

City of Harper Woods, Michigan

**Financial Report
with Supplemental Information
December 31, 2007**

City of Harper Woods, Michigan

Mayor and City Council

Mayor
Mayor Pro Tem

Kenneth A. Poynter
Cheryl A. Costantino

Council Member
Council Member
Council Member
Council Member
Council Member

Vivian M. Sawicki
John M. Szymanski
Michael P. Monaghan
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 L. Stowell

City Auditors

Plante & Moran, PLLC

City of Harper Woods, Michigan

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, Michigan

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City of Harper Woods, Michigan

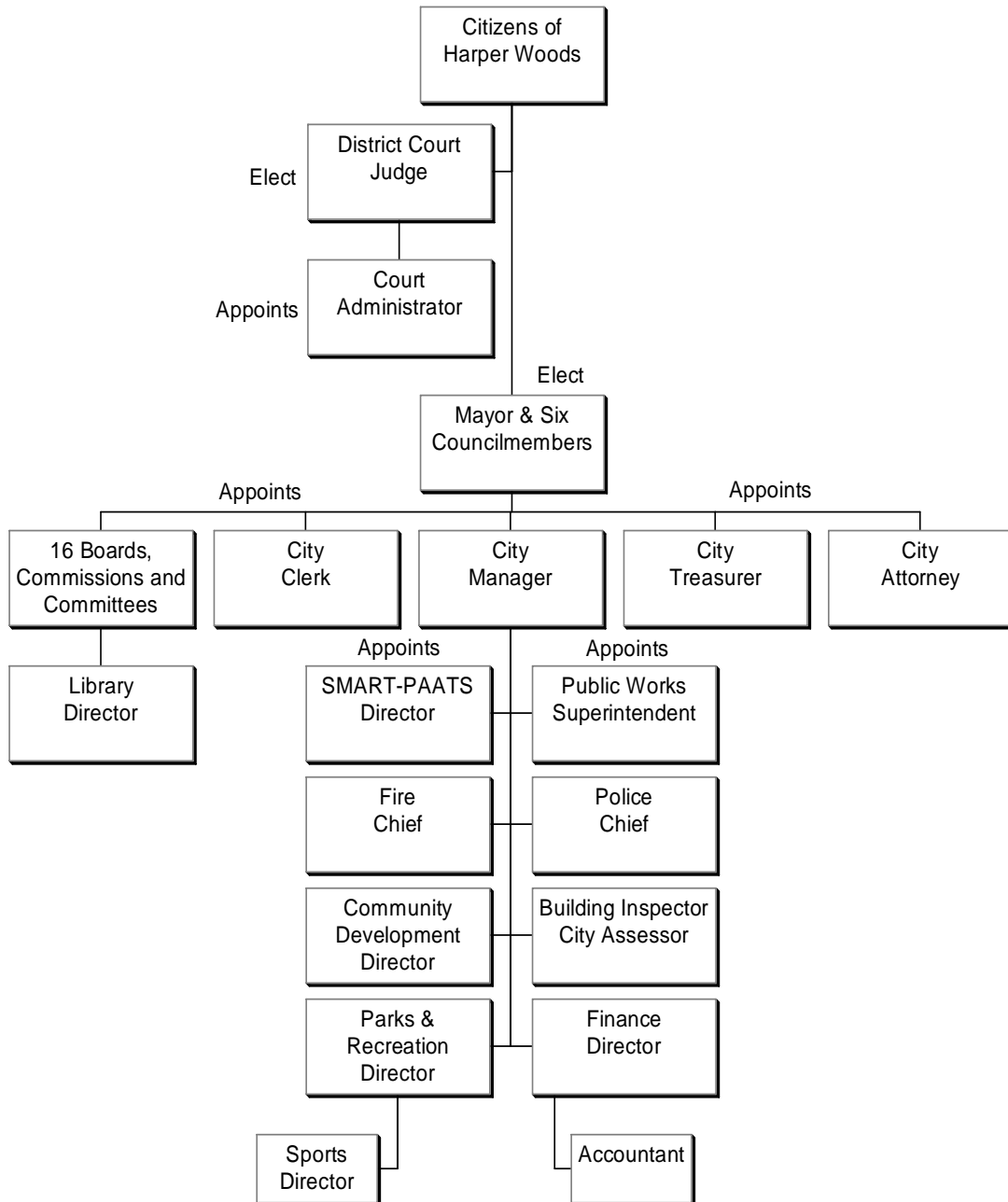
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Introductory Section

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, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the 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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harper Woods, Michigan as of December 31, 2007 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, 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, Michigan

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

June 6, 2008

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, 2007. 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, 2007 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 21,328	\$ 22,582	\$ 1,108	\$ 950	\$ 22,436	\$ 23,532
Noncurrent assets -						
Capital assets	<u>24,708</u>	<u>25,597</u>	<u>2,998</u>	<u>3,127</u>	<u>27,706</u>	<u>28,724</u>
Total assets	46,036	48,179	4,106	4,077	50,142	52,256
Liabilities						
Current liabilities	14,070	14,613	445	357	14,515	14,970
Long-term liabilities	<u>13,201</u>	<u>14,628</u>	-	-	<u>13,201</u>	<u>14,628</u>
Total liabilities	<u>27,271</u>	<u>29,241</u>	<u>445</u>	<u>357</u>	<u>27,716</u>	<u>29,598</u>
Net Assets						
Invested in capital assets -						
Net of related debt	11,236	10,762	2,998	3,127	14,234	13,889
Restricted	3,125	3,560	-	-	3,125	3,560
Unrestricted net assets	<u>4,404</u>	<u>4,616</u>	<u>663</u>	<u>593</u>	<u>5,067</u>	<u>5,209</u>
Total net assets	<u>\$ 18,765</u>	<u>\$ 18,938</u>	<u>\$ 3,661</u>	<u>\$ 3,720</u>	<u>\$ 22,426</u>	<u>\$ 22,658</u>

City of Harper Woods, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net assets decreased by 1.0 percent from a year ago - from \$22.7 million to \$22.4 million. The governmental activities decreased by less than 1.0 percent. This is a result of the major and nonmajor funds incurring losses this year. The business-type activities' net assets decreased by 1.5 percent as a result of the operating loss in the Water and Sewer Fund.

