

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name	County
Fiscal Year End	Opinion Date	Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES NO Check each applicable box below. (See instructions for further detail.)

1. All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. The local unit has adopted a budget for all required funds.
5. A public hearing on the budget was held in accordance with State statute.
6. The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. The local unit only holds deposits/investments that comply with statutory requirements.
9. The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. The local unit is free of repeated comments from previous years.
12. The audit opinion is UNQUALIFIED.
13. The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. The board or council approves all invoices prior to payment as required by charter or statute.
15. To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature 	Printed Name		License Number	

City of Farmington Hills, Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

Prepared by:

Robert Spaman, Finance Director

Nancy Piwowar, Controller

City of Farmington Hills, Michigan

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City of Farmington Hills, Michigan

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DEPARTMENT OF FINANCE

City of Farmington Hills

November 20, 2007

Honorable Mayor, Members of the City Council,
and Citizens of Farmington Hills

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Farmington Hills (the "City") for the fiscal year ended June 30, 2007. This report was prepared by the finance department in conformance with regulations and standards set forth by the City Charter, the Governmental Accounting Standards Board, the American Institute of Certified Public Accountants and its Committee on Governmental Accounting and Auditing, generally accepted accounting principles (GAAP), the Treasurer of the State of Michigan, and the Government Finance Officers Association (GFOA). This report consists of management representations concerning the finances of the City of Farmington Hills. Therefore, responsibility for the accuracy, completeness, reliability, and fairness of the financial data herein, including all disclosures, rests with the administration and management of the City of Farmington Hills. We believe the data presented is accurate in all material aspects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City, and that all disclosures necessary to enable the reader to gain the maximum understanding of the City's financial affairs have been included. The statements have been audited in accordance with generally accepted auditing standards by Plante & Moran, PLLC, a certified public accounting firm licensed by the State of Michigan.

Since the report consists of management's representations concerning the finances of the City of Farmington Hills, a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for preparation of the City of Farmington Hills' financial statements in conformity with GAAP has been established. However, due to the fact that the internal control systems should be cost effective, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement.

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Plante & Moran, PLLC has audited the City of Farmington Hills' financial statements to provide reasonable assurance that the City's financial statements for the fiscal year ended June 30, 2007 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures contained in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation.

The independent auditors concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the City of Farmington Hills' financial statements for the fiscal year ended June 30, 2007 are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of the report.

The independent audit of the financial statements of the City was part of a broader, federally mandated "single audit" designed to meet the special needs of federal grantor agencies. The standards governing single audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. This report is available in the City of Farmington Hills' separately issued single audit report.

Accounting principles generally accepted in the United States of America require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a management's discussion and analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Farmington Hills' MD&A can be found immediately following the report of the independent auditor.

Profile of the Government

The City of Farmington Hills was incorporated in 1973 and is a 34-square mile suburban community with a pastoral and gently rolling terrain in Oakland County, Michigan. The City possesses an ideal location that is within 25 minutes of downtown Detroit and Detroit Metro Airport and is also the focal point of a freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, Toledo, Ohio, as well as the Ann Arbor technology corridor are within an hour's drive. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system. Twelve major colleges and universities are within a 45-minute drive of the community. A broad spectrum of recreational and cultural activities is also available within the City or within a short drive. Quality health care is provided by Botsford Hospital, which is a teaching osteopathic hospital associated with Michigan State University. Many additional medical centers and hospitals are within a half-hour driving distance of the City.

The community offers a wide range of quality housing featuring homes in every style and price range. There are many premier residential areas providing housing options including more than 23,000 single-family homes and over 11,000 rental units designed to fit every lifestyle. Home prices range from under \$100,000 to \$2.5 million, with the average home priced at just over \$263,000.

The City operates under the city council/city manager form of government with seven elected officials, a mayor, and six City Council members representing the citizens of the City of Farmington Hills. The mayor is elected directly by the electorate for not more than two consecutive, two-year terms. The six City Council members are elected at large for staggered terms of four years each. The mayor and City Council establish all policies for the City government. The city manager is appointed by the City Council.

The City of Farmington Hills provides a full range of services including police and fire protection; the construction and maintenance of highways, streets, and other infrastructure; recreational activities and cultural events; and refuse collection and recycling services. Utility services for water and sanitary sewers are provided by the City with the Oakland County Department of Public Services administrating the service for water and sanitary sewers under contract with the City. Library functions are provided by the Farmington Community Library, which serves both the City of Farmington Hills and the neighboring City of Farmington.

Economic development efforts are promoted by the City of Farmington Hills Economic Development Corporation, a component unit of the City whose financial statements are displayed in the basic financial statements.

The other component unit of the City is the Brownfield Redevelopment Authority established by City Council to assist in the redevelopment of environmentally challenged sites within the City. The Brownfield Redevelopment Authority's financial statements are also displayed in the basic financial statements.

The City's annual budget provides the foundation for the financial planning and control. All departments and boards and commissions funded by the City of Farmington Hills are required to submit requests for appropriations to the city manager by the third week of February of each year. The city manager utilizes these requests as the basis for developing the proposed budget submitted to City Council at the first regular Council meeting in May. In conformity with *Article VII General Finance* of the City Charter and the State of Michigan Uniform Budgets Act, a public hearing on the proposed annual budget and tax rates is held at the first regular Council meeting in June, after public notice of the meeting and hearing is published at least seven days prior to the public hearing. The appropriated budget is prepared by fund, function (e.g., public safety), and department (e.g., police department). Department heads may make transfers of appropriated funds within a department with the approval of the city manager and finance director. Transfers of appropriations between departments require approval by the City Council. Budget-to-actual comparisons are provided in this report for each governmental fund in which an appropriated annual budget has been adopted. For the General Fund and the major Special Revenue Funds (Major Road Fund, Local Road Fund, and the Capital Improvement Fund), the comparison is reported as part of the required supplemental information following the notes to the financial statements. For the major Debt Service Fund and all nonmajor governmental funds with an appropriated annual budget, this comparison is presented in the other supplemental information subsection of this report.

Factors Affecting Financial Condition

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the unique environment within which the City of Farmington Hills operates.

Local Economy - The City of Farmington Hills possesses a stable and diversified property tax base with residential comprising 67 percent, commercial 20 percent, industrial 6 percent, and personal property (business equipment, furniture, and machinery) 7 percent. No one taxpayer exceeds 1.7 percent of the tax roll and the top 10 payers combined account for less than 8 percent of the total tax roll. Farmington Hills is home to 5,000 businesses, 10 Fortune 500 companies, and more than 70 international firms. The City's residents are employed predominantly in management, professional sales, and related occupations. The City's unemployment rate of 5.6 percent is lower than the county unemployment rate of 6.7 percent and also lower than the state unemployment rate of 7.2 percent at June 2007.

Michigan, unlike the rest of the country, has not yet pulled out of the recession which began in 2000. Michigan's economy continues to decline, particularly in terms of jobs lost. Unfortunately, economists predict that the number of jobs in Michigan will continue to decline throughout the remainder of this year and into the next.

Things are a little brighter in Oakland County. A Manpower survey predicts the Oakland County workforce will grow by an estimated 4 percent in the 2007 calendar year. Some of the growth can be attributed to "Automation Alley," a dynamic organization of leaders from all backgrounds and business sectors that are combining talent and energy to transform southeast Michigan into a high technology workforce and business development powerhouse. Membership is made up of more than 800 technology-driven companies, governments, and educational institutions which have helped to drive the growth and image of southeast Michigan's technology economy. In January 2007, Automation Alley recruited 39 companies in one month, despite what was happening elsewhere in the state.

Oakland County continues to embrace the "emerging sectors" program, an aggressive plan to attract the top 10 new and emerging businesses to Oakland County. These sectors are:

- Advanced electronics and control systems
- Advanced material and chemicals
- Alternative energy and power generation
- Biotechnology
- Communications and information technology
- Homeland security
- Medical devices and instruments
- Micro/Nanotechnology
- Robotics and automation
- Financial services and other fast-growing business sectors

Installation is underway for “Wireless Oakland,” a county program that will offer free internet service to county residents and visitors and will also enhance the county’s attractiveness to the business community. Oakland County’s per capita income of \$45,872 in 2000 is more than 50 percent above the average for both Michigan and the nation, and ranks within the top 1 percent of all counties in the United States. It is the fourth wealthiest county in America and is one of 25 counties in America that enjoys a AAA bond rating.

Economic development staff of the City coordinates development activity with the City’s Economic Development Corporation. The City participates in a business retention program and has formed a partnership with the Oakland County Planning and Economic Development Services Division and the Michigan Economic Development Corporation. Working together, they have been successful in assisting companies in expanding their business opportunities in the City.

The City Council annually reviews the updated “Six-year Capital Improvement Program” prepared by the City’s Planning Commission, which directly impacts the City’s infrastructure. The City Council adopts many of the projects in the first year of this program in the annual budget. In addition to road construction projects, the following acquisitions or improvements are planned for fiscal year 2007-2008:

- Drainage expenditures of \$750,000 that will concentrate on the Storm Water Pollution Prevention Initiative and the Storm Model and Master Plan Pilot. Also included are GIS Storm Phases I, II, and III, miscellaneous detention basin improvements, and improvements at the Woodcreek Pond area at Danvers.
- A number of sidewalks and bike paths improvements including: 13 Mile, S. Valley to Northwestern Highway; Halsted, east side, south of Valhalla; Middlebelt, east side, 9 Mile to Eldon; 12 Mile, north side, Copper Creek to Haggerty; 10 Mile, north side, Power to Orchard Lake Road; Halsted, east side, north of 8 Mile; 9 Mile, west of Tuck Road; and 9 Mile from Halsted to Baywood.
- Equipment for the fire department including a replacement command vehicle and a fire vehicle that is a combination fire engine and ladder truck called a “quint”
- A grader, a replacement front-end loader, forestry truck, and stake truck, a conveyor system for the salt dome, and two five-yard dump trucks for the Division of Public Works
- The demolition, renovation, and expansion of the “west wing” of City Hall to make way for a new Council Chamber/Administration wing and open space along the Eleven Mile frontage
- Fiber optic technology improvements, phone system upgrades, RecTrac software, document imaging equipment that will provide electronic storage capabilities, license upgrades, and equipment upgrades city-wide to keep the network fast and reliable

Cash Management - The City complies with Public Act 20 of 1943 (as amended) of the State of Michigan in its cash management activities. Idle cash in all funds, exclusive of the Employees’ Retirement System, is invested in certificates of deposit, governmental obligations, bankers’ acceptances, bank pooled accounts, and commercial paper. Interest income for the governmental funds and Enterprise Funds for the current fiscal year is \$6,289,105, an increase of \$1,452,756 from the fiscal year ended June 30, 2006. This increase was due primarily to rate increases by the federal reserve and higher investment balances.

The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. In the state of Michigan, municipalities are not required to insure all bank deposits; however, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories. The City utilizes an investment policy adopted by the City Council on November 16, 1999 and revised in May 2007.

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 eligible employees. The City is a member of the Michigan Municipal Workers' Compensation insurance pool and is self-insured for medical benefit claims subject to certain insured limitations.

For claims relating to general and auto liabilities, auto physical damage, and property loss, the City participates in the Michigan Municipal Risk Management Authority (MMRMA) risk pool program that provides risk management, claim administration, legal defense, and reimbursement services for its members. As a member of MMRMA, Farmington Hills has liability coverage of up to \$15,000,000 per occurrence with a self-insured retention for liability of \$150,000 per occurrence with a stop-loss program maximum of \$880,000. Farmington Hills is actively involved in risk control through supervisor and employee training, facilities inspections, and utilization of the MMRMA risk control staff, and City staff has participated in the production of several training videos.

The City of Farmington Hills is self-insured through the Michigan Municipal League (MML) Workers' Compensation Fund. The MML Workers' Compensation Fund utilizes Meadowbrook Insurance Company as a third-party administrator. The City has enjoyed remarkable success in managing its workers' compensation program, and has the distinction of receiving the MML "Workers' Compensation Loss Control Achievement Award." The annual award is given to cities with the lowest workers' compensation claims experience. This distinction has brought with it significant monetary savings, estimated to be \$350,000 this year alone. Over the past decade, the City has saved over \$3.1 million in workers' compensation premiums. The City has a safety and health program, which includes an active safety committee, ongoing safety training, safety inspections, wellness programs, and a health newsletter. In addition to the favorable impact the program has had on insurance rates, the most important impact has been to protect the health and safety of the City's most valuable resource, its staff.

Pension and Other Postemployment Benefits - The City sponsors a single-employer defined benefit pension plan for the employees of the City and the employees of the 47th District Court. Each year, an independent actuary engaged by the pension plan calculates the amount of the annual contribution that the City of Farmington Hills must make to the pension plan to ensure that the plan will be able to fully meet its obligations to retired employees on a timely basis. As a matter of policy, the City fully funds each year's annual required contribution to the pension plan as calculated by the actuary. In accordance with this policy, the City has, as of June 30, 2006, funded 91 percent of the present value of the projected benefits earned by employees. The remaining unfunded amount is being systematically funded over 30 years as part of the annual required contribution calculated by our actuary. The City also provides post-retirement healthcare benefits to eligible retired employees. These postretirement healthcare benefits are projected annually based on a required contribution calculated by our actuary.

At June 30, 2006, these postretirement healthcare benefits were 58 percent funded, with the remaining unfunded amount amortized over 30 years.

Additional information on the City's pension arrangements and postemployment benefits can be found in the notes to the financial statements.

Awards and Acknowledgements

The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Farmington Hills for its CAFR for the fiscal year ended June 30, 2006. This was the ninth consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the City also received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the fiscal year ended June 30, 2007. In order to qualify for the Distinguished Budget Presentation Award, the City's budget document was judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device. This is the 21st consecutive year the City has received this award.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the finance department and city manager's office. We would like to express our appreciation to all members of the departments who assisted and contributed to the preparation of this report. The independent auditing firm of Plante & Moran, PLLC provided assistance for proper presentation in the form of counsel, suggestions, and direct input. Credit also must be given to the mayor and the City Council for their unfailing support for maintaining the highest standards of professionalism in the management of the City of Farmington Hills' finances.

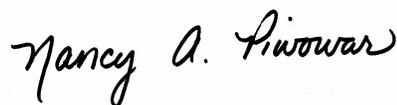
Respectfully submitted,



Steve Brock
City Manager



Robert Spaman
Finance Director/Treasurer



Nancy A. Piwowar
Controller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Farmington Hills
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director

City of Farmington Hills, Michigan

List of Principal Officials

June 30, 2007

Title	Name
City Manager	Steve Brock
Assistant City Manager	Dana Whinnery
Assistant to the City Manager for Economic Development	Teri Arbenowske
Management Analyst	Nathan Geinzer
City Clerk	Kathryn Dornan
Central Services Director	Michael Lasley
Finance Director/Treasurer	Robert Spaman
Fire Chief	Richard Marinucci
Human Resources Director	Mary Kohls
Planning and Community Development Director	Dale Countegan
Police Chief	William Dwyer
Public Services Director	Thomas Biasell
Special Services Director	David Boyer
City Attorney	Secrest, Wardle, Lynch, Hampton, Truex, and Morley
Deputy Director Special Services	Robb Clarkson
Assistant Police Chief	James Whitcomb
Assistant Police Chief	Craig Summers
Assistant Police Chief	Richard Niemisto
Deputy Fire Chief	Corey Bartsch
Deputy Fire Chief	Kevin Bersche
Building Official	Lawrence Andree
City Assessor	Dean Babb
City Engineer	William Otwell
City Planner	Edward Gardiner
Community Development Coordinator	Richard Lampi
Controller	Nancy Piwowar
Deputy City Clerk	Pamela Smith
Deputy Treasurer	Lawrence Williams
Fire Marshal	Stephen Hume
Public Works Superintendent	Dan Rooney
Zoning Division Supervisor	Dennis Randt

City Profile



Farmington Hills, incorporated in 1973, is a 34 square mile suburban community with a pastoral and gently rolling terrain in Oakland County, located 17 miles from downtown Detroit. The City's tax base of \$4,438,529,490 is comprised of 67 percent residential property and 33 percent commercial, industrial, and personal property. The community's 80,392 residents live in approximately 33,740 households with a median household income of \$65,672.

