetual)	30 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	4.5% - 8.3%
*Includes inflation at	4.5%
Cost of living adjustments	None

## **Other Supplemental Information**

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# City of Harper Woods

	Special			
			Municipal Improvements	
	Major Streets Fund	Local Streets Fund	Fund	Library Fund
<b>Assets</b>				
Cash and investments	\$ 182,460	\$ 59,218	\$ 2,070,215	\$ 819,867
Receivables:				
Taxes	-	-	-	199,388
Interest	-	-	8,763	230
Other governmental units	78,820	33,471	-	-
Due from other funds	1,057,230	2,184,006	982,281	-
Inventories and prepaid expenses	10,515	-	-	-
	<u>\$ 1,329,025</u>	<u>\$ 2,276,695</u>	<u>\$ 3,061,259</u>	<u>\$ 1,019,485</u>
<b>Total assets</b>				
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 725	\$ 4,545	\$ -	\$ 3,261
Due to component units	-	-	-	6,182
Due to other funds	1,136,834	2,257,397	124,380	615,974
Accrued liabilities and other	1,526	3,128	-	3,722
Deferred property tax revenue	-	-	-	380,747
Rehabilitation escrow	-	-	-	-
	<u>1,139,085</u>	<u>2,265,070</u>	<u>124,380</u>	<u>1,009,886</u>
<b>Total liabilities</b>				
<b>Fund Balances</b>				
Reserved for				
Inventories and prepaid expenses	10,515	-	-	-
Drug law enforcement	-	-	-	-
Unreserved, reported in -				
Special Revenue Funds:				
Designated	71,000	7,000	2,936,879	9,599
Undesignated	108,425	4,625	-	-
	<u>189,940</u>	<u>11,625</u>	<u>2,936,879</u>	<u>9,599</u>
<b>Total fund balances</b>				
<b>Total liabilities and fund balances</b>	<u>\$ 1,329,025</u>	<u>\$ 2,276,695</u>	<u>\$ 3,061,259</u>	<u>\$ 1,019,485</u>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2006**

Revenue Funds						Total Nonmajor Governmental Funds
Drug Law Enforcement	Refuse	Community Development Block Grant	Loan Revolving	Separation Pay		
\$ 104,643	\$ 1,585,220	\$ -	\$ 404,810	\$ -	\$ 5,226,433	
-	440,922	-	-	-	640,310	
139	572	-	8,856	-	18,560	
-	-	92,455	15,265	-	220,011	
-	522,045	62,395	-	630,000	5,437,957	
-	-	-	-	-	10,515	
<b>\$ 104,782</b>	<b>\$ 2,548,759</b>	<b>\$ 154,850</b>	<b>\$ 428,931</b>	<b>\$ 630,000</b>	<b>\$ 11,553,786</b>	
\$ -	\$ 60,605	\$ 1,380	\$ 15	\$ -	\$ 70,531	
-	13,485	-	-	-	19,667	
-	364,858	151,575	110,251	-	4,761,269	
-	2,332	-	-	-	10,708	
-	830,650	1,895	-	-	1,213,292	
-	-	-	318,665	-	318,665	
-	1,271,930	154,850	428,931	-	6,394,132	
-	-	-	-	-	10,515	
101,782	-	-	-	-	101,782	
3,000	224,000	-	-	630,000	3,881,478	
-	1,052,829	-	-	-	1,165,879	
104,782	1,276,829	-	-	630,000	5,159,654	
<b>\$ 104,782</b>	<b>\$ 2,548,759</b>	<b>\$ 154,850</b>	<b>\$ 428,931</b>	<b>\$ 630,000</b>	<b>\$ 11,553,786</b>	

# City of Harper Woods

	Special			
	Major Streets Fund	Local Streets Fund	Municipal Improvements Fund	Library Fund
<b>Revenue</b>				
Property taxes	\$ -	\$ -	\$ -	\$ 375,833
State sources	525,633	223,246	-	10,296
Charges for services	-	-	-	-
Interest	5,642	402	89,529	19,924
Miscellaneous revenue	24,040	10,303	-	36,158
<b>Total revenue</b>	<b>555,315</b>	<b>233,951</b>	<b>89,529</b>	<b>442,211</b>
<b>Expenditures - Current</b>				
General government	48,500	22,500	-	4,000
Public safety	-	-	-	-
Public works	385,071	504,710	2,189	-
Recreation and culture	-	-	-	496,127
<b>Total expenditures</b>	<b>433,571</b>	<b>527,210</b>	<b>2,189</b>	<b>500,127</b>
<b>Transfers In</b>	-	235,000	-	-
<b>Transfers Out</b>	(210,000)	-	(88,250)	-
<b>Net Change in Fund Balances</b>	<b>(88,256)</b>	<b>(58,259)</b>	<b>(910)</b>	<b>(57,916)</b>
<b>Fund Balances - Beginning of year</b>	<b>278,196</b>	<b>69,884</b>	<b>2,937,789</b>	<b>67,515</b>
<b>Fund Balances - End of year</b>	<b>\$ 189,940</b>	<b>\$ 11,625</b>	<b>\$ 2,936,879</b>	<b>\$ 9,599</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended December 31, 2006**