The following table shows the change in net assets for the year ended December 31, 2007 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 3,542	\$ 3,228	\$ 2,974	\$ 2,616	\$ 6,516	\$ 5,844
Operating grants and contributions	1,330	1,072	-	-	1,330	1,072
General revenue:						
Property taxes	9,496	9,465	-	-	9,496	9,465
State-shared revenues	1,530	1,551	-	-	1,530	1,551
Interest	665	616	97	81	762	697
Miscellaneous	489	256	-	-	489	256
Total revenue	17,052	16,188	3,071	2,697	20,123	18,885
Program Expenses						
General government	4,688	4,454	-	-	4,688	4,454
Public safety	6,169	6,073	-	-	6,169	6,073
Public works	5,087	4,772	-	-	5,087	4,772
Recreation and culture	807	1,141	-	-	807	1,141
Interest on long-term debt	574	556	-	-	574	556
Water and sewer	-	-	3,030	2,545	3,030	2,545
Total program expenses	17,325	16,996	3,030	2,545	20,355	19,541
Transfers	100	100	(100)	(100)	-	-
Net Change in Net Assets	(173)	(708)	(59)	52	(232)	(656)
Net Assets - Beginning of year	18,938	19,646	3,720	3,668	22,658	23,314
Net Assets - End of year	<u>\$ 18,765</u>	<u>\$ 18,938</u>	<u>\$ 3,661</u>	<u>\$ 3,720</u>	<u>\$ 22,426</u>	<u>\$ 22,658</u>

City of Harper Woods, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Total revenues for the City's governmental activities were \$17.0 million for December 31, 2007. The City again experienced a decrease in state-shared revenues. However, interest income increased.

Expenses for the City's governmental activities totaled \$17.3 million for December 31, 2007. Total expenses increased by approximately 1.9 percent with public works and general government showing the largest increases. The other activities which provide direct City services (e.g., public safety, recreation and culture, 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, 2007:

The City's continued diligence to curb spending and an increase in revenue in the charges for service area were able to offset some of the 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. Again, the City had long-term employees who left or retired whose payouts resulted in higher wages reported than expected.

Interest income again showed improvement. The City will continue to look at its investing policy to find the best opportunities for higher 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 not positive, in part due to the City of Detroit's Water and Sewer Department rate increases. The negative outcome was buffered by charging 50 percent of the excess flow to the Storm Drain Fund for Milk River Drain maintenance, a practice started in 2005 when Wayne County changed its invoicing for sewer and drain charges.

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, Local Streets 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 \$6.2 million in 2007. The General Fund is supported primarily by property taxes and state-shared revenue.

City of Harper Woods, Michigan

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. The Local Streets Fund manages local street projects and construction.

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 2007. 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 2007, the City had \$27.7 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 and the impact of the Headlee Amendment and Proposal A. 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. 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, Michigan

Statement of Net Assets December 31, 2007

	Primary Government			Brownfield Redevelopment Authority - Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 12,058,495	\$ 2,014,187	\$ 14,072,682	\$ -
Receivables:				
Taxes	5,250,371	-	5,250,371	-
Customers	-	871,214	871,214	-
Interest and other	202,496	-	202,496	-
Service fee	792,364	-	792,364	-
Other governmental units	811,327	113,861	925,188	-
Due from primary government	-	-	-	168,483
Internal balances (Note 5)	1,911,574	(1,911,574)	-	-
Inventories and prepaid items	248,072	20,460	268,532	-
Investment in joint venture (Note 9)	53,585	-	53,585	-
Capital assets (Note 4):				
Assets not subject to depreciation	760,574	-	760,574	-
Assets subject to depreciation - Net	23,946,890	2,998,256	26,945,146	-
Total assets	46,035,748	4,106,404	50,142,152	168,483
Liabilities				
Accounts payable	340,297	403,218	743,515	-
Due to component units	168,483	-	168,483	-
Accrued liabilities and other	387,690	42,306	429,996	-
Deferred property tax revenue (Note 1)	11,039,053	-	11,039,053	168,483
Rehabilitation escrow	325,951	-	325,951	-
Noncurrent liabilities (Note 6):				
Due within one year	1,808,692	-	1,808,692	-
Due in more than one year:				
Accumulated employee benefits	1,041,457	-	1,041,457	-
Net pension obligation (Note 8)	196,206	-	196,206	-
Long-term debt - Net of current portion	11,962,518	-	11,962,518	-
Total liabilities	27,270,347	445,524	27,715,871	168,483
Net Assets				
Invested in capital assets - Net of related debt	11,236,254	2,998,256	14,234,510	-
Restricted for:				
Streets and highways	43,872	-	43,872	-
Debt service	1,980,438	-	1,980,438	-
Library	28,248	-	28,248	-
Refuse	977,867	-	977,867	-
Drug enforcement	94,389	-	94,389	-
Unrestricted	4,404,333	662,624	5,066,957	-
Total net assets	\$ 18,765,401	\$ 3,660,880	\$ 22,426,281	\$ -

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

City of Harper Woods, Michigan

	Program Revenues		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
Functions/Programs			
Primary government:			
Governmental activities:			
General government	\$ 4,686,858	\$ 1,605,876	\$ 50,831
Public safety	6,169,026	247,538	131,921
Public works	5,087,473	1,478,845	860,785
Recreation and culture	806,979	284,576	211,267
Interest on long-term debt	573,872	-	-
Total governmental activities	17,324,208	3,616,835	1,254,804
Business-type activities - Water and Sewer	3,030,448	2,737,194	236,702
Total primary government	<u>\$ 20,354,656</u>	<u>\$ 6,354,029</u>	<u>\$ 1,491,506</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	
Transfers			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended December 31, 2007