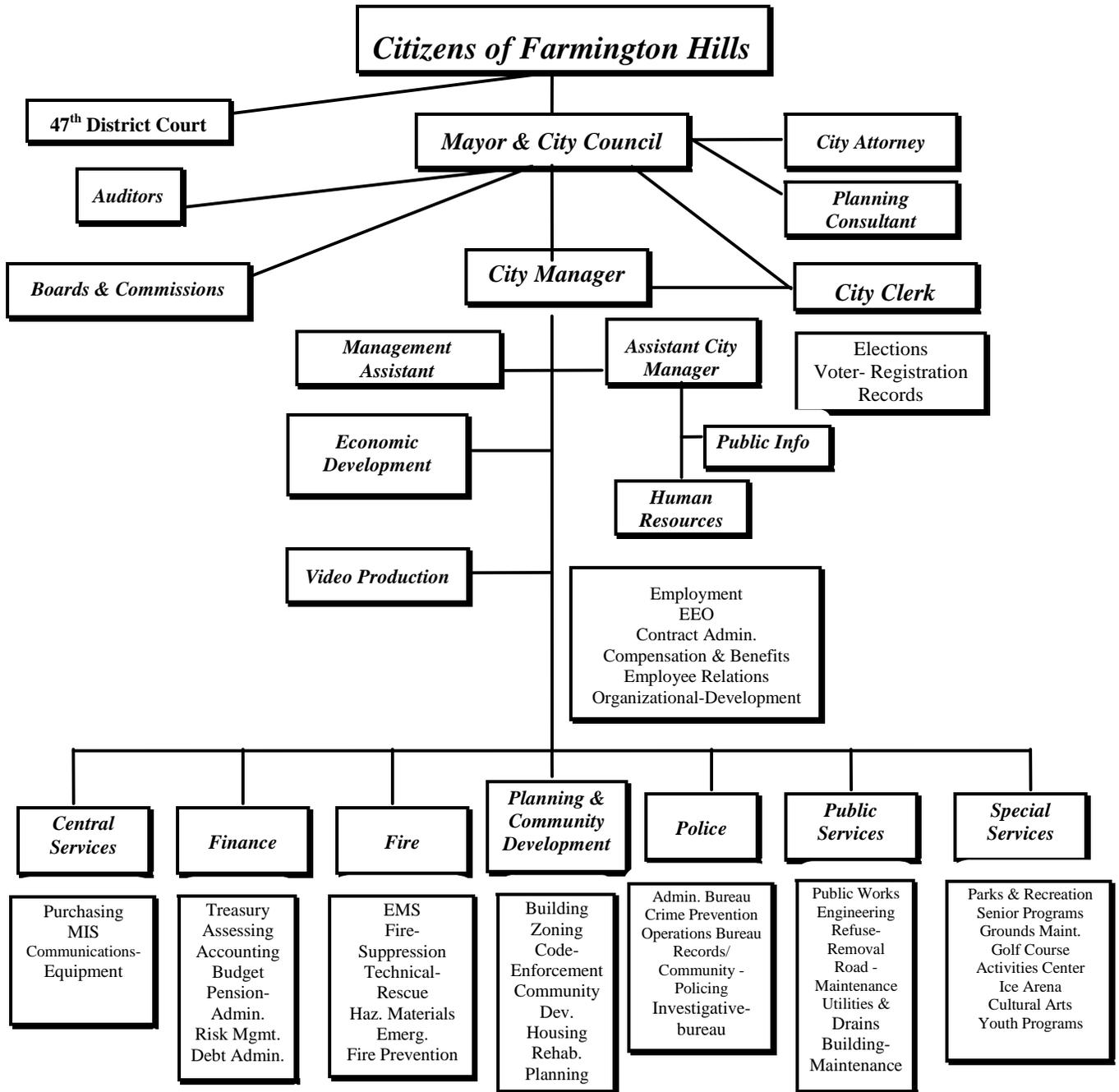
The City possesses an ideal location within 25 minutes of downtown Detroit and Detroit Metro Airport and at the focal point of a north/south and west/east freeway network. Industrial centers of Warren, the Saginaw/Flint area, Lansing, and Toledo, Ohio, as well as the Ann Arbor technology corridor, are within an hour's drive. Approximately half of America's disposable income, half of the country's work force, and nearly half of the total U.S. population are within a 500-mile radius of the City. This asset supports seven industrial parks totaling more than 600 acres, which provide first-rate services and facilities. In addition, the 12 Mile Road, Orchard Lake Road, and Northwestern Highway corridors host many commercial and office developments, which house many corporate headquarters and district offices of regional, national, and international prominence.

The community offers many premier residential areas providing a wide range of housing options including approximately 23,000 single-family sites (including detached condominiums) and more than 11,000 apartment units designed to fit every lifestyle.

The City's respect for its Quaker heritage is demonstrated by its commitment to historical preservation through its Historic Commission, Historical District, and the conversion of the historic Spicer Estate House to a visitor center within the 211-acre passive Heritage Park, located in the center of the City.

The City is enhanced by exemplary educational opportunities for kindergarten through 12th grade via both public and private schools and a premier district library system with one of the highest annual circulation rates in the state. A broad spectrum of recreational and cultural activities is available within the City or within a short drive. A total of 12 major colleges and universities are within a 45-minute drive of the community. Quality health care is readily accessible through Botsford Hospital, which is a teaching osteopathic hospital associated with Michigan State University. A total of 12 major medical centers and hospitals are within a half-hour driving distance of the City. Many physicians affiliated with these medical facilities maintain their offices in Farmington Hills.

CITY OF FARMINGTON HILLS



City of Farmington Hills, Michigan

Fund Organization Chart

Governmental Funds	
General	Special Revenue
General Fund	Major Road Local Road Public Safety
Debt Service	Capital Improvement Community Development Block Grant (CDBG) Revolving Special Assessment Nutrition Grant Local Law Block Grant Police Forfeiture Parks and Recreation Special Millage Golf Course Capital Improvement Deferred Special Assessment Justice Assistance Grant
Building Authority Act 175 Debt 1992 Issue General Debt Service Special Assessments	
Capital Projects	
Special Assessments (SAD)	
Proprietary Funds - Enterprise	
Water and Sewer	Ice Arena
Fiduciary Funds	
Pension and Other Employee Benefit Trust	Agency
Employees' Retirement System Postretirement Health Care Finance Fund	Tax Collections General Agency
Component Units	
Economic Development Corporation	Brownfield Redevelopment Authority



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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Farmington Hills, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of and for the year ended June 30, 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 of Farmington Hills, Michigan'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of June 30, 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.

To the Honorable Mayor and
Members of the City Council
City of Farmington Hills, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington Hills, Michigan's basic financial statements. 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. The introductory section, other supplemental information, and statistical section, as identified in the table of contents, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The budgetary comparison schedules, combining balance sheets, and combining statements of revenue, expenditures, and changes in fund balance have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and retirement systems schedules of funding progress, 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. The introductory section and statistical section have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them.

In accordance with *Government Auditing Standards*, we have also issued our report on our consideration of the City of Farmington Hills, Michigan's internal control over financial reporting and on our tests of its compliance with certain laws, regulations, contracts, grants, and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Plante & Moran, PLLC

November 20, 2007

City of Farmington Hills, Michigan

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets (deficit) and the statement of activities provide information about the activities of the City of Farmington Hills, Michigan (the "City") on a government-wide basis. They are designed to present a long-term view of the City's finances. Fund financial statements follow the above-mentioned statements and illustrate how the services provided by the City were financed in the short term, as well as what remains for future spending. Additionally, fund financial statements report the City's operations in more detail than the government-wide financial statements.

The City of Farmington Hills as a Whole

The City's combined net assets increased 0.2 percent from a year ago, increasing from \$295.3 million to \$295.8 million. A review of the government activities, separate from the business-type activities, shows an increase of approximately \$1.8 million in net assets during fiscal year 2007. Business-type activities net assets shows a decrease of \$1.3 million in net assets or .9 percent during fiscal year 2007. A significant portion of the decrease was primarily due to increases in sewage disposal costs over 2006. In condensed format, the table below shows the comparison of net assets (in millions of dollars) as of June 30, 2007 to the prior year:

TABLE I

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Assets						
Current assets	\$ 46.5	\$ 43.5	\$ 55.8	\$ 55.1	\$ 102.3	\$ 98.6
Noncurrent assets:						
Restricted assets	0.2	0.1	-	-	0.2	0.1
Advances due from SWOCC	1.7	1.8	-	-	1.7	1.8
Capital assets	150.5	155.1	90.3	92.8	240.8	247.9
Total assets	198.9	200.5	146.1	147.9	345.0	348.4
Liabilities						
Current liabilities	12.0	12.6	4.8	4.4	16.8	17.0
Long-term liabilities	28.6	31.4	3.8	4.7	32.4	36.1
Total liabilities	40.6	44.0	8.6	9.1	49.2	53.1
Net Assets						
Invested in capital assets -						
Net of related debt	122.1	123.5	85.6	87.3	207.7	210.8
Restricted	13.1	13.1	-	-	13.1	13.1
Unrestricted	23.1	19.9	51.9	51.5	75.0	71.4
Total net assets	<u>\$ 158.3</u>	<u>\$ 156.5</u>	<u>\$ 137.5</u>	<u>\$ 138.8</u>	<u>\$ 295.8</u>	<u>\$ 295.3</u>

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

The following table shows the changes in net assets (in millions of dollars) for the years ended June 30, 2007 and 2006:

TABLE 2

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenue						
Program revenue:						
Charges for services	\$ 10.4	\$ 10.1	\$ 21.9	\$ 21.5	\$ 32.3	\$ 31.6
Operating grants and contributions	7.2	7.1	-	-	7.2	7.1
Capital grants and contributions	0.6	0.9	1.3	2.2	1.9	3.1
General revenue:						
Property taxes	43.6	39.8	-	-	43.6	39.8
State-shared revenues	6.7	6.9	-	-	6.7	6.9
Gain on sale of capital assets	0.1	0.1	-	-	0.1	0.1
Interest	3.6	2.8	2.7	2.0	6.3	4.8
Other	0.2	0.1	-	-	0.2	0.1
Total revenue	72.4	67.8	25.9	25.7	98.3	93.5
Program Expenses						
General government	12.8	11.3	-	-	12.8	11.3
Public safety	28.6	26.1	-	-	28.6	26.1
Public works	16.1	17.6	-	-	16.1	17.6
Community and economic development	2.5	2.6	-	-	2.5	2.6
Recreation and culture	8.7	8.2	-	-	8.7	8.2
Interest on long-term debt	1.1	1.3	-	-	1.1	1.3
Water and sewer	-	-	26.5	22.6	26.5	22.6
Ice arena	-	-	1.5	1.5	1.5	1.5
Total program expenses	69.8	67.1	28.0	24.1	97.8	91.2
Change in Net Assets Before Transfers	2.6	0.7	(2.1)	1.6	0.5	2.3
Transfers In (Out)	(0.8)	(0.6)	0.8	0.6	-	-
Change in Net Assets	1.8	0.1	(1.3)	2.2	0.5	2.3
Net Assets - Beginning of year	156.5	156.4	138.8	136.6	295.3	293.0
Net Assets - End of year	<u>\$ 158.3</u>	<u>\$ 156.5</u>	<u>\$ 137.5</u>	<u>\$ 138.8</u>	<u>\$ 295.8</u>	<u>\$ 295.3</u>

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's total governmental revenues increased by \$4.6 million or 6.8 percent. This was primarily attributed to an increase in property tax revenue (\$3.8 million or 9.5 percent) due to the implementation of the voter-approved public safety millage of 0.4995 mills (increasing the city millage from 9.5221 mills to 10.0216 mills). Also, the City had an increase in interest earned (\$0.8 million or 28.6 percent) in 2007 over 2006.

Expenses increased by \$2.7 million or 4.0 percent over the last fiscal year. A major factor for this increase was in public safety (\$2.5 million or 9.6 percent) resulting from the aforementioned implementation of the 0.4995 mills to public safety. The increase was primarily due to additional staffing to the police and fire departments. Another factor for this increase was in general government (\$1.5 million or 13.3 percent) due primarily to an additional contribution of \$2.0 million to the City of Farmington Hills Retirement System postretirement healthcare plan combined with a decrease of \$500,000 in general property insurance costs. A large factor that decreased expenses in public works was fewer construction projects in 2007 than in 2006. This resulted in a net \$1.5 million or 8.5 percent decrease in public works.

During the year, the City continued to meet the actuarial required contributions for both the Employees' Retirement System pension and postretirement healthcare plan. The City continues to prefund postretirement healthcare benefits as well as retirement benefits so that future taxpayers will not have to bear the burden of currently earned benefits. As mentioned above, the City contributed an additional \$2.0 million to the postretirement healthcare plan during 2007.

Business-type Activities

The City's business-type activities are recorded in the Water and Sewer Fund and the Ice Arena Fund. The City provides water purchased from the City of Detroit Water System through a contract with Oakland County Department of Public Works which operates the City's utility system. The system incurred a \$6.0 million operating loss in 2007, compared to a \$3.0 million loss in 2006. This loss resulted from an increase of \$0.4 million or 1.9 percent in system revenue (charges for services) while operating expenses increased \$3.7 million or 16.4 percent compared to 2006. This loss was primarily offset by increased investment revenue (\$0.7 million or 35 percent) due to increasing interest rates during 2006-2007. Debt service charges, tap fees, and capital contributions, although lower than 2006, also contributed to reducing the loss. The City manages its Ice Arena Fund like a business enterprise, with revenue generated by the arena contributing to operational costs as well as funding principal and interest payments on \$6 million in bonds previously sold to construct the arena. In 2007 and 2006, the City's General Fund made contributions to resolve expected deficits in unrestricted net assets in the Ice Arena Fund. The amounts contributed totaled \$170,000 and \$200,000 for 2007 and 2006, respectively. Overall, in 2007, business-type activities net assets decreased \$1.3 million or 0.9 percent.

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

The City's Funds

An analysis of the City's major funds follows the government-wide financial statements. The fund financial statements provide detailed information on the most significant funds, not the City as a whole. In addition to state legislative requirements to maintain separate funds for Act 51 major and local road money, the City Council creates funds to administer certain dedicated dollars and demonstrate accountability to the citizens for special tax mileages voted by the citizens and earmarked bond proceeds. The City's major funds for fiscal year 2007 include the General Fund, the Major Roads Fund, the Local Roads Fund, the Capital Improvement Fund, the Special Assessment Debt Service Fund, and the SAD Capital Projects Fund. Infrastructure improvements in the major funds category include local road resurfacing, major road expansion and resurfacing, and the purchase of computer equipment.

The primary reason for the General Fund's fund balance increase of \$1.5 million or 8.7 percent is primarily attributable to an increase of \$1.2 million or 4.2 percent more than last year in property tax revenue and \$0.4 million in investment or 20.9 percent and interest earned due to higher interest rates in 2007 than in 2006. Also, in 2007, there was an increase in operating expenditures of \$3.1 million or 8.0 percent due to the \$2.0 million additional contribution to the retirement system postretirement healthcare plan and an increase of \$0.8 million or 14.0 percent in recreation and culture; however, those expenditures were partially offset by a reduction in transfers out by \$1.8 million. This resulted in \$0.1 million or 8.8 percent greater net change in fund balance in 2007 than in 2006. The significant increase in fund balance of \$1.5 million or 34.8 percent in the Capital Improvement Fund was primarily due to the delay in receiving \$1.6 million in fire apparatus, which was eventually received in the first quarter of fiscal year 2008. The significant decrease in the fund balance of \$0.7 million or 16.5 percent in the Special Assessments Debt Service Fund is due to normal payments by residents and businesses in a special assessment district and debt payments by the City. The significant decrease in the fund balance of \$0.5 million or 44.4 percent in the Local Roads Fund is due to budgeted local road projects and maintenance requiring funds that were more than the current year revenue sources provided.

Changes in fund balances of the Major Roads Funds and the SAD Capital Projects Fund are not considered significant.

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

The City administration and City Council continuously monitor and amend the budget to reflect unanticipated events that occur during the year. The major changes during fiscal year 2007 were \$1.2 million more in property taxes due to taxable value increases in the City and an increase of \$0.4 million in investment income. These changes were a result of the aforementioned increased taxable value, continued efforts on the part of the City to evaluate and price its services appropriately, the use of grants where available, and increased interest rates. At year end, the actual General Fund revenues came in approximately \$218,000 over the amended budget and expenses came in \$1.1 million under the amended budget. The unfavorable variance in corporation counsel was due to underbudgeting in prosecution and court costs. The unfavorable variance in human resources was due to physical exam expenses exceeding the amended budget. Unfavorable variance in the fire department was caused by higher personal costs than budgeted. However, some of these costs were recovered by grant revenue. The unfavorable variance in public works maintenance facility costs was due to higher fuel costs than expected. The unfavorable variance in parks and recreation was due to greater participation in activities offered by the department which was partially offset by additional revenues. The City completed fiscal year 2007 with a fund balance of approximately \$1.35 million over what was forecasted in the amended budget.

Capital Asset and Debt Administration

On June 30, 2007, the City had \$240.9 million in total net capital assets ranging from land, buildings, equipment, technology equipment, and water and sewer lines. The value of infrastructure assets, net of depreciation, included in this report is \$140.1 million (see Note 4 of the notes to financial statements for additional information).

Debt reported in these financial statements is related to the construction of the above-mentioned infrastructure assets and is reported as a liability on the statement of net assets (deficit) (see Note 6 of the notes to financial statements for additional information). During the fiscal year, the City issued refunding bonds in the amount of \$6,555,000 on the 47th District Count bonds originally issued in September 2001. The bonds due from 2014 to 2021 were refunded.

