

**Economic Development  
Corporation of the City of  
Farmington Hills, Michigan**

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**Financial Report  
June 30, 2003**

# **Economic Development Corporation of the City of Farmington Hills, Michigan**

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## Independent Auditor's Report

To the Board of Directors  
Economic Development Corporation of the  
City of Farmington Hills, Michigan

We have audited the accompanying basic financial statements of the Economic Development Corporation of the City of Farmington Hills, Michigan (a component unit of the City of Farmington Hills, Michigan) as of June 30, 2003 and 2002 and for the years then ended, as listed in the table of contents. These financial statements are the responsibility of the officers of the Economic Development Corporation of the City of Farmington Hills, Michigan. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 audits provide a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Economic Development Corporation of the City of Farmington Hills, Michigan at June 30, 2003 and 2002 and the changes in its financial position and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements do not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

*Plante & Moran, PLLC*

October 7, 2003

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# Economic Development Corporation of the City of Farmington Hills, Michigan

## Statement of Net Assets

	June 30	
	2003	2002
<b>Assets</b>		
Cash and cash equivalents (Note 2)	\$ 505,249	\$ 562,169
Accrued interest receivable	<u>103</u>	<u>201</u>
Total assets	505,352	562,370
<b>Liabilities</b>		
Accounts payable	1,841	751
Due to other governmental units	<u>63</u>	<u>4,165</u>
Total liabilities	<u>1,904</u>	<u>4,916</u>
<b>Net Assets - Unrestricted</b>	<b><u>\$ 503,448</u></b>	<b><u>\$ 557,454</u></b>

# Economic Development Corporation of the City of Farmington Hills, Michigan

## Statement of Revenue, Expenses, and Changes in Net Assets

	Year Ended June 30	
	2003	2002
<b>Operating Revenue</b>		
Fees and other	\$ 1,101	\$ 8,644
<b>Operating Expenses</b>		
Administrative wages	21,478	22,626
Printing, supplies, and other	42,190	30,102
Total expenses	<u>63,668</u>	<u>52,728</u>
<b>Operating Loss</b>	(62,567)	(44,084)
<b>Other Revenue</b> - Interest income	<u>8,561</u>	<u>15,943</u>
<b>Change in Net Assets</b>	(54,006)	(28,141)
<b>Net Assets</b> - Beginning of year	<u>557,454</u>	<u>585,595</u>
<b>Net Assets</b> - End of year	<u><u>\$ 503,448</u></u>	<u><u>\$ 557,454</u></u>

# Economic Development Corporation of the City of Farmington Hills, Michigan

## Statement of Cash Flows

	Year Ended June 30	
	2003	2002
<b>Cash Flows from Operating Activities</b>		
Collection of fees	1,101	8,644
Payments to employees, suppliers, and other	<u>(66,680)</u>	<u>(52,106)</u>
Net cash used in operating activities	(65,579)	(43,462)
<b>Cash Flows from Investing Activities -</b>		
Interest received on investments	<u>8,659</u>	<u>16,427</u>
<b>Net Decrease in Cash and Cash Equivalents</b>	(56,920)	(27,035)
<b>Cash and Cash Equivalents - Beginning of year</b>	<u>562,169</u>	<u>589,204</u>
<b>Cash and Cash Equivalents - End of year</b>	<u><b>\$ 505,249</b></u>	<u><b>\$ 562,169</b></u>
<b>Reconciliation of Operating Loss to Net Cash from Operating Activities</b>		
Operating loss	(62,567)	(44,084)
Changes in liabilities:		
Accounts payable	1,090	500
Due to other government units	<u>(4,102)</u>	<u>122</u>
<b>Net Cash Used in Operating Activities</b>	<u><b>\$ (65,579)</b></u>	<u><b>\$ (43,462)</b></u>

# Economic Development Corporation of the City of Farmington Hills, Michigan

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**Notes to Financial Statements  
June 30, 2003 and 2002**

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

The financial statements of the Economic Development Corporation (the "Corporation") report the financial activities of the Corporation as a separate entity. These activities have also been presented on a separate component unit basis and included with the financial statements of the City of Farmington Hills, Michigan (the "City").