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (3,030,151)	\$ -	\$ (3,030,151)	\$ -
(5,789,567)	-	(5,789,567)	-
(2,747,843)	-	(2,747,843)	-
(311,136)	-	(311,136)	-
<u>(573,872)</u>	<u>-</u>	<u>(573,872)</u>	<u>-</u>
(12,452,569)	-	(12,452,569)	-
-	<u>(56,552)</u>	<u>(56,552)</u>	-
(12,452,569)	(56,552)	(12,509,121)	-
-	-	-	(136,625)
9,496,063	-	9,496,063	136,625
1,529,585	-	1,529,585	-
665,244	97,463	762,707	-
<u>489,054</u>	<u>-</u>	<u>489,054</u>	<u>-</u>
12,179,946	97,463	12,277,409	136,625
<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
(172,623)	(59,089)	(231,712)	-
<u>18,938,024</u>	<u>3,719,969</u>	<u>22,657,993</u>	<u>-</u>
<u>\$ 18,765,401</u>	<u>\$ 3,660,880</u>	<u>\$ 22,426,281</u>	<u>\$ -</u>

City of Harper Woods, Michigan

Governmental Funds Balance Sheet December 31, 2007

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 897,035	\$ 1,987,263	\$ 3,639,970	\$ 57,011	\$ 5,477,216	\$ 12,058,495
Receivables:						
Taxes	3,918,637	653,353	-	-	678,381	5,250,371
Interest and other	136,623	3,675	-	12,752	49,446	202,496
Service fee	-	-	792,364	-	-	792,364
Other governmental units	457,037	-	-	33,432	320,858	811,327
Due from other funds (Note 5)	6,603,664	785,954	-	2,491,480	3,057,375	12,938,473
Inventories and prepaid items	232,077	-	-	-	15,995	248,072
Total assets	\$ 12,245,073	\$ 3,430,245	\$ 4,432,334	\$ 2,594,675	\$ 9,599,271	\$ 32,301,598
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 190,229	\$ -	\$ -	\$ 2,852	\$ 141,131	\$ 334,212
Due to component units	148,362	-	-	-	20,121	168,483
Due to other funds	2,533,469	1,578,368	1,703,000	2,558,491	3,392,303	11,765,631
Accrued liabilities and other	271,490	-	-	4,339	12,495	288,324
Deferred property tax revenue (Note 1)	7,195,461	1,218,235	1,382,538	-	1,242,819	11,039,053
Rehabilitation escrow	-	-	-	-	325,951	325,951
Deferred grant revenue	-	-	-	-	180,730	180,730
Total liabilities	10,339,011	2,796,603	3,085,538	2,565,682	5,315,550	24,102,384
Fund Balances						
Reserved for:						
Inventories and prepaid items	232,077	-	-	-	15,995	248,072
Drug law enforcement	-	-	-	-	72,389	72,389
Unreserved, reported in:						
General Fund:						
Designated (Note 11)	756,000	-	-	-	-	756,000
Undesignated	917,985	-	-	-	-	917,985
Debt Service Fund - Designated	-	633,642	1,346,796	-	-	1,980,438
Special Revenue Funds:						
Designated (Note 11)	-	-	-	500	3,328,412	3,328,912
Undesignated	-	-	-	28,493	866,925	895,418
Total fund balances	1,906,062	633,642	1,346,796	28,993	4,283,721	8,199,214
Total liabilities and fund balances	\$ 12,245,073	\$ 3,430,245	\$ 4,432,334	\$ 2,594,675	\$ 9,599,271	\$ 32,301,598

City of Harper Woods, Michigan

Governmental Funds **Reconciliation of the Balance Sheet of Governmental Funds to the** **Statement of Net Assets** **December 31, 2007**

Fund Balance - Total Governmental Funds	\$ 8,199,214
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	24,562,379
Certain receivables were earned during the current fiscal year but are not available to pay for current year expenditures	180,730
Investments in joint ventures are not reported in the funds	53,585
Net pension obligation is not due and payable in the current period and is not reported in the funds	(196,206)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(13,471,210)
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	(1,341,457)
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>873,811</u>
Net Assets - Governmental Activities	<u>\$ 18,765,401</u>

City of Harper Woods, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2007

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 7,040,776	\$ 1,244,775	\$ -	\$ -	\$ 1,210,512	\$ 9,496,063
Licenses and permits	115,078	-	-	-	-	115,078
Federal sources	54,870	-	-	-	-	54,870
State sources	1,639,192	-	-	221,864	687,733	2,548,789
Charges for services	1,947,912	-	-	-	93,908	2,041,820
Service fees	75,000	-	1,384,937	-	-	1,459,937
Interest	17,266	129,429	243,094	440	275,015	665,244
Miscellaneous revenue	347,541	-	-	23,013	113,631	484,185
Total revenue	11,237,635	1,374,204	1,628,031	245,317	2,380,799	16,865,986
Expenditures - Current						
General government	5,588,624	-	-	28,100	92,535	5,709,259
Public safety	5,040,764	-	-	-	28,301	5,069,065
Public works	419,177	-	1,003,125	440,249	2,068,843	3,931,394
Recreation and culture	442,369	-	-	-	462,440	904,809
Debt service:						
Principal retirement	-	750,000	614,382	-	-	1,364,382
Interest and fiscal charges	-	471,325	102,547	-	-	573,872
Total expenditures	11,490,934	1,221,325	1,720,054	468,349	2,652,119	17,552,781
Excess of Revenue Over (Under) Expenditures	(253,299)	152,879	(92,023)	(223,032)	(271,320)	(686,795)
Other Financing Sources (Uses)						
Transfers in	300,000	-	-	240,400	7,012	547,412
Transfers out	-	-	(47,412)	-	(600,000)	(647,412)
Total other financing sources (uses)	300,000	-	(47,412)	240,400	(592,988)	(100,000)
Net Change in Fund Balances	46,701	152,879	(139,435)	17,368	(864,308)	(786,795)
Fund Balances - Beginning of year	1,859,361	480,763	1,486,231	11,625	5,148,029	8,986,009
Fund Balances - End of year	\$ 1,906,062	\$ 633,642	\$ 1,346,796	\$ 28,993	\$ 4,283,721	\$ 8,199,214