City of Farmington Hills, Michigan

Management's Discussion and Analysis (Continued)

Economic Factors and Next Year's Budgets and Rates

The City's tax rate was stable for eight years through 2005 at approximately 10.2 mills. Due to the passage of a dedicated library millage, the tax rate for fiscal year 2006 was reduced by .70 mills to 9.5221 mills. For fiscal year 2007, the tax rate was raised to 10.0216 due to the implementation of the 0.5 public safety millage increase, reduced by the Headlee Amendment to 0.4995 mills, which was passed by a public vote in November 2003. The City's tax base continues to grow. The growth in the tax base is 3.3 percent for fiscal year 2008. Our state equalized value (SEV) will be \$4.95 billion, which is \$507 million more than our taxable value. This is significant because taxes are based on taxable value, not SEV. The tax base is well diversified with residential accounting for 67 percent, commercial 20 percent, industrial 6 percent, and personal property 7 percent. Tax base diversification is further demonstrated by the fact that the top 20 taxpayers combined account for less than 10 percent of the tax roll. Taxes account for 60 percent of General Fund revenues. State-shared revenue, which amounts to 12 percent of the fiscal year 2008 General Fund budget, remains in critical condition and is forecasted to be at \$6.4 million, down from \$8.1 million received in fiscal year 2002. Despite this expectation, the fiscal year 2007 General Fund budget is balanced.

On the expense side, the City operates with a relatively small labor force and low personnel costs. The only abnormal cost increases are projected in healthcare costs both for current employees and future retirees as well as pension costs. The City will continue to adjust expenditures in fiscal year 2008 to match revenue projections as they are revised.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, we invite you to contact the administrative offices at City Hall.

City of Farmington Hills, Michigan

Statement of Net Assets (Deficit) June 30, 2007

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 39,744,166	\$ 47,480,483	\$ 87,224,649	\$ 649,106
Receivables:				
Customers	-	6,855,092	6,855,092	-
Special assessments	1,919,473	-	1,919,473	-
Accrued interest and other	352,358	35,391	387,749	629
Due from other governmental units:				
Component units	4,406	-	4,406	-
Others	3,529,570	36,327	3,565,897	-
Advances due from SWOCC (Note 11)	1,694,227	-	1,694,227	-
Internal balances (Note 5)	157,063	(157,063)	-	-
Inventories	776,099	-	776,099	-
Restricted assets (Note 7)	194,267	-	194,267	-
Long-term advance to component unit	-	1,603,528	1,603,528	-
Capital assets (Note 4):				
Depreciated - Net	100,929,910	89,596,266	190,526,176	-
Not depreciated	49,602,547	725,216	50,327,763	-
Total assets	198,904,086	146,175,240	345,079,326	649,735
Liabilities				
Accounts payable	2,367,131	1,668,947	4,036,078	1,401
Accrued and other liabilities	3,122,352	125,245	3,247,597	-
Due to County	-	2,145,128	2,145,128	-
Due to primary government	14,170	-	14,170	404,406
Unearned revenue (Note 13)	114,470	-	114,470	-
Noncurrent liabilities (Note 6):				
Advance from primary government	-	-	-	1,203,528
Due within one year	6,357,157	951,631	7,308,788	-
Due in more than one year	28,637,073	3,751,272	32,388,345	-
Total liabilities	40,612,353	8,642,223	49,254,576	1,609,335
Net Assets (Deficit)				
Invested in capital assets - Net of related debt	122,136,048	85,618,579	207,754,627	-
Restricted:				
Streets and highways	4,511,070	-	4,511,070	-
Debt service	6,059,077	-	6,059,077	-
Public safety	1,651,930	-	1,651,930	-
Parks and recreation	625,783	-	625,783	-
Capital projects	9,891	-	9,891	-
County drains	194,267	-	194,267	-
Restricted for commitments	-	-	-	-
Unrestricted	23,103,667	51,914,438	75,018,105	(959,600)
Total net assets (deficit)	<u>\$ 158,291,733</u>	<u>\$ 137,533,017</u>	<u>\$ 295,824,750</u>	<u>\$ (959,600)</u>

City of Farmington Hills, Michigan

	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 12,731,683	\$ 3,043,892	\$ 227,045	\$ -
Public safety	28,556,963	1,519,253	814,885	24,404
Public works	16,157,867	1,132,419	5,717,050	564,610
Community and economic development	2,520,118	1,436,038	300	-
Recreation and culture	8,668,447	3,308,205	422,841	-
Interest on long-term debt	1,191,848	-	-	-
Total governmental activities	69,826,926	10,439,807	7,182,121	589,014
Business-type activities:				
Water and sewer	26,378,503	20,467,499	-	1,258,278
Ice arena	1,550,710	1,460,261	-	-
Total business-type activities	27,929,213	21,927,760	-	1,258,278
Total primary government	<u>\$ 97,756,139</u>	<u>\$ 32,367,567</u>	<u>\$ 7,182,121</u>	<u>\$ 1,847,292</u>
Component units:				
Economic Development Corporation	\$ 53,090	\$ -	\$ -	\$ -
Brownfield Redevelopment Authority	138,364	-	-	-
Total component units	<u>\$ 191,454</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenues (unrestricted)				
Unrestricted investment earnings				
Gain on disposal				
Miscellaneous				
Transfers				
Total general revenues and transfers				
Change in Net Assets				
Net Assets (Deficit) - Beginning of year				
Net Assets (Deficit) - End of year				

Statement of Activities
Year Ended June 30, 2007

Net (Expense) Revenue and Changes in Net Assets			
Primary Government			Component Units
Governmental Activities	Business-type Activities	Total	
\$ (9,460,746)	\$ -	\$ (9,460,746)	\$ -
(26,198,421)	-	(26,198,421)	-
(8,743,788)	-	(8,743,788)	-
(1,083,780)	-	(1,083,780)	-
(4,937,401)	-	(4,937,401)	-
(1,191,848)	-	(1,191,848)	-
(51,615,984)	-	(51,615,984)	-
-	(4,652,726)	(4,652,726)	-
-	(90,449)	(90,449)	-
-	(4,743,175)	(4,743,175)	-
(51,615,984)	(4,743,175)	(56,359,159)	-
-	-	-	(53,090)
-	-	-	(138,364)
-	-	-	(191,454)
43,648,073	-	43,648,073	536,627
6,683,814	-	6,683,814	-
3,582,399	2,707,526	6,289,925	77,839
74,575	-	74,575	-
223,542	-	223,542	1,600
(803,700)	803,700	-	-
53,408,703	3,511,226	56,919,929	616,066
1,792,719	(1,231,949)	560,770	424,612
156,499,014	138,764,966	295,263,980	(1,384,212)
\$ 158,291,733	\$ 137,533,017	\$ 295,824,750	\$ (959,600)

City of Farmington Hills, Michigan

	Major Funds				
	General	Major Road	Local Road	Capital Improvement	Special Assessments Debt Service
Assets					
Cash and cash equivalents (Note 3)	\$ 17,772,807	\$ 2,796,997	\$ 799,782	\$ 5,931,607	\$ 3,522,315
Receivables:					
Special assessments	-	-	-	-	1,867,334
Other governmental units:					
Component units	4,406	-	-	-	-
Other	1,727,460	1,555,567	227,152	-	-
Accrued interest and other	277,854	-	3,600	74,679	-
Due from other funds (Note 5)	1,186,870	15,455	1,073	-	-
Advances due from Southwestern Oakland Cable Commission (Note 11)	1,694,227	-	-	-	-
Total assets	\$ 22,663,624	\$ 4,368,019	\$ 1,031,607	\$ 6,006,286	\$ 5,389,649
Liabilities and Fund Balances (Deficit)					
Liabilities					
Accounts payable	\$ 1,315,832	\$ 240,901	\$ 154,266	\$ 214,338	\$ 1,345
Accrued and other liabilities	2,913,294	-	-	-	-
Due to other funds	-	255,441	237,948	16,837	-
Due to other governmental units	14,170	-	-	-	-
Deferred revenue (Note 13)	-	-	-	56,000	1,867,334
Total liabilities	4,243,296	496,342	392,214	287,175	1,868,679
Fund Balances (Deficit)					
Reserved for:					
Long-term advances	1,694,227	-	-	-	-
Encumbrances	74,704	-	-	-	-
Unreserved:					
Designated (Note 12):					
General Fund	10,795,304	-	-	-	-
Special Revenue Funds	-	3,871,677	639,393	5,719,111	-
Debt Service Funds	-	-	-	-	3,520,970
Undesignated	5,856,093	-	-	-	-
Total fund balances (deficit)	18,420,328	3,871,677	639,393	5,719,111	3,520,970
Total liabilities and fund balances (deficit)	\$ 22,663,624	\$ 4,368,019	\$ 1,031,607	\$ 6,006,286	\$ 5,389,649

**Governmental Funds
Balance Sheet
June 30, 2007**

SAD Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 8,920,658	\$ 39,744,166
52,139	-	1,919,473
-	-	4,406
-	8,499	3,518,678
-	7,117	363,250
-	156,650	1,360,048
-	-	1,694,227
<u>\$ 52,139</u>	<u>\$ 9,092,924</u>	<u>\$ 48,604,248</u>
\$ 41,175	\$ 399,274	\$ 2,367,131
-	-	2,913,294
1,073	691,686	1,202,985
-	-	14,170
52,139	114,470	2,089,943
94,387	1,205,430	8,587,523
-	-	1,694,227
-	-	74,704
-	-	10,795,304
-	7,216,721	17,446,902
-	670,773	4,191,743
(42,248)	-	5,813,845
(42,248)	7,887,494	40,016,725
<u>\$ 52,139</u>	<u>\$ 9,092,924</u>	<u>\$ 48,604,248</u>

City of Farmington Hills, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets (Deficit) June 30, 2006

Total Fund Balances of Governmental Funds \$ 40,016,725

Amounts reported for governmental activities in the statement of net assets (deficit) are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds 150,532,457

Long-term receivables such as special assessments are expected to be collected over several years in the governmental funds and are not available to pay for current year expenditures 1,975,473

Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:

Bonds payable	(28,396,409)
Accrued interest payable	(209,058)
Compensated absences	(5,934,821)
General liability claims	(663,000)

Cash held by Oakland County for drain projects is not included as an asset in the governmental funds 194,267

Inventories are not recorded as assets in the governmental funds 776,099

Net Assets of Governmental Activities \$ 158,291,733

City of Farmington Hills, Michigan

	Major Funds			
	General	Major Road	Local Road	Capital Improvement
Revenue				
Property taxes	\$ 30,470,669	\$ -	\$ -	\$ 2,048,086
Intergovernmental revenue:				
Federal	48,828	184,412	-	39,510
State	7,121,531	4,230,107	1,383,369	-
Other	178,317	-	-	-
Special assessments	-	-	-	-
Charges for services	7,350,847	-	-	-
Fines and forfeitures	2,498,603	-	-	-
Investment and interest income	2,054,329	134,226	40,373	304,191
Miscellaneous revenue	312,690	279	-	254,456
Total revenue	50,035,814	4,549,024	1,423,742	2,646,243
Expenditures				
Current:				
General government	11,937,785	-	-	-
Public safety	21,641,867	-	-	-
Public works	6,675,227	4,203,473	2,049,193	-
Community and economic development	2,131,882	-	-	-
Recreation and culture	6,841,552	-	-	-
Other	-	-	-	-
Capital outlay	-	-	-	1,209,716
Debt service	-	-	-	-
Total expenditures	49,228,313	4,203,473	2,049,193	1,209,716
Excess of Revenue Over (Under) Expenditures	807,501	345,551	(625,451)	1,436,527
Other Financing Sources (Uses)				
Transfers in	936,879	486,623	115,638	40,243
Transfers out	(270,000)	(423,450)	-	-
Proceeds from long-term debt	-	-	-	-
Premium on bond issue	-	-	-	-
Transfer to escrow agent	-	-	-	-
Total other financing sources (uses)	666,879	63,173	115,638	40,243
Net Change in Fund Balances	1,474,380	408,724	(509,813)	1,476,770
Fund Balances (Deficit) - Beginning of year	16,945,948	3,462,953	1,149,206	4,242,341
Fund Balances (Deficit) - End of year	\$ 18,420,328	\$ 3,871,677	\$ 639,393	\$ 5,719,111

**Governmental Funds
Statement of Revenue, Expenditures, and
Changes in Fund Balances (Deficit)
Year Ended June 30, 2007**

Special Assessments Debt Service	SAD Capital Projects	Other Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 11,129,318	\$ 43,648,073
-	-	1,361,180	1,633,930
-	-	-	12,735,007
-	-	-	178,317
513,504	9,481	-	522,985
-	-	-	7,350,847
-	-	-	2,498,603
348,231	29	700,200	3,581,579
-	-	652,507	1,219,932
<u>861,735</u>	<u>9,510</u>	<u>13,843,205</u>	<u>73,369,273</u>
-	-	-	11,937,785
-	-	5,818,251	27,460,118
-	-	-	12,927,893
-	-	455,826	2,587,708
-	-	426,246	7,267,798
13,554	-	-	13,554
-	-	1,007,227	2,216,943
<u>1,236,630</u>	<u>1,754</u>	<u>3,128,850</u>	<u>4,367,234</u>
<u>1,250,184</u>	<u>1,754</u>	<u>10,836,400</u>	<u>68,779,033</u>
(388,449)	7,756	3,006,805	4,590,240
-	187,251	1,336,852	3,103,486
(307,942)	(6,656)	(2,899,138)	(3,907,186)
-	-	6,555,000	6,555,000
-	-	361,604	361,604
-	-	(6,958,270)	(6,958,270)
<u>(307,942)</u>	<u>180,595</u>	<u>(1,603,952)</u>	<u>(845,366)</u>
(696,391)	188,351	1,402,853	3,744,874
<u>4,217,361</u>	<u>(230,599)</u>	<u>6,484,641</u>	<u>36,271,851</u>
<u>\$ 3,520,970</u>	<u>\$ (42,248)</u>	<u>\$ 7,887,494</u>	<u>\$ 40,016,725</u>

City of Farmington Hills, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances (Deficit) of Governmental Funds to the Statement of Activities Year Ended June 30, 2007

Net Change in Fund Balances - Total Governmental Funds	\$ 3,744,874
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	4,126,914
Depreciation expense - Net of adjustments	(8,577,344)
Governmental funds report inventory purchases as expenditures; in the statement of activities, these costs are expensed as used	129,726
Revenue, such as special assessment revenue, reported in the statement of activities in previous years, did not provide current financial resources in the governmental funds until the current year	(808,198)
Repayment of bond principal is an expenditure in the governmental funds but not in the statement of activities	3,193,368
Repair and maintenance expenses paid for with restricted cash held by Oakland County are not included in governmental funds	59,514
Loss on disposal of capital assets is not included in governmental funds	(137,727)
The changes in liabilities for accrued interest payable, compensated absences, and general claims are recorded when incurred in the statement of activities:	
General liability claims	280,000
Accrued interest payable	23,542
Compensated absences	(241,950)
Change in Net Assets of Governmental Activities	<u>\$ 1,792,719</u>

City of Farmington Hills, Michigan

Proprietary Funds Statement of Net Assets June 30, 2007

	Enterprise Funds		
	Water and Sewer Fund	Ice Arena Fund	Total
Assets			
Current assets:			
Cash and cash equivalents (Note 3)	\$ 47,244,301	\$ 236,182	\$ 47,480,483
Receivables:			
Customers	6,855,092	-	6,855,092
Other governmental unit	36,327	-	36,327
Interest and other	2,069	33,322	35,391
Total current assets	54,137,789	269,504	54,407,293
Due from component units (Note 5)	1,603,528	-	1,603,528
Capital assets (Note 4)	86,478,203	3,843,279	90,321,482
Total assets	142,219,520	4,112,783	146,332,303
Liabilities			
Current liabilities:			
Accounts payable	1,628,567	40,380	1,668,947
Accrued and other liabilities	17,035	108,210	125,245
Due to other funds	110,731	46,332	157,063
Due to county	2,145,128	-	2,145,128
Current portion of long-term debt (Note 6)	586,631	365,000	951,631
Total current liabilities	4,488,092	559,922	5,048,014
Long-term debt - Net of current portion (Note 6)	860,022	2,891,250	3,751,272
Total liabilities	5,348,114	3,451,172	8,799,286
Net Assets			
Invested in capital assets - Net of related debt	85,031,550	587,029	85,618,579
Unrestricted	51,839,856	74,582	51,914,438
Total net assets	<u>\$ 136,871,406</u>	<u>\$ 661,611</u>	<u>\$ 137,533,017</u>

City of Farmington Hills, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2007