Revenue Funds

Drug Law Enforcement	Refuse	Community Development Block Grant	Loan Revolving	Separation Pay	Total Nonmajor Governmental Funds
\$ -	\$ 821,854	\$ -	\$ -	\$ -	\$ 1,197,687
-	-	103,820	-	-	862,995
-	99,739	-	-	-	99,739
1,160	70,048	-	21,777	-	208,482
16,536	-	-	-	-	87,037
17,696	991,641	103,820	21,777	-	2,455,940
203	10,000	27,800	-	-	113,003
3,129	-	-	-	-	3,129
-	1,055,865	76,020	21,777	-	2,045,632
-	-	-	-	-	496,127
3,332	1,065,865	103,820	21,777	-	2,657,891
-	-	-	-	-	235,000
-	(30,000)	-	-	(250,000)	(578,250)
14,364	(104,224)	-	-	(250,000)	(545,201)
90,418	1,381,053	-	-	880,000	5,704,855
<b>\$ 104,782</b>	<b>\$ 1,276,829</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 630,000</b>	<b>\$ 5,159,654</b>

# City of Harper Woods

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds December 31, 2006

	Equipment Fund	Self-insurance Fund	Total
<b>Assets</b>			
Current assets:			
Cash and investments	\$ 18,873	\$ -	\$ 18,873
Due from other funds	1,669,189	900,933	2,570,122
Total current assets	1,688,062	900,933	2,588,995
Noncurrent assets - Capital assets being depreciated - Net	213,035	-	213,035
Total assets	1,901,097	900,933	2,802,030
<b>Liabilities - Current</b>			
Accounts payable	8,291	-	8,291
Due to other funds	1,884,337	-	1,884,337
Accrued liabilities and other	2,820	-	2,820
Total liabilities	1,895,448	-	1,895,448
<b>Net Assets</b>			
Invested in capital assets	213,035	-	213,035
Unrestricted	(207,386)	900,933	693,547
Total net assets	\$ 5,649	\$ 900,933	\$ 906,582

# City of Harper Woods

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended December 31, 2006

	Equipment Fund	Self-insurance Fund	Total
<b>Operating Revenue - Billings to other funds</b>	\$ 239,370	\$ -	\$ 239,370
<b>Operating Expenses</b>			
Cost of materials	80,251	-	80,251
Operation and maintenance	207,627	-	207,627
General and administrative expenses	71,000	-	71,000
Depreciation	67,962	-	67,962
Total operating expenses	426,840	-	426,840
<b>Operating Loss</b>	(187,470)	-	(187,470)
<b>Nonoperating Revenue - Interest income</b>	413	-	413
<b>Loss - Before transfers</b>	(187,057)	-	(187,057)
<b>Transfers In</b>	180,000	-	180,000
<b>Transfers Out</b>	-	(148,000)	(148,000)
<b>Change in Net Assets</b>	(7,057)	(148,000)	(155,057)
<b>Net Assets - Beginning of year</b>	12,706	1,048,933	1,061,639
<b>Net Assets - End of year</b>	<b>\$ 5,649</b>	<b>\$ 900,933</b>	<b>\$ 906,582</b>

# City of Harper Woods

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2006

	Equipment Fund	Self-insurance Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from interfund services and reimbursements	\$ 35,445	\$ -	\$ 35,445
Payments to suppliers	(184,908)	-	(184,908)
Payments to employees	(170,364)	-	(170,364)
Internal activity - Payments to other funds	139,827	148,000	287,827
Net cash (used in) provided by operating activities	(180,000)	148,000	(32,000)
<b>Cash Flows from Noncapital Financing Activities</b>			
Transfers from other funds	180,000	-	180,000
Transfers to other funds	-	(148,000)	(148,000)
Net cash provided by (used in) noncapital financing activities	180,000	(148,000)	32,000
<b>Cash Flows from Investing Activities - Interest received on investments</b>			
	412	-	412
<b>Net Increase in Cash and Cash Equivalents</b>			
	412	-	412
<b>Cash and Cash Equivalents - Beginning of year</b>			
	18,461	-	18,461
<b>Cash and Cash Equivalents - End of year</b>			
	<b>\$ 18,873</b>	<b>\$ -</b>	<b>\$ 18,873</b>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>			
Operating loss	\$ (187,470)	\$ -	\$ (187,470)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	67,962	-	67,962
Changes in assets and liabilities:			
Due from other funds	(383,925)	148,000	(235,925)
Accounts payable	3,005	-	3,005
Due to other funds	319,827	-	319,827
Accrued and other liabilities	601	-	601
Net cash (used in) provided by operating activities	<b>\$ (180,000)</b>	<b>\$ 148,000</b>	<b>\$ (32,000)</b>

# City of Harper Woods

## Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds December 31, 2006

	<u>Tax Collection</u>	<u>District Court</u>	<u>Total Agency Funds</u>
<b>Assets - Cash</b>	<b>\$ 2,637,746</b>	<b>\$ 70,313</b>	<b>\$ 2,708,059</b>
<b>Liabilities</b>			
Due to other governmental units	\$ -	\$ 14,897	\$ 14,897
Bond deposits	-	55,416	55,416
Tax collections distributable	<u>2,637,746</u>	<u>-</u>	<u>2,637,746</u>
Total liabilities	<b><u>\$ 2,637,746</u></b>	<b><u>\$ 70,313</u></b>	<b><u>\$ 2,708,059</u></b>