City of Harper Woods, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2007

Net Change in Fund Balances of Governmental Funds	\$ (786,795)
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	485,326
Depreciation expense	(1,307,339)
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	4,869
Net pension obligation is not due and payable in the current period and is not reported in the funds	133
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	180,730
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	1,364,382
Compensated absence liabilities are recorded when earned in the statement of activities	(81,158)
Internal Service Funds are included as part of governmental activities	<u>(32,771)</u>
Change in Net Assets of Governmental Activities	<u>\$ (172,623)</u>

City of Harper Woods, Michigan

Proprietary Funds Statement of Net Assets December 31, 2007

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and investments (Note 3):	\$ 2,014,187	\$ -
Customer receivables	871,214	-
Due from other governmental units	113,861	-
Due from other funds (Note 5)	1,069,065	2,976,451
Prepaid expenses and other assets	20,460	-
Total current assets	4,088,787	2,976,451
Noncurrent assets - Capital assets being depreciated - Net (Note 4)	2,998,256	145,085
Total assets	7,087,043	3,121,536
Liabilities - Current		
Accounts payable	403,218	6,085
Due to other funds	2,980,639	2,237,719
Accrued liabilities and other	42,306	3,921
Total liabilities	3,426,163	2,247,725
Net Assets		
Investment in capital assets - Net of related debt	2,998,256	145,085
Unrestricted	662,624	728,726
Total net assets	\$ 3,660,880	\$ 873,811

City of Harper Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2007

	Business-type Activities Water and Sewer Fund	Governmental Activities Internal Service Funds
Operating Revenue		
Customer billings	\$ 2,708,144	\$ -
Billings to other funds	-	241,852
Other revenue	29,050	-
Total operating revenue	2,737,194	241,852
Operating Expenses		
Cost of materials	-	79,191
Water supply and sewage disposal	1,781,949	-
Operation and maintenance	815,937	262,482
General and administrative expenses	303,262	65,000
Depreciation	129,300	67,950
Total operating expenses	3,030,448	474,623
Operating Loss	(293,254)	(232,771)
Nonoperating Revenue		
Interest income	97,463	-
Other nonoperating revenue - Operating grant	236,702	-
Income (Loss) - Before transfers	40,911	(232,771)
Transfers In	-	350,000
Transfers Out	(100,000)	(150,000)
Change in Net Assets	(59,089)	(32,771)
Net Assets - Beginning of year	3,719,969	906,582
Net Assets - End of year	\$ 3,660,880	\$ 873,811

City of Harper Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2007

	Business-type Activities Water and Sewer Fund	Governmental Activities Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,592,331	\$ -
Receipts from interfund services and reimbursements	572,075	38,905
Payments to suppliers	(2,305,718)	(194,968)
Payments to employees	(519,241)	(212,810)
Net cash provided by (used in) operating activities	339,447	(368,873)
Cash Flows from Noncapital Financing Activities		
Operating grant	130,615	-
Transfers from other funds	-	350,000
Transfers to other funds	(100,000)	-
Net cash provided by noncapital financing activities	30,615	350,000
Cash Flows from Investing Activities - Interest received on investments	97,463	-
Net Increase (Decrease) in Cash and Cash Equivalents	467,525	(18,873)
Cash and Cash Equivalents - Beginning of year	1,546,662	18,873
Cash and Cash Equivalents - End of year	\$ 2,014,187	\$ -
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (293,254)	\$ (232,771)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	129,300	67,950
Changes in assets and liabilities:		
Receivables	(144,863)	-
Due from other funds	(309,519)	(556,329)
Prepaid and other assets	(12,090)	-
Accounts payable	82,853	(2,206)
Due to other funds	881,594	353,382
Accrued and other liabilities	5,426	1,101
Net cash provided by (used in) operating activities	\$ 339,447	\$ (368,873)
Noncash Transactions - Internal activity - Transfers to other funds	\$ -	\$ 150,000

City of Harper Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2007

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System	<u>Agency Funds</u>
Assets		
Cash	\$ 220,829	\$ 2,585,070
Investments:		
U.S. government securities	5,552,814	-
Common stocks	8,754,659	-
Corporate bonds	6,930,497	-
Mutual funds	18,877,743	-
Accrued interest and dividends receivable	245,212	-
	<u>40,581,754</u>	<u>\$ 2,585,070</u>
Total assets		
Liabilities		
Due to other governmental units	213,016	\$ 37,705
Bond deposits	-	58,603
Tax collections distributable	-	2,488,762
	<u>213,016</u>	<u>\$ 2,585,070</u>
Total liabilities		
Net Assets Held in Trust for Pension and Other Employee Benefits		<u>\$ 40,368,738</u>

City of Harper Woods, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2007

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System
Additions	
Investment income:	
Interest and dividends	\$ 1,434,031
Net appreciation in fair value of investments	2,655,346
Less investment expenses	<u>(143,517)</u>
Net investment income	3,945,860
Contributions:	
Employer	500,000
Employee	<u>394,803</u>
Total contributions	<u>894,803</u>
Total additions	4,840,663
Deductions	
Benefit payments	2,686,540
Refunds to employees	953,220
General and administrative expenses	<u>11,000</u>
Total deductions	<u>3,650,760</u>
Net Increase in Net Assets	1,189,903
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>39,178,835</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 40,368,738</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

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 Local Streets Fund accounts for the resources of state gas and weight tax revenues that are restricted for use on local streets.

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.