	Water and Sewer Fund	Ice Arena Fund	Total
Operating Revenue			
Sale of water	\$ 10,825,406	\$ -	\$ 10,825,406
Sewage disposal charges	8,885,341	-	8,885,341
Ice arena rentals	-	1,191,403	1,191,403
Food sales	-	162,676	162,676
Retail sales	-	12,559	12,559
Other	595,264	93,623	688,887
Total operating revenue	20,306,011	1,460,261	21,766,272
Operating Expenses			
Cost of water purchased	7,736,438	-	7,736,438
Cost of sewage treatment	9,158,428	-	9,158,428
Cost of ice arena sales	-	76,383	76,383
Operations and maintenance	3,602,480	1,039,438	4,641,918
Depreciation	3,271,761	249,781	3,521,542
General and administrative	2,518,263	-	2,518,263
Total operating expenses	26,287,370	1,365,602	27,652,972
Operating Income (Loss)	(5,981,359)	94,659	(5,886,700)
Nonoperating Revenue (Expenses)			
Investment income	2,702,097	5,429	2,707,526
Interest expense	(85,110)	(185,108)	(270,218)
Capital charges	653,099	-	653,099
Debt service charges	568,898	-	568,898
Tap fees	161,488	-	161,488
Other	(6,023)	-	(6,023)
Total nonoperating revenue (expenses)	3,994,449	(179,679)	3,814,770
Loss - Before capital contributions and transfers	(1,986,910)	(85,020)	(2,071,930)
Capital Contributions	36,281	-	36,281
Loss - Before transfers	(1,950,629)	(85,020)	(2,035,649)
Transfers In	633,700	170,000	803,700
Change in Net Assets	(1,316,929)	84,980	(1,231,949)
Net Assets - Beginning of year	138,188,335	576,631	138,764,966
Net Assets - End of year	\$ 136,871,406	\$ 661,611	\$ 137,533,017

City of Farmington Hills, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2007

	Enterprise Funds		
	Water and Sewer Fund	Ice Arena Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 19,570,189	\$ 1,576,188	\$ 21,146,377
Payments to suppliers	(22,656,938)	(507,163)	(23,164,101)
Payments to employees	-	(592,674)	(592,674)
Net cash provided by (used in) operating activities	(3,086,749)	476,351	(2,610,398)
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	633,700	170,000	803,700
Collections on advance to component unit	862,387	-	862,387
Net cash provided by noncapital financing activities	1,496,087	170,000	1,666,087
Cash Flows from Capital and Related Financing Activities			
Collection of debt service and capital charges	1,221,997	-	1,221,997
Purchase of capital assets	(1,025,349)	-	(1,025,349)
Principal and interest paid on capital debt	(591,711)	(522,608)	(1,114,319)
Grants	36,281	-	36,281
Tap-in fees	161,488	-	161,488
Net cash used in capital and related financing activities	(197,294)	(522,608)	(1,781,234)
Cash Flows from Investing Activities - Interest received on investments	<u>2,702,097</u>	<u>5,429</u>	<u>2,707,526</u>
Net Increase in Cash and Cash Equivalents	914,141	129,172	1,043,313
Cash and Cash Equivalents - Beginning of year	<u>46,330,160</u>	<u>107,010</u>	<u>46,437,170</u>
Cash and Cash Equivalents - End of year	<u>\$ 47,244,301</u>	<u>\$ 236,182</u>	<u>\$ 47,480,483</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ (5,981,359)	\$ 94,659	\$ (5,886,700)
Nonoperating expense - Other	(6,023)	-	(6,023)
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	3,271,761	249,781	3,521,542
Changes in assets and liabilities:			
Receivables	(820,428)	9,177	(811,251)
Due to/from other funds	90,629	106,750	197,379
Accounts payable	71,693	(4,092)	67,601
Accrued and other liabilities	286,978	20,076	307,054
Net cash provided by (used in) operating activities	<u>\$ (3,086,749)</u>	<u>\$ 476,351</u>	<u>\$ (2,610,398)</u>

City of Farmington Hills, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2007

	Pension and Other Employee Benefit Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 7,319,971	\$ 5,190,922
Investments:		
U.S. government securities	22,398,473	-
U.S. agency mortgage-backed securities	4,312,384	-
Corporate bonds and securities	20,909,828	-
Common stocks	96,092,363	-
Receivables - Other	603,532	76
Total assets	151,636,551	<u>\$ 5,190,998</u>
Liabilities		
Performance bonds and deposits	-	\$ 4,288,903
Account payable	909,231	-
Due to other governmental units	-	902,095
Total liabilities	909,231	<u>\$ 5,190,998</u>
Net Assets - Held in trust for pension and other employee benefits	<u>\$ 150,727,320</u>	

City of Farmington Hills, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended June 30, 2007

	<u>Pension and Other Employee Benefit Trust Funds</u>
Additions	
Investment income:	
Interest and dividends	\$ 3,961,136
Net increase in fair value of investments	13,694,926
Investment expense	<u>(1,093,311)</u>
Net investment income	16,562,751
Contributions:	
Employer	8,138,603
Employee	<u>1,440,149</u>
Total contributions	<u>9,578,752</u>
Total additions	26,141,503
Deductions	
Benefit payments	4,310,569
Refunds of contributions	<u>405,399</u>
Total deductions	<u>4,715,968</u>
Net Increase in Plan Net Assets	21,425,535
Net Assets Held in Trust for Pension and Other Employee Benefits	
Beginning of year	<u>129,301,785</u>
End of year	<u><u>\$ 150,727,320</u></u>

City of Farmington Hills, Michigan

Component Units Statement of Net Assets (Deficit) June 30, 2007

	Economic Development Corporation	Brownfield Redevelopment Authority	Total
Assets			
Cash and cash equivalents	\$ 310,618	\$ 338,488	\$ 649,106
Receivables - Accrued interest and other	<u>629</u>	<u>-</u>	<u>629</u>
Total assets	311,247	338,488	649,735
Liabilities			
Current liabilities:			
Accounts payable	1,401	-	1,401
Due to primary government (Note 5)	<u>4,406</u>	<u>400,000</u>	<u>404,406</u>
Total current liabilities	5,807	400,000	405,807
Long-term liabilities - Due to primary government (Note 5)	<u>-</u>	<u>1,203,528</u>	<u>1,203,528</u>
Total liabilities	<u>5,807</u>	<u>1,603,528</u>	<u>1,609,335</u>
Net Assets (Deficit) - Unrestricted	<u>\$ 305,440</u>	<u>\$ (1,265,040)</u>	<u>\$ (959,600)</u>

City of Farmington Hills, Michigan

Component Units Statement of Activities Year Ended June 30, 2007

	Expenses	Net Expense and Change in Net Assets		
		Economic Development Corporation	Brownfield Redevelopment Authority	Total
Economic Development Corporation - Community and economic development	\$ 53,090	\$ (53,090)	\$ -	\$ (53,090)
Brownfield Redevelopment Authority - Public works	<u>138,364</u>	<u>-</u>	<u>(138,364)</u>	<u>(138,364)</u>
Total	<u>\$ 191,454</u>	<u>(53,090)</u>	<u>(138,364)</u>	<u>(191,454)</u>
General revenues:				
Taxes		-	536,627	536,627
Interest		<u>17,629</u>	<u>60,210</u>	<u>77,839</u>
Total general revenues		<u>19,229</u>	<u>596,837</u>	<u>616,066</u>
Change in Net Assets		(33,861)	458,473	424,612
Net Assets (Deficit) - Beginning of year		<u>339,301</u>	<u>(1,723,513)</u>	<u>(1,384,212)</u>
Net Assets (Deficit) - End of year		<u>\$ 305,440</u>	<u>\$ (1,265,040)</u>	<u>\$ (959,600)</u>

City of Farmington Hills, Michigan

**Notes to Financial Statements
June 30, 2007**

Note I - Summary of Significant Accounting Policies

The accounting policies of the City of Farmington Hills, 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 Farmington Hills, Michigan:

Reporting Entity

The City of Farmington Hills, Michigan is governed by an elected seven-member council. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Although blended component units are legal separate entities, in substance, they are part of the City's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

Blended Component Units - The Farmington Hills Building Authority (the "Authority") is governed by a board that is appointed by the City Council. Although it is legally separate from the City, the Authority is reported as if it were part of the primary government because its primary purpose is to finance and construct the City's public buildings. The operations of the Authority are reported as a nonmajor Debt Service Fund.

Discretely Presented Component Units - The following component units are reported within the component units column in the combined financial statements. They are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units do not issue separate financial statements.

- a. The Economic Development Corporation (the "Corporation") was created 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. In certain situations, members of the board of directors may be removed by a majority of the City Council. Complete financial statements for the Economic Development Corporation can be obtained from the administrative office at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

b. The Brownfield Redevelopment Authority was created to facilitate the implementation of plans for the identification, treatment, and revitalization of environmentally distressed areas within the City designated as Brownfield Redevelopment Zones. The Brownfield Redevelopment Authority's governing board of directors, consisting of nine members, is appointed by the mayor subject to approval by the City Council. In certain situations, members of the board of directors may be removed by action of the City Council. Complete financial statements for the Brownfield Redevelopment Authority can be obtained from the administrative office at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets (deficit) and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Interfund services provided and used are not eliminated in the process of consolidation.

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 units for which the City 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 segment. 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 segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

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.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

The City reports the following major governmental funds:

General Fund - 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.

Major Roads Fund - The Major Roads Fund accounts for the construction, maintenance, and repairs of all streets classified as "major roads" within the City. Financing is provided primarily by state-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Local Roads Fund - The Local Roads Fund accounts for the construction, maintenance, and repairs of all streets classified as "local roads" within the City. Financing is provided primarily by state-shared gas and weight taxes and local contributions. The fund is operated under the provisions of Michigan's Act 51 of the Public Acts of 1951, as amended.

Capital Improvement Fund - The Capital Improvement Fund accounts for projects and equipment acquisitions in excess of \$25,000 financed by a portion of the millage from within the City Charter millage cap, allocated for this purpose by the City Council.

Special Assessments Debt Service Fund - The Special Assessments Debt Service Fund is used to accumulate special assessment collections to be used to pay debt service costs for bonds issued for specific local improvements that benefit property owners.

SAD Capital Projects Fund - The SAD Capital Projects Fund is used to account for the construction activity for local improvements that benefit property owners.

The City reports the following major Enterprise Funds:

Water and Sewer Fund - The Water and Sewer Fund accounts for the activity of the water distribution and sewage collection systems administered by Oakland County.

Ice Arena Fund - The Ice Arena Fund accounts for the operations and maintenance of the City's ice arena. User fees provide the funding needed to operate and maintain the arena.

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following fund types:

Pension and Other Employee Benefit Trust Funds - The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees.

Agency Funds - The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments and have no measurement focus. They record primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods.

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. The agency funds have no measurement focus. 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.

The component unit government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. The component unit fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. There are no differences between the economic resources measurement focus and the current financial resources measurement focus; therefore, separate financial statements have not been presented.

Note I - Summary of Significant Accounting Policies (Continued)

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 revenue, special assessments collected in the current fiscal period, and interest. All other revenue items are considered available only when cash is received. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted resources.

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

Private sector standards of accounting issued before 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 apply private sector standards issued after November 30, 1989 for its Enterprise Funds.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

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."

Property Taxes - Property taxes are assessed as of December 31. The related property taxes are billed on July 1 of the following year and become a lien at that time. These taxes are payable at the City until August 31 without penalty. The final collection date by the city treasurer is February 28 before they are added to the county tax rolls.

The 2006 taxable valuation of the City totaled approximately \$4,286,578,000, on which ad valorem taxes levied consisted of 7.53 mills for the City's operating purposes, .4882 mills for parks and recreation, .5270 mills for refuse, and 1.4764 mills for public safety. The ad valorem taxes levied raised approximately \$32,278,000 for operations, \$2,100,000 for parks and recreation, \$2,260,000 for refuse, and \$6,300,000 for public safety. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as taxes receivable - current or as tax revenue.

Inventories - Inventories are valued at cost, on a first-in, first-out basis, which approximates market value. Inventories of governmental funds are recorded as expenditures when purchased.

Restricted Assets - Restricted assets include amounts on deposit with Oakland County being held for the construction, maintenance, and related debt service of storm drains within the City.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), 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 \$1,000 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 Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note I - Summary of Significant Accounting Policies (Continued)

Buildings, equipment, and vehicles are depreciated using the straight-line method over the following useful lives:

Drains	50 years
Roads and sidewalks	20 to 50 years
Land improvements	15 to 30 years
Buildings and building improvements	30 years
Vehicles	3 to 5 years
Machinery and equipment	7 to 20 years
Office equipment and furniture	5 to 7 years
Water and sewer distribution systems	40 to 50 years

Compensated Absences - It is the City's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. The government-wide and proprietary statements accrue all vacation, sick, and personal pay as it is earned. A liability for these amounts is reported in governmental funds as it comes due for payment, generally when the time is taken off or employees terminate.

Long-term Obligations - In the government-wide financial statements and the proprietary 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 Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Note 2 - Stewardship, Compliance, and Accountability

The City adopts a formal budget for the General Fund and all Special Revenue and Debt Service Funds. By February 1 of each year, all department heads submit spending requests to the finance director so that a budget may be prepared. The proposed budget is adopted no later than the first regular Council meeting in June. The City Council must approve any budget amendments. During the year, the budget was amended in a legally permissible manner.

The budget is adopted on an activity basis. Although spending estimates are produced for each line item, budgetary control is exercised at the activity level. The city manager is authorized to transfer budgeted amounts within budgetary centers (activity); however, any revisions that alter the total expenditures of any budgetary expenditure (activity) must be approved by the City Council. Expenditures at this level in excess of budget appropriation are a violation of Michigan law. Encumbrances represent commitments related to unperformed contracts (or purchase orders) for goods or services. Encumbrances are not included as expenditures or liabilities; the amount of encumbrances outstanding at June 30, 2007 for all funds is not significant.

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

The budget information for revenue and expenditures presented for the General Fund, Special Revenue Funds, and Debt Service Funds is a summarization of the actual adopted budget. Individual amendments were not material in relation to the original appropriations that were adopted. Budget appropriations lapse at year end; encumbrances are not included as expenditures. A comparison of the adopted budget with the actual revenue and expenditures for the year is presented as required supplemental information.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

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

Due to the volume of individual Special Assessment Funds maintained by the City, the activity for the funds has been presented on a combined basis in the SAD Capital Projects Fund and the Special Assessment Debt Service Fund for financial statement purposes. In accordance with State of Michigan law, the City maintains separate funds for all special assessment districts.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures at the parks and recreation budgetary center level over budget. Total budgeted expenditures were \$6,758,063 and actual were \$6,841,552, for an unfavorable variance of \$83,489. The variance was due to unanticipated expenditures that became necessary during the year.

At June 30, 2007, the following special assessments capital projects districts have fund deficits:

Special Assessment Fund Number	Amount
317	\$ 22,923
319	110,526
321	42,248
Total	<u>\$ 175,697</u>

The special assessment deficits are the result of special assessment bonding (financing) not being used to fund the projects. When the special assessment receivable is collected in ensuing years, revenue will be recognized and the deficits are a result of using other city resources to finance the projects, rather than issue debt.

In addition, the Brownfield Redevelopment Authority has a deficit of \$1,265,040 at June 30, 2007. The deficit is the result of expenditures incurred that have been financed through borrowings from the Water and Sewer Fund. These borrowings will be repaid through the collection of tax increment revenue in future periods.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

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

State Construction Code Act - 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 and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2006		\$ (1,657,194)
Current year building permit revenue		802,723
Related expenses:		
Direct costs	\$ 1,302,774	
Estimated indirect costs	<u>253,699</u>	
Total construction code expenses		<u>1,556,473</u>
Cumulative shortfall - June 30, 2007		<u>\$ (2,410,944)</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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

The pension trust fund and retiree health care fund are 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 Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

The City has designated 21 banks for the deposit of its funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 has authorized investment in all investments allowable under the State statutory authority as listed above. The City's deposits and investment policies are in accordance with statutory authority.

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City's investment policy strives to minimize custodial credit risk by prequalifying the financial institutions, broker/dealers, and intermediaries with which the City does business. At year end, the City had \$41,980,366 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 FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Concentration of Credit Risk

The City is authorized by the State's Pension Investment Act to invest in common stocks, real estate, and various other investment vehicles, subject to certain limitations. There were no investments during the year in any one organization (other than the U.S. government) in excess of 5 percent of plan net assets.

Interest Rate Risk

City Policy - 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.

Retirement and Healthcare System Policy - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The retirement system's investment policy does not restrict investment maturities. The retirement system allows for actively managed investments in domestic large cap equities, domestic small/mid cap equities, domestic fixed income, and international equities. At year end, the average maturities of investments are as follows:

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Investments	Fair Value	Weighted Average Maturity
Primary Government		
Bank investment pool	\$ 21,994,579	30 days
Retirement System		
Corporate bonds	5,092,136	11.50 years
Private placement corporate bonds	609,513	29.92 years
Collateralized mortgage obligations	4,627,410	22.14 years
Asset-backed securities	8,726,451	8.73 years
U.S. government securities	21,760,058	22.63 years
Health Care Fund		
Corporate bonds	1,854,318	4.69 years
U.S. government securities	4,950,799	10.33 years

Credit Risk

City Policy - 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.