The accounting policies of the Corporation conform to accounting principles as applicable to enterprise funds of governmental units. In accordance with generally accepted accounting principles, there are no component units to be included in these financial statements.

### **Reporting Entity**

The Corporation is organized pursuant to the State of Michigan Public Act No. 338 of 1974, as amended. The primary purpose of the Corporation is to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. The Corporation's governing body, which consists of nine individuals, is appointed by the City Council. The Corporation has the authority to issue limited obligation revenue bonds to promote its objectives. When used, the Corporation issues the limited obligation revenue bonds and, in effect, loans the bond proceeds to commercial and industrial enterprises to finance the cost of projects to be used by such enterprises. The bonds are sometimes, but not always, collateralized by a mortgage on the project or sale/leaseback documentation. In return, the benefited enterprise agrees to pay loan repayments or lease rentals in amounts sufficient to pay debt service on the bonds.

**Basis of Accounting** - The accrual basis of accounting is used by the Corporation. The Corporation follows all pronouncements of the Governmental Accounting Standards Board and those of the Financial Accounting Standards Board issued prior to November 30, 1989.

**Operating Revenue** - Operating revenue represents fees charged to entities in connection with issuance of bonds.

**Cash Equivalents** - For the purpose of the statement of cash flows, all highly liquid investments with original maturities of three months or less are considered to be cash equivalents.

# Economic Development Corporation of the City of Farmington Hills, Michigan

## Notes to Financial Statements June 30, 2003 and 2002

### Note 2 - Cash and Cash Equivalents

The Corporation's cash and cash equivalents are composed of the following:

	2003	2002
Deposits	\$ 253,128	\$ 398,552
Investments - At fair value	252,096	163,592
Petty cash and cash on hand	<u>25</u>	<u>25</u>
Total	<u>\$ 505,249</u>	<u>\$ 562,169</u>

#### Deposits

The above deposits are held in the name of the City of Farmington Hills, Michigan. The balance on deposits in the bank, before adjustments for checks written but not cleared or of deposits in transit, amounted to \$253,128 and \$391,408 at June 30, 2003 and 2002, respectively. The federal depository insurance coverage pertains to all the deposits of the City; hence, the specific coverage pertaining to the Economic Development Corporation's deposits, if any, is not determinable.

#### Investments

The Corporation is authorized by Michigan Public Act 20 of 1943 (as amended) to invest surplus monies in U.S. bonds and notes, certain commercial paper, U.S. government repurchase agreements, bankers' acceptances and mutual funds, and investment pools that are composed of authorized investment vehicles.

The Corporation's investments at June 30, 2003 and 2002 consisted of bank investment pools. Bank investment pools are regulated by the Michigan Banking Act, and the fair value of the position in the pool is the same as the value of the pool shares. These investments comply with the investment authority noted above.

Statement No. 3 of the Governmental Accounting Standards Board requires the classification of certain investments by credit risk category. The bank investment pools are not categorized because they are not evidenced by securities that exist in physical or book entry form.

# **Economic Development Corporation of the City of Farmington Hills, Michigan**

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## **Notes to Financial Statements June 30, 2003 and 2002**

### **Note 3 - Bonds Issued**

The Corporation has issued revenue bonds totaling approximately \$170 million. The bonds issued by the Corporation are payable solely from the net revenue derived from the respective projects and are not a general obligation of the Corporation. The Corporation has no power of taxation. After these bonds are issued, all financial activity is taken over by a trustee, depository, or paying agent. The bonds, related contracts, and assets pledged to secure payment of the bonds are not reflected in the Corporation's financial statements. Information regarding the status of such bond issues, including possible default, must be obtained from the holders of the bonds, the industrial or commercial enterprise benefited by the bonds, or some other knowledgeable source.

### **Note 4 - Risk Management**

The Corporation is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation). The Corporation has purchased commercial insurance for workers' compensation and participates in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to general liability and property loss claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority's state pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts. A portion of the excess insurance coverage is underwritten by the Authority itself.