Note 1 - Summary of Significant Accounting Policies (Continued)

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." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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 2006 taxable valuation of the City totaled \$415,333,000, 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 \$7,041,000 for general operations, \$1,245,000 for debt service, \$380,000 for the library, and \$830,000 for rubbish removal. These amounts are recorded in their respective funds as tax revenue.

Deferred Revenue - Property taxes billed during the month of December 2007 will be used to finance 2008 operations. As such, these taxes are unearned and recorded as deferred revenue in the respective funds at December 31, 2007.

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.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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

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.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Deficit - As of December 31, 2007, the Major Streets Special Revenue Fund and the Equipment Internal Service Fund have 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.

Upcoming Reporting Change - The Governmental Accounting Standards Board has recently released Statement Number 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. The new pronouncement provides guidance for local units of government in recognizing pollution remediation expenses and obligations to address current or potential detrimental effects of existing pollution. The new pronouncement is effective for the year ending December 31, 2008. Management is currently assessing the impact of this new accounting standard on the City's financial statements for future reporting periods.

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, 2007 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.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

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

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Safety - Law enforcement expenditures in the General Fund were approximately \$135,000 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, 2007		\$	(220,566)
Current year permit revenue			108,318
Related expenses:			
Direct costs	\$	115,823	
Estimated indirect costs		<u>11,582</u>	<u>127,405</u>
Current year shortfall			<u>(19,087)</u>
Cumulative shortfall at December 31, 2007		\$	<u>(239,653)</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.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

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 \$16.1 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.

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	\$ 5,552,814	Counterparty
Corporate bonds	6,930,497	Counterparty
Equity securities	<u>26,553,103</u>	Counterparty
Total uninsured and unregistered	<u>\$ 39,036,414</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
Primary Government				
Bank investment pools	\$ 963,670	\$ 963,670	-	-
United States government agency securities	2,307,434	2,307,434	-	-
Employees' Retirement System				
Corporate bonds	6,930,497	2,731,842	2,966,389	1,232,266
United States government agency securities	5,552,814	-	367,481	5,185,333

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 3 - Deposits and Investments (Continued)

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
United States government agency securities:			
Federal Home Loan Bank	\$ 1,808,514	Not rated	Not rated
Federal Home Loan Mortgage Corporation	3,694,760	Not rated	Not rated
Federal National Mortgage Association	2,298,660	Not rated	Not rated
Government National Mortgage Association	58,114	Not rated	Not rated
Bank investment pool	376,266	Not rated	Not rated
Bank investment pool	587,404	AAA	Standard and Poor's
Corporate bonds	6,930,497	BBB- to AAA	Standard 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, 2007, the City's pension fund maintained investments in the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association totaling approximately 9.5 percent and 5.9 percent, respectively, of the pension fund's total investments.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 4 - Capital Assets

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

Governmental Activities	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
Capital assets not being depreciated - Land	\$ 760,574	\$ -	\$ -	\$ 760,574
Capital assets being depreciated:				
Roads	15,993,495	-	-	15,993,495
Sidewalks	1,119,044	-	-	1,119,044
Storm drains	10,890,938	-	-	10,890,938
Land improvements	40,199	308,219	-	348,418
Buildings and improvements	4,517,078	-	-	4,517,078
Vehicles	3,012,503	71,534	(19,423)	3,064,614
Office furnishings	245,111	-	-	245,111
Machinery and equipment	2,506,760	124,996	-	2,631,756
Subtotal	38,325,128	504,749	(19,423)	38,810,454
Accumulated depreciation:				
Roads	4,331,503	639,740	-	4,971,243
Sidewalks	731,338	55,901	-	787,239
Storm drains	4,020,649	272,273	-	4,292,922
Land improvements	10,136	10,263	-	20,399
Building and improvements	819,964	92,023	-	911,987
Vehicles	2,371,984	161,809	-	2,533,793
Office furnishings	27,775	12,325	-	40,100
Machinery and equipment	1,174,926	130,955	-	1,305,881
Subtotal	13,488,275	1,375,289	-	14,863,564
Net capital assets being depreciated	24,836,853	(870,540)	(19,423)	23,946,890
Net capital assets	\$ 25,597,427	\$ (870,540)	\$ (19,423)	\$ 24,707,464

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2007	Additions	Disposals and Adjustments	Balance December 31, 2007
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	2,232,172	108,000	-	2,340,172
Sewer system	991,805	21,300	-	1,013,105
Machinery and equipment	62,132	-	-	62,132
Subtotal	3,286,109	129,300	-	3,415,409
Net capital assets	<u>\$ 3,127,556</u>	<u>\$ (129,300)</u>	<u>\$ -</u>	<u>\$ 2,998,256</u>

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

Governmental activities:	
General government	\$ 26,800
Public safety	140,063
Public works	1,041,011
Recreation and culture	167,415
Total governmental activities	<u>\$ 1,375,289</u>
Business-type activities - Water and sewer	<u>\$ 129,300</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 5 - Interfund Receivables, Payables, and Transfers

Below are the interfund receivables of the City at December 31, 2007:

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 2,123,131
	Storm Drain Fund	50,000
	Water and Sewer Fund	1,689,052
	Nonmajor governmental funds	503,762
	Internal Service Funds	<u>2,237,719</u>
	Total General Fund	6,603,664
General Obligation Bonds Fund	General Fund	477,712
	Nonmajor governmental funds	<u>308,242</u>
	Total General Obligations Bonds Fund	785,954
Local Streets Fund	General Obligations Bonds Fund	766,588
	Storm Drain Fund	442,873
	Water and Sewer Fund	64,757
	Nonmajor governmental funds	<u>1,217,262</u>
	Total nonmajor governmental funds	2,491,480
Nonmajor governmental funds	General Fund	1,310,825
	General Obligations Bonds Fund	811,780
	Storm Drain Fund	141,062
	Water and Sewer Fund	439,070
	Nonmajor governmental funds	<u>354,638</u>
	Total nonmajor governmental funds	3,057,375
Internal Service Funds	General Fund	750,933
	Local Streets Fund	429,360
	Water and Sewer Fund	787,762
	Nonmajor governmental funds	<u>1,008,396</u>
	Total Internal Service Funds	2,976,451
Water and Sewer Fund	Storm Drain Fund	<u>1,069,065</u>
Total interfund receivables		<u>\$ 16,983,989</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