Retirement and Healthcare System Policy - The retirement system domestic equity investments allow for common stocks, real estate investment trusts, and securities convertible into the common stock of U.S.-based companies. Domestic fixed income investments allow for securities issued by the U.S. government and its agencies, U.S. corporations, Yankee bonds, notes, and securitized mortgages. Fixed income securities shall be rated BBB- or higher at time of purchase except for collateralized mortgage obligations (CMOs), asset-backed securities, and mortgage-backed securities that shall be rated AAA at time of purchase. International securities must be in American Depositary Receipts (ADRs) or American Depositary Shares (ADSs) or depository securities of non-U.S. based companies traded in the U.S. These investments are deemed allowable by the retirement and healthcare system investment policy. As of year end, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 3 - Deposits and Investments (Continued)

Investments	Fair Value	Rating	Rating Organization
Primary Government			
Bank investment pool	\$ 623,994	AAA/VI+	Fitch
Bank investment pool	539,360	Prime-2	Moody's
Bank investment pool	4,308,384	Aaa	Moody's
Bank investment pool	2,068,927	A1/PI	S&P/Moody's
Bank investment pool	34,050,024	Not rated	N/A
Bank investment pool	2,134,227	AAAM	S&P/Moody's
Retirement System			
Collateralized mortgage obligations	3,455,216	AAA	S&P
Collateralized mortgage obligations	384,268	AA	S&P
Collateralized mortgage obligations	196,741	AA-	S&P
Collateralized mortgage obligations	386,675	A	S&P
Collateralized mortgage obligations	204,510	Not rated	N/A
Asset-backed securities	6,005,473	AAA	S&P
Asset-backed securities	184,140	A+	S&P
Asset-backed securities	1,421,484	A	S&P
Asset-backed securities	894,795	BBB+	S&P
Asset-backed securities	220,559	Not rated	N/A
Corporate bonds	1,269,885	AAA	S&P
Corporate bonds	407,450	AA	S&P
Corporate bonds	188,191	A+	S&P
Corporate bonds	725,206	A	S&P
Corporate bonds	515,092	A-	S&P
Corporate bonds	1,275,910	BBB	S&P
Corporate bonds	217,270	BBB-	S&P
Corporate bonds	1,102,645	BBB+	S&P
FHLM	4,312,384	AAA	S&P
FNMA	6,871,810	AAA	S&P
Pooled investments	2,449,407	Not rated	N/A
Health Care Fund			
FHLM	1,059,535	AAA	S&P
FNMA	1,173,008	AAA	S&P
Corporate bonds	188,815	AAA	S&P
Corporate bonds	64,943	AA	S&P
Corporate bonds	472,530	AA-	S&P
Corporate bonds	312,626	A+	S&P
Corporate bonds	136,096	A	S&P
Corporate bonds	254,584	A-	S&P
Corporate bonds	228,524	BBB+	S&P
Corporate bonds	196,200	BBB	S&P

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets

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

	Balance July 1, 2006	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2007
Governmental Activities					
Capital assets not being depreciated:					
Land	\$ 16,160,355	\$ -	\$ -	\$ -	\$ 16,160,355
Right-of-way	31,561,930	-	-	-	31,561,930
Construction in progress	6,609,743	(5,574,507)	845,026	-	1,880,262
Subtotal	54,332,028	(5,574,507)	845,026	-	49,602,547
Capital assets being depreciated:					
Drains	17,206,941	-	-	-	17,206,941
Sidewalks	11,811,851	-	236,481	-	12,048,332
Major roads	46,377,510	1,145,680	66,458	-	47,589,648
Local roads	70,940,290	-	-	-	70,940,290
Land improvements	15,474,418	-	278,515	-	15,752,933
Buildings and improvements	42,353,541	4,428,827	479,164	-	47,261,532
Machinery and equipment	8,851,904	(3,293)	904,436	251,250	9,501,797
Vehicles	10,515,046	-	1,201,798	1,020,723	10,696,121
Office equipment	3,399,070	3,293	115,036	23,171	3,494,228
Subtotal	226,930,571	5,574,507	3,281,888	1,295,144	234,491,822
Accumulated depreciation:					
Drains	4,979,651	-	344,139	-	5,323,790
Sidewalks	6,081,799	-	351,044	-	6,432,843
Major roads	24,971,909	-	1,482,650	-	26,454,559
Local roads	53,514,164	-	2,028,291	-	55,542,455
Land improvements	6,907,267	(6,793)	981,580	-	7,882,054
Buildings and improvements	14,808,820	8,767	1,678,652	-	16,496,239
Machinery and equipment	5,658,921	(3,958)	635,818	185,836	6,104,945
Vehicles	6,947,180	-	890,291	949,308	6,888,163
Office equipment	2,272,274	1,984	184,879	22,273	2,436,864
Subtotal	126,141,985	-	8,577,344	1,157,417	133,561,912
Net capital assets being depreciated	100,788,586	5,574,507	(5,295,456)	137,727	100,929,910
Net capital assets	\$ 155,120,614	\$ -	\$ (4,450,430)	\$ 137,727	\$ 150,532,457

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 4 - Capital Assets (Continued)

	Balance July 1, 2006	Transfers	Additions	Disposals and Adjustments	Balance June 30, 2007
Business-type Activities					
Capital assets not being depreciated:					
Land	\$ 390,000	\$ -	\$ -	\$ -	\$ 390,000
Construction in progress	3,919,677	(3,979,311)	394,850	-	335,216
Subtotal	4,309,677	(3,979,311)	394,850	-	725,216
Capital assets being depreciated:					
Water distribution system	64,795,238	924,926	365,700	-	66,085,864
Sewage disposal system	91,647,181	3,054,385	264,800	-	94,966,366
Land improvements	587,754	-	-	-	587,754
Building and building improvements	4,965,664	-	-	-	4,965,664
Machinery and equipment	811,687	-	-	-	811,687
Office equipment and furniture	87,319	-	-	-	87,319
Subtotal	162,894,843	3,979,311	630,500	-	167,504,654
Accumulated depreciation:					
Water distribution system	30,544,029	-	1,406,774	-	31,950,803
Sewage disposal system	41,093,451	-	1,864,987	-	42,958,438
Land improvements	398,930	-	47,189	-	446,119
Building and building improvements	1,726,892	-	163,559	-	1,890,451
Machinery and equipment	536,554	290	38,569	-	575,413
Office equipment and furniture	86,990	(290)	464	-	87,164
Subtotal	74,386,846	-	3,521,542	-	77,908,388
Net capital assets being depreciated	88,507,997	3,979,311	(2,891,042)	-	89,596,266
Net capital assets	\$ 92,817,674	\$ -	\$ (2,496,192)	\$ -	\$ 90,321,482

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

Governmental activities:

General government	\$ 1,028,604
Public safety	1,171,427
Public works	4,714,710
Community and economic development	3,403
Recreation and culture	1,659,200
Total governmental activities	<u>\$ 8,577,344</u>

Business-type activities:

Water and sewer	\$ 3,271,761
Ice arena	249,781
Total business-type activities	<u>\$ 3,521,542</u>

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 5 - Interfund Receivables, Payables, and Transfers

The interfund balances are comprised of the following:

Receivable Fund	Payable Fund	Amount
General Fund	Major Roads Fund	\$ 255,441
	Local Roads Fund	237,948
	Capital Improvement Fund	1,382
	Nonmajor governmental funds	535,036
	Ice Arena Fund	46,332
	Water and Sewer Fund	110,731
	Total General Fund	1,186,870
Local Roads Fund	SAD Capital Projects Fund	1,073
Major Roads Fund	Capital Improvement Fund	15,455
Nonmajor governmental funds	Nonmajor governmental funds	156,650
	Total governmental funds	<u>\$ 1,360,048</u>

Interfund balances due from component units are comprised of following:

Receivable Fund	Payable Fund	Amount
Water and Sewer Fund*	Brownfield Redevelopment Authority	\$ 1,603,528
General Fund	Economic Development Corporation	4,406
	Total component units	<u>\$ 1,607,934</u>

* Interest is charged at 7 percent. A total of \$400,000 is due in the next year and the remaining \$1,203,528 is due in more than one year.

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

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

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

Interfund transfers are comprised of the following:

Fund Transferred From	Fund Transferred To	Amount
General Fund	Major Roads Fund	100,000 (3)
	Ice Arena Fund	<u>170,000 (1)</u>
	Total General Fund	270,000
Major Roads Fund	Local Roads Fund	100,000 (3)
	Nonmajor governmental funds	<u>323,450 (2)</u>
	Total Major Roads Fund	423,450
Special Assessment Debt Service Fund	Special Assessment Capital Project Fund	187,251 (3)
	Local Roads Fund	8,982 (3)
	Nonmajor governmental funds	<u>111,709 (3)</u>
	Total Special Assessment Debt Service Fund	307,942
Special Assessment Capital Project Fund	Local Roads Fund	6,656 (3)
Nonmajor governmental funds	General Fund	936,879 (1)
	Major Roads Fund	386,623 (2)
	Capital Improvement Fund	40,243 (3)
	Water and Sewer Fund	633,700 (3)
	Nonmajor governmental funds	<u>901,693 (2)</u>
	Total nonmajor governmental funds	<u>2,899,138</u>
Total transfers		<u>\$ 3,907,186</u>

(1) Transfer of discretionary funds to be used for the benefit of the community

(2) Transfer for debt service payments

(3) Transfer for capital improvements

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital improvements. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual obligations are also general obligations of the government. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties which benefit from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the City is obligated to provide resources to cover the deficiency until other resources (such as tax sale proceeds or a re-assessment of a district) are received.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

Long-term obligation activity is summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental activities:							
General obligation bonds:							
Building Authority Bonds:							
District Court Building							
Amount of issue - \$11,000,000	4.15% -	\$400,000	\$ 9,900,000	\$ -	\$ (7,000,000)	\$ 2,900,000	\$ 400,000
Maturing through 2021	5.00%	\$995,000					
District Court Building Refunding Bonds, Series 2007							
Amount of issue - \$6,555,000	4.15% -	\$685,000	-	6,555,000	-	6,555,000	-
Maturing through 2021	5.50%	\$995,000					
Building Authority Refunding Bonds, Series 2003							
Amount of issue - \$2,910,000	2.25% -	\$165,000	2,500,000	-	(260,000)	2,240,000	275,000
Maturing through 2018	4.00%	\$275,000					
Michigan Transportation Fund Bonds							
Amount of issue - \$3,150,000	5.10%	\$300,000	600,000	-	(300,000)	300,000	300,000
Maturing through 2008							
County contractual obligations:							
Minnow Pond Drainage District Refunding Bonds							
Amount of issue - \$6,524,348	4.25% -	\$666,047	3,772,647	-	(666,047)	3,106,600	758,419
Maturing through 2011	4.50%	\$807,036					
Caddell Drain							
Amount of issue - \$1,388,991	5.50% -	\$111,273	1,085,868	-	(126,621)	959,247	122,784
Maturing through 2014	5.875%	\$126,621					
Pebble Creek Drainage District							
Amount of issue - \$1,508,845	5.00% -	\$180,700 -	971,262	-	(180,700)	790,562	212,323
Maturing through 2011	6.80%	\$212,323					
Golf Course Capital Improvement							
Amount of issue - \$8,200,000	3.00% -	\$150,000 -	8,200,000	-	(150,000)	8,050,000	150,000
Maturing through 2031	4.375%	\$550,000					
Special Assessment Bonds:							
Districts 235, 236, 237, 238, 239, 243, 240							
Public Improvements							
Amount of issue - \$575,000	3.00%	\$20,000	20,000	-	(20,000)	-	-
Maturing through 2007							
District 253							
Public Improvements							
Amount of issue - \$1,150,000	5.90%	\$25,000	25,000	-	(25,000)	-	-
Maturing through 2007							
District 265							
Public Improvements							
Amount of issue - \$1,885,000	5.60% -	\$35,000 -	235,000	-	(50,000)	185,000	50,000
Maturing through 2011	5.90%	\$50,000					
Districts 263, 264, 266, 267,							
Public Improvements							
Amount of issue - \$915,000	5.10% -	\$15,000 -	115,000	-	(50,000)	65,000	25,000
Maturing through 2010	5.40%	\$50,000					
Districts 278, 279, 281, 283, 284							
Public Improvements							
Amount of issue - \$2,155,000	4.10% -	\$25,000 -	605,000	-	(200,000)	405,000	150,000
Maturing through 2013	4.60%	\$150,000					

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Governmental activities (Continued):							
Special Assessment Bonds (Continued):							
Districts 294							
Public Improvements							
Amount of issue - \$2,860,000	3.75% -	\$75,000 -	\$ 950,000	\$ -	\$ (250,000)	\$ 700,000	\$ 200,000
Maturing through 2013	3.80%	\$200,000					
Districts 293, 295, 297, 290, 300							
Public Improvements							
Amount of issue - \$1,490,000	4.60% -	\$25,000 -	725,000	-	(150,000)	575,000	100,000
Maturing through 2014	5.30%	\$100,000					
Public Improvement Districts 306, 307, 308, 309, 310, 311							
Amount of issue - \$1,585,000	2.25% -	\$150,000 -	1,035,000	-	(195,000)	840,000	185,000
Maturing through 2012	3.25%	\$185,000					
Districts 312, 314, and 315							
Public Improvements							
Amount of issue - \$1,050,000	0.34% -	\$100,000 -	850,000	-	(125,000)	725,000	125,000
Maturing through 2013	3.15%	\$125,000					
Total bond obligations			31,589,777	6,555,000	(9,748,368)	28,396,409	3,053,526
Other long-term obligations:							
Estimated general liability claims			943,000	-	(280,000)	663,000	663,000
Compensated absences			5,692,871	2,974,221	(2,732,271)	5,934,821	2,640,631
Total other long-term obligations			6,635,871	2,974,221	(3,012,271)	6,597,821	3,303,631
Total governmental activities			38,225,648	9,529,221	(12,760,639)	34,994,230	6,357,157
Business-type activities:							
General obligation bonds:							
1998 Refunding Bonds							
Amount of issue - \$4,495,000	4.00% -	\$360,000 -	3,870,000	-	(370,000)	3,500,000	365,000
Maturing through 2015	4.40%	\$500,000					
Less unamortized discount and deferred amount on refunding			(276,250)	32,500	-	(243,750)	-
County contractual obligations - Water and Sewer:							
Evergreen-Farmington Sewage Disposal System (Interceptor)							
Amount of issue - \$4,677,000	5.00%	\$402,323 -	854,935	-	-	854,935	402,320
Maturing through 2009		\$452,612					
Evergreen-Farmington Sewage Disposal System							
Amount of issue - \$1,079,308	3.50%	\$105,684	105,684	-	-	105,684	-
Maturing through 2010							
Evergreen-Farmington Sewage/Farmington Hills - Southfield:							
Segment I Refunding Bonds							
Amount of issue - \$2,695,544	4.75%	\$349,516	349,516	-	(349,516)	-	-
Maturing through 2007							
Evergreen-Farmington Sewage Disposal System (Segments I and II)							
Amount of issue - \$843,418	4.6% -	\$101,730 -	396,614	-	(85,597)	311,017	101,730
Maturing through 2010	4.85%	\$105,315					

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	(Reductions)	Ending Balance	Due Within One Year
Business-type activities (Continued):							
County contractual obligations - Water and Sewer (Continued):							
Evergreen-Farmington Sewage/Farmington Hills - Southfield (Continued):							
Evergreen-Farmington Permanent Meter and Interceptor Rehabilitation Refunding Bonds							
Amount of issue - \$590,392	3.90%	\$82,581	\$ 246,505	\$ -	\$ (71,488)	\$ 175,017	\$ 82,581
Maturing through 2009	4.00%	\$92,436					
Total business-type activities			5,547,004	32,500	(876,601)	4,702,903	951,631
Total primary government			\$ 43,772,652	\$ 9,561,721	\$ (13,637,240)	\$ 39,697,133	\$ 7,308,788

Annual debt service requirements to maturity for the above bond obligations, excluding \$243,250 of unamortized discounts and deferred amounts on refunding, are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 3,053,526	\$ 1,145,358	\$ 4,198,884	\$ 951,631	\$ 207,081	\$ 1,158,712
2009	2,666,274	1,025,325	3,691,599	1,010,366	164,199	1,174,565
2010	2,510,788	929,478	3,440,266	639,656	116,545	756,201
2011	2,492,363	831,675	3,324,038	425,000	92,478	517,478
2012	1,421,273	733,558	2,154,831	465,000	73,671	538,671
2013-2017	6,347,185	2,865,103	9,212,288	1,455,000	97,455	1,552,455
2018-2022	5,630,000	1,485,444	7,115,444	-	-	-
2023-2027	2,150,000	699,656	2,849,656	-	-	-
2028-2032	2,125,000	189,766	2,314,766	-	-	-
Total	\$ 28,396,409	\$ 9,905,362	\$ 38,301,771	\$ 4,946,653	\$ 751,429	\$ 5,698,082

During the year, the City issued \$6,555,000 in LTGO Bonds with an average interest rate of 4.21 percent. The proceeds of these bonds were used to advance refund \$6,600,000 of the District Court Building Authority Bond. The net proceeds of \$6,801,620 (including a premium of \$361,604 and after payments of \$114,984 in underwriting fees, insurance, and other issuance costs) were used to purchase U.S. government securities. The advance refunding reduced total debt service payments by approximately \$296,000, which represents an economic gain of approximately \$214,000.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 6 - Long-term Debt (Continued)

In the current year and in prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust accounts' assets and liabilities for the defeased bonds are not included in the general purpose financial statements. At June 30, 2007, the City's portion of bonds outstanding that are considered defeased approximates \$17,500,000.