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	Nonmajor governmental funds	\$ 150,000
	Internal Service Funds	<u>150,000</u>
	Total General Fund	300,000
Local Streets Fund	Storm Drain Fund	40,400
	Nonmajor governmental funds	<u>200,000</u>
	Total other nonmajor funds	240,400
Nonmajor governmental funds	Storm Drain Fund	7,012
Internal Service Funds	Nonmajor governmental funds	250,000
	Water and Sewer Fund	<u>100,000</u>
	Total Internal Service Funds	<u>350,000</u>
Total		<u><u>\$ 897,412</u></u>

The transfers from the nonmajor governmental funds to the General Fund represent the transfer of discretionary funds for separation pay expenditures.

The transfers from the Internal Service Funds to the General Fund represent the transfer of discretionary funds for health insurance expenditures.

The transfers from the Storm Drain Fund to the Local Streets Fund represent the transfer of discretionary funds for local street construction.

The transfers from the nonmajor governmental funds to the Local Streets Fund represent the transfer of discretionary funds for local street construction.

The transfers from the Storm Drain Fund to the nonmajor governmental funds represent the transfer of discretionary funds for local street construction.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

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

The transfers from the nonmajor governmental funds to the Internal Service Funds represent the transfer of discretionary funds for additional equipment and repairs.

The transfers from the Water and Sewer Fund to the Internal Service Funds represent the transfer of discretionary funds for additional equipment and repairs.

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	\$ 1,825,000
1999 General Obligation Road Bonds, \$5,000,000 original issue, bearing interest from 4.125% to 5.00%, maturing in 2014	4,300,000
2001 General Obligation Road Bonds, \$1,500,000 original issue, bearing interest from 4.00% to 5.00%, maturing in 2014	1,050,000
2004 General Obligation Library Bonds, \$3,100,000 original issue, bearing interest from 3.30% to 5.00%, maturing in 2024	<u>2,975,000</u>
Total unlimited tax general obligation bonds	10,150,000

County Drain Obligations - Milk River Drain, bearing interest from 2.00% to 4.65%, maturing in 2012	<u>3,321,210</u>
-----------------------------------------------------------------------------------------------------	------------------

Total governmental activity debt	<u><u>\$ 13,471,210</u></u>
----------------------------------	-----------------------------

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Unlimited tax general obligation bonds	\$ 10,900,000	\$ -	\$ (750,000)	\$ 10,150,000	\$ 875,000
County drain obligations	<u>3,935,592</u>	<u>-</u>	<u>(614,382)</u>	<u>3,321,210</u>	<u>633,692</u>
Total	<u>\$ 14,835,592</u>	<u>\$ -</u>	<u>\$ (1,364,382)</u>	<u>\$ 13,471,210</u>	<u>\$ 1,508,692</u>
Accumulated employee benefits	<u>\$ 1,260,299</u>	<u>\$ 132,135</u>	<u>\$ (50,977)</u>	<u>\$ 1,341,457</u>	<u>\$ 300,000</u>

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 \$10,659,000 at December 31, 2007.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 6 - Long-term Debt (Continued)

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

	Governmental Activities		
	Principal	Interest	Total
2008	\$ 1,508,692	\$ 515,484	\$ 2,024,176
2009	1,574,490	452,927	2,027,417
2010	1,643,800	388,832	2,032,632
2011	1,888,108	328,123	2,216,231
2012	1,881,120	251,508	2,132,628
2013-2017	3,175,000	568,224	3,743,224
2018-2022	1,175,000	273,063	1,448,063
2023-2024	625,000	28,613	653,613
Total	\$ 13,471,210	\$ 2,806,774	\$ 16,277,984

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.

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, 2007 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.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

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, 2006, the date of the most recent actuarial valuation, membership consisted of 95 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 92 current active employees. The plan does not issue a separate financial report.

Contributions

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the Plan. Please refer to Note 1 for further significant accounting policies.

The obligation to contribute to and maintain the System for these employees was established by negotiation with the City's competitive bargaining units 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.

Annual Pension Cost and Net Pension Obligation

Annual required contribution	\$ 502,015
Interest on net pension obligation	15,216
Adjustment to annual required contribution	<u>(17,364)</u>
Annual pension cost (APC)	499,867
Contributions made	<u>500,000</u>
Decrease in net pension obligation	(133)
Net pension obligation - Beginning of year	<u>196,339</u>
Net pension obligation - End of year	<u>\$ 196,206</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 8 - Defined Benefit Pension Plan (Continued)

The annual required contribution was determined as part of an actuarial valuation at December 31, 2006, 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 29 years.

Reserves

As of December 31, 2007, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 6,960,162
Reserve for retired benefit payments	24,309,244

Three-year Trend Information

	Fiscal Year Ended December 31		
	2007	2006	2005
Annual pension cost (APC)	\$ 502,015	\$ 556,339	\$ 149,082
Percentage of APC contributed	99.6 %	64.7 %	100.0 %
Net pension obligation	\$ 196,206	\$ 196,339	\$ -

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.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

Note 9 - Joint Venture (Continued)

The City's interest in the net assets of the Authority totaled \$53,585 at December 31, 2007 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 healthcare 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 healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for postemployment healthcare benefits are recognized as the insurance premiums become due; during the year, this amounted to approximately \$1,168,000.

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 healthcare coverage over the working life of the employee, rather than at the time the healthcare premiums are paid. The new pronouncement is effective for the year ending December 31, 2008.