Note 7 - Restricted Assets

Restricted assets consist of funds held by Oakland County Drain Commissioner on behalf of the City to be used for construction and maintenance of storm drains, including related debt service. Net assets have been restricted at June 30, 2007 for this amount.

Note 8 - Retirement Plan

Plan Description - The City of Farmington Hills Employees' Retirement System (the "Plan") is a single-employer defined benefit pension plan that is administered by the City of Farmington Hills Employees' Retirement System Pension Board. Plan benefits accrue to all general, court, police, and fire employees who qualify under the Plan. The Plan provides retirement and disability benefits to plan members and their beneficiaries. In addition to providing pension benefits, the Plan provides healthcare benefits (in accordance with certain union contracts) for plan members if they reach the normal retirement age while working for the City (see Note 9). Prior to January 1, 2005, accounts of the City of Farmington Hills Employees' Retirement System were maintained on a calendar year basis. As of January 1, 2005, the retirement system's year end was changed to June 30, the same fiscal year end as the City. The amounts included in the combined financial statements for this fund are as of June 30, 2007. The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. Eleven Mile Road, Farmington Hills, MI 48336.

Basis of Accounting - The Plan uses the accrual method of accounting. 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. Benefit payments and refunds are recognized when due and payable in accordance with the terms of the Plan. Administrative costs of the Plan are paid by the General Fund.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Retirement Plan (Continued)

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining units. Generally, plan members are required to contribute 4.5 percent of base, longevity, and holiday (for certain groups) earnings for pension benefits, plus an additional 1.5 percent for health insurance. The funding policy provides for periodic employer contributions at actuarially determined rates.

Employer contributions represented approximately 14.54 percent of covered payroll as reported on June 30, 2006.

Annual Pension Costs - For the year ended June 30, 2007, the City's annual pension cost of \$3,389,124 for the Plan was equal to the required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at December 31, 2004 using the entry actual cost method. Significant actuarial assumptions used include (a) a 7.5 percent investment rate of return, (b) projected salary increases of 4 percent per year, (c) additional projected salary increases ranging from 4 percent to 24 percent per year, depending on age and employee group, attributable to seniority/merit, and (d) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.00 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 over 30 years.

Reserves - As of June 30, 2007, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 14,286,759
Reserve for retired benefit payments	35,294,976

Three-year trend information is as follows:

	Fiscal Year Ended		
	December 31, 2004	June 30, 2006	June 30, 2007
Annual pension costs (APC)	\$ 2,318,001	\$ 5,751,637 *	\$ 3,389,124
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

* As discussed above, this cost is for the 18-month period ended June 30, 2006.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 8 - Retirement Plan (Continued)

	Actuarial Valuation		
	December 31		June 30
	2003	2004	2006
Actuarial value of assets	\$ 89,838,146	\$ 93,046,559	\$ 101,041,990
Actuarial accrued liability (AAL) (entry age)	\$ 90,563,804	\$ 96,914,249	\$ 111,174,556
Unfunded AAL (UAAL)	\$ 725,658	\$ 3,867,690	\$ 10,132,566
Funded ratio (percent)	99.2%	96.0%	90.9%
Covered payroll	\$ 22,246,938	\$ 22,612,504	\$ 23,302,473
UAAL as a percentage of covered payroll	3.3%	17.1%	43.5%

Note 9 - Postemployment Benefits

The City provides healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 103 individuals are eligible. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, which generally requires employee contributions of 1.5 percent of earnings not in excess of the employee wage base. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. As of January 1, 2005, the postemployment healthcare fund's year end was changed to June 30, the same fiscal year end as the City. The Plan issues a publicly available financial report that includes financial statements and required supplemental information for the system. That report may be obtained by writing to the City of Farmington Hills Employees' Retirement System at 31555 W. Eleven Mile Road, Farmington Hills, MI 48336.

Expenditures for postemployment healthcare benefits are funded on an actuarial basis. The City's actuarial required contribution for the year ended June 30, 2007 was calculated as \$2,749,479; the City elected to contribute an additional \$2,000,000 to the plan for a total actual contribution of \$4,749,479. At June 30, 2006, the date of the most recent actuarial report, assets available for postemployment healthcare benefits totaled \$29,245,746, including amounts held by the City of Farmington Hills Employees' Retirement System and the Postretirement Health Care Finance Fund. The actuarial accrued liability, determined using the individual entry age actuarial cost method, totaled \$50,674,604 and the unfunded actuarial accrued liability totaled \$21,428,858.

Note 9 - Postemployment Benefits (Continued)

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, as well as any other postemployment benefits (other than pensions). The new rules 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 June 30, 2008.

Note 10 - 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 participates in the Michigan Municipal League Workers' Compensation Fund for workers' compensation claims and participates in the Michigan Municipal Risk Management Authority risk pool for claims relating to general and auto liability, auto physical damage, and property loss claims. As of September 2005, the City has also assumed a significant amount of financial responsibility for its actual incurred medical claims cost, subject to certain insured limitations including \$50,000 per specific claim and approximately \$2.5 million in aggregate claims (prior to September 2005, the City purchased commercial insurance for medical 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 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 Michigan Municipal Risk Management Authority (MMRMA) risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the MMRMA that the MMRMA uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the City. The City has elected to participate in the MMRMA stop-loss program, which limits the paid losses to \$880,000 for the most recent plan year.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 10 - Risk Management (Continued)

The City estimates the liability for medical and general claims that have been incurred through the end of the fiscal year, including claims that have been reported as well as those that have not yet been reported, which includes estimates of both future payments of losses and related claim adjustments expense, both allocated and unallocated. The liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. Any adjustments resulting from the settlement of losses will be reflected in earnings at the time the adjustments are determined. These estimates are recorded in the General Fund and within the governmental activities column in the statement of net assets (deficit). Changes in the estimated liability for the past two fiscal years were as follows:

	<u>2007</u>	<u>2006</u>
Estimated liability - Beginning of year	\$ 1,772,100	\$ 1,313,100
Estimated claims incurred, including changes in estimates	3,438,060	2,800,459
Claim payments	<u>(3,866,508)</u>	<u>(2,341,459)</u>
Unpaid claims - End of year	<u>\$ 1,343,652</u>	<u>\$ 1,772,100</u>
Estimated liability for claims reported	\$ 116,652	\$ 391,100
Estimated liability for claims incurred but not reported	<u>1,227,000</u>	<u>1,381,000</u>
Total estimated liability	<u>\$ 1,343,652</u>	<u>\$ 1,772,100</u>

A total of \$663,000 of the estimated liability for claims incurred but not reported is included as a general long-term liability in the governmental activities. The remaining liability of \$564,000 represents the accrual for claims incurred but not reported for medical claims and is recorded in accrued and other liabilities of the General Fund. The estimated liability for general claims is reported in accrued and other liabilities in the General Fund.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 11 - Joint Ventures

The City participates in the Michigan 47th District Court Administration Fund with the City of Farmington and in the Southwest Oakland Cable Commission source with the cities of Farmington and Novi. The City provides approximately 87 percent of the funding for the Michigan 47th District Court Administration Fund. The Southwest Oakland Cable Commission currently does not receive a subsidy from the City.

During the years ended June 30, 2002 and 2001, the City advanced a total of \$2,218,226 to the Southwest Oakland Cable Commission for the acquisition of equipment and improvements to a new facility to be used in its operation. As of June 30, 2007, the total receivable is \$1,694,227. The advances will be repaid to the City in annual installments of approximately \$246,000, including interest at 7 percent, through 2017. Fund balance in the General Fund has been reserved for the advance since these amounts are not available for use to finance operations as of year end.

In addition, the City is a member of the Resource Recovery and Recycling Authority of Southwest Oakland County (the "Recycling Authority"). The Recycling Authority is incorporated by the cities of Farmington, Farmington Hills, Novi, South Lyon, Southfield, Walled Lake, Wixom, and the Charter Township of Lyon. The joint venture receives its operating revenue from member contributions and miscellaneous income.

The City is unaware of any circumstances that would cause an additional benefit or burden to the participating governments of any of the above joint ventures in the near future.

Complete financial statements for the 47th District Court Administration Fund, Southwest Oakland Cable Commission, and Resource Recovery and Recycling Authority of Southwest Oakland County can be obtained from the administrative offices at 31555 Eleven Mile Road, Farmington Hills, MI 48336.

City of Farmington Hills, Michigan

Notes to Financial Statements June 30, 2007

Note 12 - Designated Fund Balance

The following is a summary of the unreserved fund balances of the major governmental funds with management's designations:

Designated for	General Fund	Major Road Fund	Local Road Fund	Capital Improvement Fund	Special Assessments Debt Service Fund	Other Nonmajor Governmental Funds
Subsequent year's expenditures	\$ 2,805,000	\$ 2,172,839	\$ 609,557	\$ 1,830,420	\$ -	\$ 153,067
Land acquisition, capital improvements, road construction, and drains	6,840,304	1,698,838	29,836	3,888,691	-	-
Debt service	-	-	-	-	3,520,970	670,773
Other	1,150,000	-	-	-	-	7,063,654
Total	<u>\$ 10,795,304</u>	<u>\$ 3,871,677</u>	<u>\$ 639,393</u>	<u>\$ 5,719,111</u>	<u>\$ 3,520,970</u>	<u>\$ 7,887,494</u>

Note 13 - Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	Unavailable	Unearned
Special assessments	\$ 1,919,473	\$ -
Long-term receivables	56,000	-
Grant payments received prior to meeting all eligibility requirements and other	-	114,470
Total	<u>\$ 1,975,473</u>	<u>\$ 114,470</u>

Required Supplemental Information

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 30,236,000	\$ 30,476,869	\$ 30,470,669	\$ (6,200)
Business licenses and permits	21,635	19,600	16,967	(2,633)
Other licenses and permits	1,087,400	805,400	833,069	27,669
Grants	363,754	471,824	450,727	(21,097)
State-shared revenues	6,534,800	6,635,268	6,719,632	84,364
Fees	3,297,400	3,503,900	3,256,078	(247,822)
Sales	443,750	628,369	689,802	61,433
Fines and forfeitures	2,400,000	2,400,000	2,498,603	98,603
Interest earnings	1,290,000	1,900,000	2,054,329	154,329
Recreation user charges	3,019,607	3,029,924	3,045,938	16,014
Total revenue	48,694,346	49,871,154	50,035,814	164,660
Other Financing Sources - Transfers in	<u>923,822</u>	<u>883,318</u>	<u>936,879</u>	<u>53,561</u>
Total revenue and other financing sources	49,618,168	50,754,472	50,972,693	218,221
Expenditures				
General government:				
City Council	120,788	121,816	119,531	2,285
Public information	331,257	331,157	322,137	9,020
Boards and commissions	3,047,561	3,027,346	2,760,844	266,502
City administration	746,154	760,970	725,142	35,828
Finance department	2,141,277	2,035,506	1,948,685	86,821
Corporation counsel	532,176	486,176	499,301	(13,125)
Central services	1,174,972	1,047,455	1,019,588	27,867
City clerk	797,174	742,758	685,276	57,482
Support services	2,315,646	3,763,070	3,449,958	313,112
Human resources	412,443	407,170	407,323	(153)
Total general government	11,619,448	12,723,424	11,937,785	785,639
Public safety:				
Police	16,440,460	16,520,308	16,244,653	275,655
Fire	4,895,437	5,251,465	5,397,214	(145,749)
Total public safety	21,335,897	21,771,773	21,641,867	129,906
Public works:				
Administration	478,995	481,230	464,774	16,456
Road maintenance	2,243,537	2,194,612	2,152,850	41,762
Building maintenance	462,353	415,098	359,974	55,124
Engineering	1,902,192	1,818,840	1,763,219	55,621
Maintenance facility	1,200,709	1,161,859	1,186,239	(24,380)
General refuse removal	3,461,898	3,362,924	3,343,098	19,826
Public service reimbursement from road funds	<u>(2,485,407)</u>	<u>(2,485,407)</u>	<u>(2,594,927)</u>	<u>109,520</u>
Total public works	7,264,277	6,949,156	6,675,227	273,929

City of Farmington Hills, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2007

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Expenditures (Continued)				
Community and economic development	\$ 2,272,900	\$ 2,162,598	\$ 2,131,882	\$ 30,716
Parks and recreation	6,255,646	6,758,063	6,841,552	(83,489)
Total expenditures	48,748,168	50,365,014	49,228,313	1,136,701
Other Uses - Transfers out	<u>270,000</u>	<u>270,000</u>	<u>270,000</u>	<u>-</u>
Total expenditures and other uses	<u>49,018,168</u>	<u>50,635,014</u>	<u>49,498,313</u>	<u>1,136,701</u>
Excess of Revenues and Other Financing Sources Over Expenditures and Other Uses				
	600,000	119,458	1,474,380	1,354,922
Fund Balances - July 1, 2006	<u>16,945,948</u>	<u>16,945,948</u>	<u>16,945,948</u>	<u>-</u>
Fund Balances - June 30, 2007	<u>\$ 17,545,948</u>	<u>\$ 17,065,406</u>	<u>\$ 18,420,328</u>	<u>\$ 1,354,922</u>

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

City of Farmington Hills, Michigan

	Major Road Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental revenues	4,904,027	4,584,350	4,414,519	(169,831)
Interest income	494,000	140,000	134,505	(5,495)
Miscellaneous revenue	-	-	-	-
Total revenue	5,398,027	4,724,350	4,549,024	(175,326)
Expenditures				
Public works	7,808,698	5,204,141	4,203,473	1,000,668
Capital outlay	-	-	-	-
Total expenditures	7,808,698	5,204,141	4,203,473	1,000,668
Excess of Revenue Over (Under) Expenditures	(2,410,671)	(479,791)	345,551	825,342
Other Financing Sources (Uses)				
Transfers in	623,450	640,453	486,623	(153,830)
Transfers out	(423,450)	(423,450)	(423,450)	-
Total other financing sources (uses)	200,000	217,003	63,173	(153,830)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	(2,210,671)	(262,788)	408,724	671,512
Fund Balances - July 1, 2006	3,462,953	3,462,953	3,462,953	-
Fund Balances - June 30, 2007	<u>\$ 1,252,282</u>	<u>\$ 3,200,165</u>	<u>\$ 3,871,677</u>	<u>\$ 671,512</u>

**Required Supplemental Information
Budgetary Comparison Schedule
Major Special Revenue Funds
Year Ended June 30, 2007**

Local Road Fund				Capital Improvement Fund			
Original Budget	Amended Budget	Actual	Variance with Amended Budget	Original Budget	Amended Budget	Actual	Variance with Amended Budget
\$ -	\$ -	\$ -	\$ -	\$ 2,061,201	\$ 2,054,696	\$ 2,048,086	\$ (6,610)
1,371,000	1,371,000	1,383,369	12,369	150,000	55,000	39,510	(15,490)
50,000	50,000	40,373	(9,627)	225,000	240,000	304,191	64,191
-	-	-	-	202,305	253,644	254,456	812
1,421,000	1,421,000	1,423,742	2,742	2,638,506	2,603,340	2,646,243	42,903
3,965,890	2,367,949	2,049,193	318,756	-	-	-	-
-	-	-	-	4,142,252	3,128,876	1,209,716	1,919,160
3,965,890	2,367,949	2,049,193	318,756	4,142,252	3,128,876	1,209,716	1,919,160
(2,544,890)	(946,949)	(625,451)	321,498	(1,503,746)	(525,536)	1,436,527	1,962,063
1,887,000	446,002	115,638	(330,364)	93,277	-	40,243	(53,034)
-	-	-	-	(200,000)	(94,393)	-	94,393
1,887,000	446,002	115,638	(330,364)	(106,723)	(94,393)	40,243	41,359
(657,890)	(500,947)	(509,813)	(8,866)	(1,610,469)	(619,929)	1,476,770	2,003,422
1,149,206	1,149,206	1,149,206	-	4,242,341	4,242,341	4,242,341	-
\$ 491,316	\$ 648,259	\$ 639,393	\$ (8,866)	\$ 2,631,872	\$ 3,622,412	\$ 5,719,111	\$ 2,003,422