Note 11 - Designated Fund Balance

Designated fund balance in the governmental funds at December 31, 2007 is as follows:

	General Fund	General Obligations Bond Fund	Storm Drain Fund	Local Streets Fund	Other Nonmajor Governmental Funds
Subsequent year's budget	\$ 756,000	\$ -	\$ -	\$ 500	\$ 172,000
Debt service	-	633,642	1,346,796	-	-
Separation pay	-	-	-	-	480,000
Municipal improvement	-	-	-	-	2,676,412
Total	<u>\$ 756,000</u>	<u>\$ 633,642</u>	<u>\$ 1,346,796</u>	<u>\$ 500</u>	<u>\$ 3,328,412</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2007

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

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2007

	Original Budget	Actual	Variance with Original Budget
Revenue			
Property taxes	\$ 7,103,880	\$ 7,040,776	\$ (63,104)
Licenses and permits	101,500	115,078	13,578
Federal sources	-	54,870	54,870
State sources	1,730,000	1,639,192	(90,808)
Charges for services	1,505,500	1,947,912	442,412
Other fines and forfeitures	-	75,000	75,000
Interest	95,000	17,266	(77,734)
Miscellaneous revenue	201,000	347,541	146,541
Total revenue	10,736,880	11,237,635	500,755
Expenditures - Current			
General government:			
City Council	29,800	37,052	(7,252)
City manager	143,300	130,457	12,843
General services administration	693,300	730,523	(37,223)
City Clerk/Elections	190,800	212,584	(21,784)
District Court	543,600	543,631	(31)
Personnel	290,000	296,211	(6,211)
Other	4,019,700	3,638,166	381,534
Public safety:			
Law enforcement	3,551,800	3,686,775	(134,975)
Fire	1,357,020	1,238,166	118,854
Other	81,500	115,823	(34,323)
Public works	465,500	419,177	46,323
Recreation and culture	484,700	442,369	42,331
Total expenditures	11,851,020	11,490,934	360,086
Excess of Expenditures Over Revenue	(1,114,140)	(253,299)	860,841
Other Financing Sources - Transfers in	200,000	300,000	100,000
Net Change in Fund Balance	(914,140)	46,701	960,841
Fund Balance - Beginning of year	1,859,361	1,859,361	-
Fund Balance - End of year	\$ 945,221	\$ 1,906,062	\$ 960,841

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Local Streets Fund Year Ended December 31, 2007

	<u>Original Budget</u>	<u>Actual</u>	<u>Variance with Original Budget</u>
Revenue			
State sources	\$ 227,400	\$ 221,864	\$ (5,536)
Interest	400	440	40
Miscellaneous revenue	10,000	23,013	13,013
Total revenue	<u>237,800</u>	<u>245,317</u>	<u>7,517</u>
Expenditures - Current			
General government	42,000	28,100	13,900
Public works	352,400	440,249	(87,849)
Total expenditures	<u>394,400</u>	<u>468,349</u>	<u>(73,949)</u>
Excess of Expenditures Over Revenue	(156,600)	(223,032)	(66,432)
Other Financing Sources - Transfers in	<u>150,000</u>	<u>240,400</u>	<u>90,400</u>
Net Change in Fund Balance	(6,600)	17,368	23,968
Fund Balance - Beginning of year	<u>11,625</u>	<u>11,625</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 5,025</u>	<u>\$ 28,993</u>	<u>\$ 23,968</u>

City of Harper Woods, Michigan

Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2007

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
12/31/01	\$ 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
12/31/06	39,080,964	42,086,688	3,005,724	92.9	5,872,496	51.2

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
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
12/31/07	12/31/06	502,015	99.6

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2006, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level of payroll, closed
Amortization period (perpetual)	29 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

City of Harper Woods, Michigan

	Special		
	Municipal		
	Major Streets Fund	Improvements Fund	Library Fund
Assets			
Cash and investments	\$ 160,088	\$ 2,152,268	\$ 1,192,504
Receivables:			
Taxes	-	-	209,782
Interest	29,602	8,763	230
Other governmental units	78,758	180,730	-
Due from other funds	1,211,002	689,761	-
Inventories and prepaid expenses	15,995	-	-
	<u>\$ 1,495,445</u>	<u>\$ 3,031,522</u>	<u>\$ 1,402,516</u>
Total assets			
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 30,775	\$ -	\$ 5,568
Due to component units	-	-	6,325
Due to other funds	1,445,326	174,380	965,892
Accrued liabilities and other	4,465	-	6,456
Deferred property tax revenue	-	-	390,027
Rehabilitation escrow	-	-	-
Deferred grant revenue	-	180,730	-
	<u>1,480,566</u>	<u>355,110</u>	<u>1,374,268</u>
Total liabilities			
Fund Balances			
Reserved for:			
Inventories and prepaid expenses	15,995	-	-
Drug law enforcement	-	-	-
Unreserved, reported in			
Special Revenue Funds:			
Designated	-	2,676,412	24,000
Undesignated	(1,116)	-	4,248
	<u>14,879</u>	<u>2,676,412</u>	<u>28,248</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 1,495,445</u>	<u>\$ 3,031,522</u>	<u>\$ 1,402,516</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2007**

Revenue Funds						
Drug Law Enforcement	Refuse	Community Development Block Grant	Loan Revolving	Separation Pay	Total Nonmajor Governmental Funds	
\$ 94,371	\$ 1,454,641	\$ -	\$ 423,344	\$ -	\$ 5,477,216	
-	468,599	-	-	-	678,381	
139	2,762	-	7,950	-	49,446	
-	-	44,521	16,849	-	320,858	
-	614,217	62,395	-	480,000	3,057,375	
-	-	-	-	-	15,995	
\$ 94,510	\$ 2,540,219	\$ 106,916	\$ 448,143	\$ 480,000	\$ 9,599,271	
\$ 121	\$ 90,027	\$ 14,640	\$ -	\$ -	\$ 141,131	
-	13,796	-	-	-	20,121	
-	606,058	90,381	110,266	-	3,392,303	
-	1,574	-	-	-	12,495	
-	850,897	1,895	-	-	1,242,819	
-	-	-	325,951	-	325,951	
-	-	-	-	-	180,730	
121	1,562,352	106,916	436,217	-	5,315,550	
-	-	-	-	-	15,995	
72,389	-	-	-	-	72,389	
22,000	126,000	-	-	480,000	3,328,412	
-	851,867	-	11,926	-	866,925	
94,389	977,867	-	11,926	480,000	4,283,721	
\$ 94,510	\$ 2,540,219	\$ 106,916	\$ 448,143	\$ 480,000	\$ 9,599,271	