Other Supplemental Information

City of Farmington Hills, Michigan

Special Revenue

	Public Safety	Community Development Block Grant	Revolving Special Assessment	Nutrition Grant	Local Law Block Grant	Justice Assistance Grant	Police Forfeiture
Assets							
Cash and cash equivalents	\$ 1,346,395	\$ 2,315	\$ 4,837,658	\$ 168,811	\$ -	\$ 10,520	\$ 1,128,318
Due from other governmental units	-	8,499	-	-	-	-	-
Receivables - Accrued interest and other	-	-	2,294	4,048	-	-	615
Due from other funds	-	-	-	-	-	-	-
Total assets	\$ 1,346,395	\$ 10,814	\$ 4,839,952	\$ 172,859	\$ -	\$ 10,520	\$ 1,128,933
Liabilities and Fund Balances							
Liabilities							
Accounts payable	\$ -	\$ 10,814	\$ -	\$ -	\$ -	\$ -	\$ 356,271
Due to other funds	427,485	-	-	67,909	-	-	39,642
Deferred revenue	-	-	-	104,950	-	9,520	-
Total liabilities	427,485	10,814	-	172,859	-	9,520	395,913
Fund Balances - Unreserved							
Designated for subsequent years' expenditures	-	-	-	-	-	-	153,067
Designated for capital improvements	-	-	4,839,952	-	-	-	-
Designated for public safety	918,910	-	-	-	-	1,000	579,953
Designated for debt service	-	-	-	-	-	-	-
Total fund balances	918,910	-	4,839,952	-	-	1,000	733,020
Total liabilities and fund balances	\$ 1,346,395	\$ 10,814	\$ 4,839,952	\$ 172,859	\$ -	\$ 10,520	\$ 1,128,933

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

Funds		Debt Service Funds					
Parks and Recreation Special Millage	Golf Course Capital Improvement	Deferred Special Assessment	Building Authority	Act 175 Debt - 1992 Issue	General Debt Service	Total Nonmajor Governmental Funds	
\$ 657,972	\$ 47,002	\$ 51,054	\$ 298,560	\$ 40,911	\$ 331,142	\$ 8,920,658	
-	-	-	-	-	-	8,499	
-	-	-	160	-	-	7,117	
-	-	-	-	-	156,650	156,650	
\$ 657,972	\$ 47,002	\$ 51,054	\$ 298,720	\$ 40,911	\$ 487,792	\$ 9,092,924	
\$ 32,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 399,274	
-	-	-	156,650	-	-	691,686	
-	-	-	-	-	-	114,470	
32,189	-	-	156,650	-	-	1,205,430	
-	-	-	-	-	-	153,067	
625,783	47,002	51,054	-	-	-	5,563,791	
-	-	-	-	-	-	1,499,863	
-	-	-	142,070	40,911	487,792	670,773	
625,783	47,002	51,054	142,070	40,911	487,792	7,887,494	
\$ 657,972	\$ 47,002	\$ 51,054	\$ 298,720	\$ 40,911	\$ 487,792	\$ 9,092,924	

City of Farmington Hills, Michigan

	Special Revenue						
	Public Safety	Community Development Block Grant	Revolving Special Assessment	Nutrition Grant	Local Law Block Grant	Justice Assistance Grant	Police Forfeiture
Revenue							
Property taxes	\$ 6,310,531	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Federal sources	-	553,534	-	285,867	2,749	21,655	497,375
Interest income	206,831	-	245,503	7,116	-	1,168	53,339
Other	-	-	-	133,263	-	-	252,616
Total revenue	6,517,362	553,534	245,503	426,246	2,749	22,823	803,330
Expenditures							
Current:							
Public safety	5,598,552	-	-	-	2,749	-	216,950
Recreation and culture	-	-	-	426,246	-	-	-
Community and economic development	-	450,118	5,708	-	-	-	-
Capital outlay	-	-	-	-	-	21,928	426,236
Debt service	-	-	-	-	-	-	-
Total expenditures	5,598,552	450,118	5,708	426,246	2,749	21,928	643,186
Excess of Revenue Over (Under) Expenditures	918,810	103,416	239,795	-	-	895	160,144
Other Financing Sources (Uses)							
Transfers in	-	-	111,709	-	-	-	-
Transfers out	-	(103,416)	-	-	-	-	(39,642)
Proceeds from long-term debt	-	-	-	-	-	-	-
Premium on bond issue	-	-	-	-	-	-	-
Transfer to escrow agent	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(103,416)	111,709	-	-	-	(39,642)
Net Change in Fund Balances	918,810	-	351,504	-	-	895	120,502
Fund Balances - Beginning of year	100	-	4,488,448	-	-	105	612,518
Fund Balances - End of year	\$ 918,910	\$ -	\$ 4,839,952	\$ -	\$ -	\$ 1,000	\$ 733,020

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2007

Funds	Debt Service Funds						
Parks and Recreation Special Millage	Golf Course Capital Improvement	Deferred Special Assessment	Building Authority	Act 175 Debt - 1992 Issue	General Debt Service	Total Nonmajor Governmental Funds	
\$ 2,086,656	\$ -	\$ -	\$ -	\$ -	\$ 2,732,131	\$ 11,129,318	
-	-	-	-	-	-	1,361,180	
77,874	1,529	2,438	15,199	1,933	87,270	700,200	
-	18,954	-	95,722	-	151,952	652,507	
2,164,530	20,483	2,438	110,921	1,933	2,971,353	13,843,205	
-	-	-	-	-	-	5,818,251	
-	-	-	-	-	-	426,246	
-	-	-	-	-	-	455,826	
557,986	151	-	926	-	-	1,007,227	
-	-	-	1,112,399	323,450	1,693,001	3,128,850	
557,986	151	-	1,113,325	323,450	1,693,001	10,836,400	
1,606,544	20,332	2,438	(1,002,404)	(321,517)	1,278,352	3,006,805	
-	-	-	901,693	323,450	-	1,336,852	
(1,530,937)	-	-	-	-	(1,225,143)	(2,899,138)	
-	-	-	6,555,000	-	-	6,555,000	
-	-	-	361,604	-	-	361,604	
-	-	-	(6,958,270)	-	-	(6,958,270)	
(1,530,937)	-	-	860,027	323,450	(1,225,143)	(1,603,952)	
75,607	20,332	2,438	(142,377)	1,933	53,209	1,402,853	
550,176	26,670	48,616	284,447	38,978	434,583	6,484,641	
\$ 625,783	\$ 47,002	\$ 51,054	\$ 142,070	\$ 40,911	\$ 487,792	\$ 7,887,494	

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Major Debt Service Fund Special Assessments Debt Service Fund Year Ended June 30, 2007

	Special Assessments Debt Service		
	Amended Budget	Actual	Variance with Amended Budget
Revenue			
Interest income	\$ 200,000	\$ 348,231	\$ 148,231
Special assessments	<u>1,489,793</u>	<u>513,504</u>	<u>(976,289)</u>
Total revenue	1,689,793	861,735	(828,058)
Expenditures			
Capital outlay	500,000	13,554	486,446
Debt principal payments	1,065,000	1,065,000	-
Interest and fiscal charges	<u>157,080</u>	<u>171,630</u>	<u>(14,550)</u>
Total expenditures	<u>1,722,080</u>	<u>1,250,184</u>	<u>471,896</u>
Excess of Expenditures Over Revenue	(32,287)	(388,449)	(356,162)
Other Financing Uses - Transfers out	<u>-</u>	<u>(307,942)</u>	<u>(307,942)</u>
Excess of Expenditures and Other Financing Uses Over Revenue	(32,287)	(696,391)	(664,104)
Fund Balances - July 1, 2006	<u>4,217,361</u>	<u>4,217,361</u>	<u>-</u>
Fund Balances - June 30, 2007	<u>\$ 4,185,074</u>	<u>\$ 3,520,970</u>	<u>\$ (664,104)</u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2007

Special Revenue Fund - Public Safety

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Property taxes	\$ 6,305,118	\$ 6,310,531	\$ 5,413
Interest income	150,000	206,831	56,831
Total revenues	6,455,118	6,517,362	62,244
Expenditures - Public safety	5,598,552	5,598,552	-
Excess of Revenues Over Expenditures	856,566	918,810	62,244
Fund Balance - July 1, 2006	100	100	-
Fund Balance - June 30, 2007	<u>\$ 856,666</u>	<u>\$ 918,910</u>	<u>\$ 62,244</u>

Special Revenue Fund - Community Development Block Grant

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Federal sources	\$ 492,753	\$ 553,534	\$ 60,781
Miscellaneous revenue	56,000	-	(56,000)
Total revenues	548,753	553,534	4,781
Expenditures - Community development and other	445,336	450,118	(4,782)
Excess of Revenues Over Expenditures	103,417	103,416	(1)
Other Financing Uses - Transfers out	(103,417)	(103,416)	1
Excess of Revenues Over Expenditures and Other Uses	-	-	-
Fund Balance - July 1, 2006	-	-	-
Fund Balance - June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

Special Revenue Fund - Revolving Special Assessment

	Amended Budget	Actual	Variance with Amended Budget
Revenue - Interest income	\$ 200,000	\$ 245,503	\$ 45,503
Expenditures - Community development and other	6,950	5,708	1,242
Excess of Revenue Over Expenditures	193,050	239,795	46,745
Other Sources - Transfers in	-	111,709	111,709
Excess of Revenue and Other Sources Over Expenditures	193,050	351,504	158,454
Fund Balances - July 1, 2006	4,488,448	4,488,448	-
Fund Balances - June 30, 2007	<u>\$ 4,681,498</u>	<u>\$ 4,839,952</u>	<u>\$ 158,454</u>

Special Revenue Fund - Nutrition Grant

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Federal sources	\$ 279,201	\$ 285,867	\$ 6,666
Miscellaneous revenue	132,821	133,263	442
Interest income	7,500	7,116	(384)
Total revenues	419,522	426,246	6,724
Expenditures - Recreation and culture	419,522	426,246	(6,724)
Excess of Revenues Over Expenditures	-	-	-
Fund Balance - July 1, 2006	-	-	-
Fund Balance - June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

Special Revenue Fund - Local Law Block Grant

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Federal sources	\$ 2,750	\$ 2,749	\$ (1)
Interest income	-	-	-
Total revenues	2,750	2,749	(1)
Expenditures - Public safety	2,750	2,749	1
Excess of Revenues Over Expenditures	-	-	-
Fund Balance - July 1, 2006	-	-	-
Fund Balance - June 30, 2007	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Special Revenue Fund - Justice Assistance Grant

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Federal sources	\$ 31,176	\$ 21,655	\$ (9,521)
Interest income	968	1,168	200
Total revenues	32,144	22,823	(9,321)
Expenditures - Capital outlay	32,249	21,928	10,321
Excess of Revenues Over (Under) Expenditures	(105)	895	1,000
Fund Balance - July 1, 2006	105	105	-
Fund Balance - June 30, 2007	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

Special Revenue Fund - Police Forfeiture

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Federal sources	\$ 475,783	\$ 497,375	\$ 21,592
Miscellaneous revenue	158,543	252,616	94,073
Interest income	45,000	53,339	8,339
Total revenues	<u>679,326</u>	<u>803,330</u>	<u>124,004</u>
Expenditures			
Public safety	217,719	216,950	769
Capital outlay	286,449	426,236	(139,787)
Total expenditures	<u>504,168</u>	<u>643,186</u>	<u>(139,018)</u>
Excess of Revenues Over Expenditures	175,158	160,144	(15,014)
Other Uses - Transfers out	<u>(40,286)</u>	<u>(39,642)</u>	<u>644</u>
Excess of Revenues Over Expenditures and Other Uses	134,872	120,502	(14,370)
Fund Balances - July 1, 2006	<u>612,518</u>	<u>612,518</u>	<u>-</u>
Fund Balances - June 30, 2007	<u><u>\$ 747,390</u></u>	<u><u>\$ 733,020</u></u>	<u><u>\$ (14,370)</u></u>

Special Revenue Fund - Parks and Recreation Special Millage

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Property taxes	\$ 2,086,186	\$ 2,086,656	\$ 470
Interest income	100,000	77,874	(22,126)
Total revenues	<u>2,186,186</u>	<u>2,164,530</u>	<u>(21,656)</u>
Expenditures - Capital outlay	<u>544,564</u>	<u>557,986</u>	<u>(13,422)</u>
Excess of Revenue Over Expenditures	1,641,622	1,606,544	(35,078)
Other Financing Uses - Transfer out	<u>(1,530,937)</u>	<u>(1,530,937)</u>	<u>-</u>
Excess of Revenues Over Expenditures and Other Uses	110,685	75,607	(35,078)
Fund Balances - July 1, 2006	<u>550,176</u>	<u>550,176</u>	<u>-</u>
Fund Balances - June 30, 2007	<u><u>\$ 660,861</u></u>	<u><u>\$ 625,783</u></u>	<u><u>\$ (35,078)</u></u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

Special Revenue Fund - Golf Course Capital Improvement

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Miscellaneous revenue	\$ 26,000	\$ 18,954	\$ (7,046)
Interest income	1,200	1,529	329
Total revenues	27,200	20,483	(6,717)
Expenditures			
Capital outlay	41,650	151	41,499
Recreation and culture	-	-	-
Total expenditures	41,650	151	41,499
Excess of Revenues Over (Under) Expenditures	(14,450)	20,332	34,782
Fund Balances - July 1, 2006	26,670	26,670	-
Fund Balances - June 30, 2007	\$ 12,220	\$ 47,002	\$ 34,782

Special Revenue Fund - Deferred Special Assessment

	Amended Budget	Actual	Variance with Amended Budget
Revenues - Interest income	\$ 2,300	\$ 2,438	\$ 138
Expenditures - Community and economic development	130	-	130
Excess of Revenues Over Expenditures	2,170	2,438	268
Fund Balances - July 1, 2006	48,616	48,616	-
Fund Balances - June 30, 2007	\$ 50,786	\$ 51,054	\$ 268

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

Debt Service Fund - Building Authority

	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenues			
Interest income	\$ 18,000	\$ 15,199	\$ (2,801)
Other	<u>45,000</u>	<u>95,722</u>	<u>50,722</u>
Total revenues	63,000	110,921	47,921
Expenditures			
Capital outlay	925	926	(1)
Debt principal payments	7,198,880	7,618,270	(419,390)
Interest and fiscal charges	<u>459,472</u>	<u>452,399</u>	<u>7,073</u>
Total expenditures	<u>7,659,277</u>	<u>8,071,595</u>	<u>(412,318)</u>
Excess of Expenditures Over Revenues	(7,596,277)	(7,960,674)	(364,397)
Other Financing Sources			
Proceeds from bond sale	6,555,000	6,916,604	361,604
Transfers in	<u>1,058,352</u>	<u>901,693</u>	<u>(156,659)</u>
Total other financing sources	<u>7,613,352</u>	<u>7,818,297</u>	<u>204,945</u>
Excess of Revenues and Other Financing Sources Over (Under) Expenditures	17,075	(142,377)	(159,452)
Fund Balances - July 1, 2006	<u>284,447</u>	<u>284,447</u>	<u>-</u>
Fund Balances - June 30, 2007	<u>\$ 301,522</u>	<u>\$ 142,070</u>	<u>\$ (159,452)</u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

Debt Service Fund - Act 175 Debt 1992 Issue

	Amended Budget	Actual	Variance with Amended Budget
Revenue - Interest income	\$ 1,600	\$ 1,933	\$ 333
Expenditures			
Debt principal payments	300,000	300,000	-
Interest and fiscal charges	23,450	23,450	-
Miscellaneous	-	-	-
Total expenditures	<u>323,450</u>	<u>323,450</u>	<u>-</u>
Excess of Expenditures Over Revenues	(321,850)	(321,517)	333
Other Financing Sources - Transfers in	<u>323,450</u>	<u>323,450</u>	<u>-</u>
Excess of Revenues and Other Financing Sources Over Expenditures	1,600	1,933	333
Fund Balance - July 1, 2006	<u>38,978</u>	<u>38,978</u>	<u>-</u>
Fund Balance - June 30, 2007	<u><u>\$ 40,578</u></u>	<u><u>\$ 40,911</u></u>	<u><u>\$ 333</u></u>

City of Farmington Hills, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2007

Debt Service Fund - General Debt Service

	Amended Budget	Actual	Variance with Amended Budget
Revenues			
Property taxes	\$ 2,732,131	\$ 2,732,131	\$ -
Interest	75,000	87,270	12,270
Other	140,000	151,952	11,952
Total revenues	2,947,131	2,971,353	24,222
Expenditures			
Debt principal payments	1,139,241	1,123,370	15,871
Interest and fiscal charges	554,023	569,631	(15,608)
Total expenditures	1,693,264	1,693,001	263
Excess of Revenue Over Expenditures	1,253,867	1,278,352	24,485
Other Financing Uses - Transfers out	(1,381,802)	(1,225,143)	156,659
Excess of Revenues Over (Under) Expenditures and Other Financing Uses	(127,935)	53,209	181,144
Fund Balance - July 1, 2006	434,583	434,583	-
Fund Balance - June 30, 2007	\$ 306,648	\$ 487,792	\$ 181,144