City of Harper Woods, Michigan

	Special			
	Major Streets Fund	Municipal Improvements Fund	Library Fund	Drug Law Enforcement
Revenue				
Property taxes	\$ -	\$ -	\$ 380,496	\$ -
State sources	522,697	19,270	11,267	-
Charges for services	-	-	-	-
Interest	15,581	110,549	52,257	651
Miscellaneous revenue	53,544	-	41,069	19,018
Total revenue	591,822	129,819	485,089	19,669
Expenditures - Current				
General government	45,500	-	4,000	1,761
Public safety	-	-	-	28,301
Public works	528,395	340,286	-	-
Recreation and culture	-	-	462,440	-
Total expenditures	573,895	340,286	466,440	30,062
Transfers In	7,012	-	-	-
Transfers Out	(200,000)	(50,000)	-	-
Net Change in Fund Balances	(175,061)	(260,467)	18,649	(10,393)
Fund Balances - Beginning of year	189,940	2,936,879	9,599	104,782
Fund Balances - End of year	<u>\$ 14,879</u>	<u>\$ 2,676,412</u>	<u>\$ 28,248</u>	<u>\$ 94,389</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2007

Revenue Funds					Total
Refuse	Community Development Block Grant	Loan Revolving	Separation Pay	Total Nonmajor Governmental Funds	
\$ 830,016	\$ -	\$ -	\$ -	\$ 1,210,512	
-	134,499	-	-	687,733	
93,908	-	-	-	93,908	
78,237	-	17,740	-	275,015	
-	-	-	-	113,631	
1,002,161	134,499	17,740	-	2,380,799	
12,000	29,274	-	-	92,535	
-	-	-	-	28,301	
1,089,123	105,225	5,814	-	2,068,843	
-	-	-	-	462,440	
1,101,123	134,499	5,814	-	2,652,119	
-	-	-	-	7,012	
(200,000)	-	-	(150,000)	(600,000)	
(298,962)	-	11,926	(150,000)	(864,308)	
1,276,829	-	-	630,000	5,148,029	
\$ 977,867	\$ -	\$ 11,926	\$ 480,000	\$ 4,283,721	

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds December 31, 2007

	Equipment Fund	Self-insurance Fund	Total
Assets			
Current assets - Due from other funds	\$ 2,225,518	\$ 750,933	\$ 2,976,451
Noncurrent assets - Capital assets being depreciated - Net	145,085	-	145,085
Total assets	2,370,603	750,933	3,121,536
Liabilities - Current			
Accounts payable	6,085	-	6,085
Due to other funds	2,237,719	-	2,237,719
Accrued liabilities and other	3,921	-	3,921
Total liabilities	2,247,725	-	2,247,725
Net Assets			
Invested in capital assets	145,085	-	145,085
Unrestricted	(22,207)	750,933	728,726
Total net assets	\$ 122,878	\$ 750,933	\$ 873,811

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended December 31, 2007

	Equipment Fund	Self-insurance Fund	Total
Operating Revenue - Billings to other funds	\$ 241,852	\$ -	\$ 241,852
Operating Expenses			
Cost of materials	79,191	-	79,191
Operation and maintenance	262,482	-	262,482
General and administrative expenses	65,000	-	65,000
Depreciation	67,950	-	67,950
Total operating expenses	<u>474,623</u>	<u>-</u>	<u>474,623</u>
Operating Loss	(232,771)	-	(232,771)
Transfers In	350,000	-	350,000
Transfers Out	<u>-</u>	<u>(150,000)</u>	<u>(150,000)</u>
Change in Net Assets	117,229	(150,000)	(32,771)
Net Assets - Beginning of year	<u>5,649</u>	<u>900,933</u>	<u>906,582</u>
Net Assets - End of year	<u><u>\$ 122,878</u></u>	<u><u>\$ 750,933</u></u>	<u><u>\$ 873,811</u></u>

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2007

	Equipment Fund	Self-insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 38,905	\$ -	\$ 38,905
Payments to suppliers	(194,968)	-	(194,968)
Payments to employees	(212,810)	-	(212,810)
Net cash used in operating activities	(368,873)	-	(368,873)
Cash Flows from Noncapital Financing Activities -			
Transfers from other funds	350,000	-	350,000
Net Decrease in Cash and Cash Equivalents	(18,873)	-	(18,873)
Cash and Cash Equivalents - Beginning of year	18,873	-	18,873
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (232,771)	\$ -	\$ (232,771)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	67,950	-	67,950
Changes in assets and liabilities:			
Due from other funds	(556,329)	-	(556,329)
Accounts payable	(2,206)	-	(2,206)
Due to other funds	353,382	-	353,382
Accrued and other liabilities	1,101	-	1,101
Net cash used in operating activities	<u>\$ (368,873)</u>	<u>\$ -</u>	<u>\$ (368,873)</u>
Noncash Transactions - Internal activity - Transfers to other funds	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 150,000</u>

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds December 31, 2007

	<u>Tax Collection</u>	<u>District Court</u>	<u>Total Agency Funds</u>
Assets - Cash	\$ 2,488,762	\$ 96,308	\$ 2,585,070
Liabilities			
Due to other governmental units	\$ -	\$ 37,705	\$ 37,705
Bond deposits	-	58,603	58,603
Tax collections distributable	<u>2,488,762</u>	<u>-</u>	<u>2,488,762</u>
Total liabilities	<u>\$ 2,488,762</u>	<u>\$ 96,308</u>	<u>\$ 2,585,070</u>