City of Farmington Hills, Michigan

Other Supplemental Information Pension and Other Employee Benefit Trust Funds Combining Statement of Net Assets Fiduciary Funds June 30, 2007

	Employees' Retirement System	Postretirement Health Care Finance Fund	Total
Assets			
Cash and cash equivalents	\$ 4,341,766	\$ 2,978,205	\$ 7,319,971
Investments:			
U.S. government securities	17,447,674	4,950,799	22,398,473
U.S. agency mortgage pools	4,312,384	-	4,312,384
Corporate bonds and securities	19,055,510	1,854,318	20,909,828
Common stocks	80,644,691	15,447,672	96,092,363
Accrued interest and dividends receivable	555,088	48,444	603,532
Total assets	126,357,113	25,279,438	151,636,551
Liabilities - Accounts payable	860,773	48,458	909,231
Net Assets - Held in trust for pension and other employee benefits	\$ 125,496,340	\$ 25,230,980	\$ 150,727,320

City of Farmington Hills, Michigan

Other Supplemental Information Pension and Other Employee Benefit Trust Funds Combining Statement of Changes in Net Assets Fiduciary Funds Year Ended June 30, 2007

	Employees' Retirement System	Postretirement Health Care Finance Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 3,495,826	\$ 465,310	\$ 3,961,136
Net increase in fair value of investments	12,073,053	1,621,873	13,694,926
Investment expense	(899,481)	(193,830)	(1,093,311)
Net investment income	14,669,398	1,893,353	16,562,751
Contributions:			
Employer	3,389,124	4,749,479	8,138,603
Employee	1,079,152	360,997	1,440,149
Total contributions	4,468,276	5,110,476	9,578,752
Deductions			
Pension insurance premium payments	4,310,569	-	4,310,569
Contributions returned to employees	405,399	-	405,399
Total deductions	4,715,968	-	4,715,968
Net Increase in Plan Net Assets	14,421,706	7,003,829	21,425,535
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	111,074,634	18,227,151	129,301,785
End of year	<u>\$ 125,496,340</u>	<u>\$ 25,230,980</u>	<u>\$ 150,727,320</u>

City of Farmington Hills, Michigan

Other Supplemental Information Combining Balance Sheet Agency Funds June 30, 2007

	<u>Tax Collections</u>	<u>General Agency</u>	<u>Total</u>
Assets			
Cash and cash equivalents	\$ 142,516	\$ 5,048,406	\$ 5,190,922
Interest income	<u>76</u>	<u>-</u>	<u>76</u>
Total assets	<u>\$ 142,592</u>	<u>\$ 5,048,406</u>	<u>\$ 5,190,998</u>
Liabilities			
Accounts payable	\$ 72,425	\$ -	\$ 72,425
Performance bonds and deposits	-	4,288,903	4,288,903
Due to other governmental units	<u>70,167</u>	<u>759,503</u>	<u>829,670</u>
Total liabilities	<u>\$ 142,592</u>	<u>\$ 5,048,406</u>	<u>\$ 5,190,998</u>

City of Farmington Hills, Michigan

Other Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2007

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
<u>Tax Collections</u>				
Assets				
Cash and cash equivalents	\$ 445,981	\$ 204,680,314	\$ 204,983,779	\$ 142,516
Due from others	-	76	-	76
Total assets	<u>\$ 445,981</u>	<u>\$ 204,680,390</u>	<u>\$ 204,983,779</u>	<u>\$ 142,592</u>
Liabilities				
Due to component unit	\$ -	\$ 72,425	\$ -	\$ 72,425
Tax collections distributable	-	180,297,464	180,297,464	-
Due to other governmental units	445,981	70,167	445,981	70,167
Total liabilities	<u>\$ 445,981</u>	<u>\$ 180,440,056</u>	<u>\$ 180,743,445</u>	<u>\$ 142,592</u>
<u>General Agency</u>				
Assets				
Cash and cash equivalents	\$ 5,831,702	\$ 2,774,938	\$ 3,558,234	\$ 5,048,406
Due from others	3,004	14,046	17,050	-
Total assets	<u>\$ 5,834,706</u>	<u>\$ 2,788,984</u>	<u>\$ 3,575,284</u>	<u>\$ 5,048,406</u>
Liabilities				
Performance bonds and deposits	\$ 4,893,805	\$ 831,996	\$ 1,436,898	\$ 4,288,903
Due to others	2,675	-	2,675	-
Due to other governmental units	938,226	1,967,220	2,145,943	759,503
Total liabilities	<u>\$ 5,834,706</u>	<u>\$ 2,799,216</u>	<u>\$ 3,585,516</u>	<u>\$ 5,048,406</u>

City of Farmington Hills, Michigan

Schedule of Indebtedness June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2007	2006
Governmental Activities					
General obligation debt:					
Building Authority Bonds, District Court Building					
Date of issue - September 2001					
Amount of issue - \$11,000,000					
	4.000	09/01/06	\$ 400,000	\$ -	\$ 400,000
	4.150	09/01/07	400,000	400,000	400,000
	4.200	09/01/08	400,000	400,000	400,000
	4.250	09/01/09	500,000	500,000	500,000
	4.375	09/01/10	500,000	500,000	500,000
	4.200	09/01/11	500,000	500,000	500,000
	4.300	09/01/12	600,000	600,000	600,000
	4.400	09/01/13	685,000	*	700,000
	4.500	09/01/14	690,000	*	700,000
	4.600	09/01/15	695,000	*	700,000
	4.700	09/01/16	800,000	*	800,000
	4.750	09/01/17	805,000	*	800,000
	4.800	09/01/18	900,000	*	900,000
	5.000	09/01/19	995,000	*	1,000,000
	5.000	09/01/20	985,000	*	1,000,000
		Total		\$ 2,900,000	\$ 9,900,000

* Bonds totaling \$6,600,000 were refunded in 2007

Building Authority Bonds, District Court Building
Date of issue - Series 2007
Amount of issue - \$6,555,000

5.000	09/01/13	685,000	\$ 685,000	\$ -
5.000	09/01/14	690,000	690,000	-
5.500	09/01/15	695,000	695,000	-
5.500	09/01/16	800,000	800,000	-
4.000	09/01/17	805,000	805,000	-
4.000	09/01/18	900,000	900,000	-
4.000	09/01/19	995,000	995,000	-
4.000	09/01/20	985,000	985,000	-
	Total		\$ 6,555,000	\$ -

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2007	2006
Governmental Activities (Continued)					
Michigan Transportation Fund Bonds					
Date of issue - August 18, 1992					
Amount of issue - \$3,150,000					
	5.100	10/01/06-07	\$ 300,000	<u>\$ 300,000</u>	<u>\$ 600,000</u>
General obligation debt:					
Building Authority Refunding Bonds					
Date of issue - October 22, 2003					
Amount of issue - \$2,910,000					
	2.000	11/01/06	\$ 260,000	\$ -	\$ 260,000
	2.250	11/01/07	275,000	275,000	275,000
	2.500	11/01/08	265,000	265,000	265,000
	2.625	11/01/09	175,000	175,000	175,000
	3.000	11/01/10	165,000	165,000	165,000
	3.300	11/01/11	185,000	185,000	185,000
	3.500	11/01/12	180,000	180,000	180,000
	3.600	11/01/13	205,000	205,000	205,000
	3.800	11/01/14	200,000	200,000	200,000
	3.800	11/01/15	200,000	200,000	200,000
	4.000	11/01/16	195,000	195,000	195,000
	4.000	11/01/17	195,000	<u>195,000</u>	<u>195,000</u>
		Total		<u>\$ 2,240,000</u>	<u>\$ 2,500,000</u>
General obligation debt:					
Minnow Pond Drainage District Refunding Bonds					
Date of issue - November 1, 2001					
Amount of issue - \$6,524,348					
	4.125	05/01/07	\$ 666,047	\$ -	\$ 666,047
	4.250	05/01/08	758,419	758,419	758,419
	4.250	05/01/09	753,556	753,556	753,556
	4.500	05/01/10	787,589	787,589	787,589
	4.500	05/01/11	807,036	<u>807,036</u>	<u>807,036</u>
		Total		<u>\$ 3,106,600</u>	<u>\$ 3,772,647</u>

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2007	2006
Governmental Activities (Continued)					
County contractual obligations:					
Caddell Drain Refunding Bonds					
Date of issue - May 2003					
Amount of issue - \$1,388,991					
	5.500	11/01/06	\$ 126,621	\$ -	\$ 126,621
	5.500	11/01/07	122,784	122,784	122,784
	5.750	11/01/08	118,947	118,947	118,947
	5.875	11/01/09	118,947	118,947	118,947
	5.875	11/01/10	115,110	115,110	115,110
	5.875	11/01/11	111,273	111,273	111,273
	5.875	11/01/12	126,621	126,621	126,621
	5.875	11/01/13	122,784	122,784	122,784
	5.875	11/01/14	122,781	122,781	122,781
		Total		<u>\$ 959,247</u>	<u>\$ 1,085,868</u>
Pebble Creek Drainage District Refunding Bonds					
Date of issue - May 2003					
Amount of issue - \$1,508,845					
	6.700	11/01/07	\$ 180,700	\$ -	\$ 180,700
	6.800	11/01/08	212,323	212,323	212,323
	5.500	11/01/09	198,770	198,770	198,770
	5.000	11/01/10	194,253	194,253	194,253
	5.000	11/01/11	185,216	185,216	185,216
		Total		<u>\$ 790,562</u>	<u>\$ 971,262</u>

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2007	2006
Governmental Activities (Continued)					
Golf Course Capital Improvement Bonds					
Date of issue - March 2005					
Amount of issue - \$8,200,000					
	3.000	10/01/06	\$ 150,000	\$ -	\$ 150,000
	3.000	10/01/07	150,000	150,000	150,000
	3.000	10/01/08	150,000	150,000	150,000
	3.000	10/01/09	150,000	150,000	150,000
	3.000	10/01/10	175,000	175,000	175,000
	3.100	10/01/11	175,000	175,000	175,000
	3.250	10/01/12	225,000	225,000	225,000
	3.350	10/01/13	225,000	225,000	225,000
	4.000	10/01/14	250,000	250,000	250,000
	4.000	10/01/15	250,000	250,000	250,000
	4.000	10/01/16	275,000	275,000	275,000
	4.000	10/01/17	325,000	325,000	325,000
	4.000	10/01/18	325,000	325,000	325,000
	4.000	10/01/19	350,000	350,000	350,000
	4.000	10/01/20	350,000	350,000	350,000
	4.000	10/01/21	400,000	400,000	400,000
	4.100	10/01/22	400,000	400,000	400,000
	4.150	10/01/23	425,000	425,000	425,000
	4.200	10/01/24	425,000	425,000	425,000
	4.250	10/01/25	450,000	450,000	450,000
	4.375	10/01/26	450,000	450,000	450,000
	4.375	10/01/27	500,000	500,000	500,000
	4.375	10/01/28	525,000	525,000	525,000
	4.375	10/01/29	550,000	550,000	550,000
	4.375	10/01/30	550,000	550,000	550,000
		Total		<u>\$ 8,050,000</u>	<u>\$ 8,200,000</u>

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2007	2006
Governmental Activities (Continued)					
Special assessment bonds -					
General long-term obligations:					
Districts 235, 236, 237, 238, and 239 Public Improvements					
Date of issue - April 1, 1992					
Amount of issue \$575,000					
		10/1/2006	\$ 20,000	\$ -	\$ 20,000
Special assessment bonds -					
General long-term obligations:					
Districts 253 Public Improvements					
Date of issue - December 1, 1992					
Amount of issue \$1,150,000					
		10/1/2006	\$ 25,000	\$ -	\$ 25,000
Special assessment bonds -					
General long-term obligations:					
Districts 265 Public Improvements					
Date of issue - August 1, 1994					
Amount of issue - \$1,885,000					
	5.500	10/01/06	\$ 50,000	\$ -	\$ 50,000
	5.600	10/01/07	50,000	50,000	50,000
	5.700	10/01/08	50,000	50,000	50,000
	5.800	10/01/09	50,000	50,000	50,000
	5.900	10/01/10	35,000	35,000	35,000
		Total		\$ 185,000	\$ 235,000

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2007	2006
Governmental Activities (Continued)					
Districts 263, 264, 266, 267 Public Improvements					
Date of issue - April 1, 1996					
Amount of issue - \$915,000					
	5.100	10/01/06	\$ 50,000	\$ -	\$ 50,000
	5.200	10/01/07	25,000	25,000	25,000
	5.300	10/01/08	25,000	25,000	25,000
	5.400	10/01/09	15,000	15,000	15,000
		Total		<u>\$ 65,000</u>	<u>\$ 115,000</u>
Special assessment bonds:					
General long-term obligations:					
Districts 279, 281, 283, and 284 Public Improvements					
Date of issue - November 1, 1997					
Amount of issue - \$2,155,000					
	4.100	10/01/06	\$ 200,000	\$ -	\$ 200,000
	4.100	10/01/07	150,000	150,000	150,000
	4.250	10/01/08	100,000	100,000	100,000
	4.350	10/01/09	55,000	55,000	55,000
	4.400	10/01/10	50,000	50,000	50,000
	4.500	10/01/11	25,000	25,000	25,000
	4.600	10/01/12	25,000	25,000	25,000
		Total		<u>\$ 405,000</u>	<u>\$ 605,000</u>
Districts 294 Public Improvements					
Date of issue - September 1, 1998					
Amount of issue - \$2,860,000					
	3.750	04/01/07	\$ 250,000	\$ -	\$ 250,000
	3.750	04/01/08	200,000	200,000	200,000
	3.750	04/01/09	200,000	200,000	200,000
	3.800	04/01/10	75,000	75,000	75,000
	3.800	04/01/11	75,000	75,000	75,000
	3.800	04/01/12	75,000	75,000	75,000
	3.800	04/01/13	75,000	75,000	75,000
		Total		<u>\$ 700,000</u>	<u>\$ 950,000</u>

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				June 30	
				2007	2006
Governmental Activities (Continued)					
General long-term obligations:					
Districts 293, 295, 297, 290, and 300 Public Improvements					
Date of issue - September 1, 1999					
Amount of issue - \$1,490,000					
	4.600	10/01/06	\$ 150,000	\$ -	\$ 150,000
	4.750	10/01/07	100,000	100,000	100,000
	4.850	10/01/08	100,000	100,000	100,000
	5.000	10/01/09	100,000	100,000	100,000
	5.100	10/01/10	100,000	100,000	100,000
	5.200	10/01/11	75,000	75,000	75,000
	5.250	10/01/12	75,000	75,000	75,000
	5.300	10/01/13	25,000	25,000	25,000
		Total		<u>\$ 575,000</u>	<u>\$ 725,000</u>
Districts 306, 307, 308, 309, 310, and 311 Public Improvements					
Date of issue - March 4, 2003					
Amount of issue - \$1,585,000					
	2.250	10/01/06	\$ 195,000	\$ -	\$ 195,000
	2.500	10/01/07	185,000	185,000	185,000
	2.750	10/01/08	180,000	180,000	180,000
	3.000	10/01/09	165,000	165,000	165,000
	3.050	10/01/10	160,000	160,000	160,000
	3.250	10/01/11	150,000	150,000	150,000
		Total		<u>\$ 840,000</u>	<u>\$ 1,035,000</u>
Special assessment bonds:					
General long-term obligations:					
Districts 312, 314, and 315 Public Improvements					
Date of issue - December 1, 2003					
Amount of issue - \$1,050,000					
	2.00-3.15	10/1/06-11	\$ 125,000	\$ 625,000	\$ 750,000
	0.034	10/01/12	100,000	100,000	100,000
		Total		<u>\$ 725,000</u>	<u>\$ 850,000</u>
		Total governmental activity bond obligations		<u>\$ 28,396,409</u>	<u>\$ 31,589,777</u>

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2007	2006
Business-type Activities					
General obligation debt:					
1998 Refunding Bonds - Ice Arena					
Date of issue - December 3, 1998					
Amount of issue - \$4,495,000					
	4.000	10/01/06	\$ 370,000	\$ -	\$ 370,000
	4.000	10/01/07	365,000	365,000	365,000
	4.100	10/01/08	360,000	360,000	360,000
	4.150	10/01/09	430,000	430,000	430,000
	4.200	10/01/10	425,000	425,000	425,000
	4.250	10/01/11	465,000	465,000	465,000
	4.350	10/01/12	460,000	460,000	460,000
	4.400	10/01/13	500,000	500,000	500,000
	4.400	10/01/14	495,000	495,000	495,000
				3,500,000	3,870,000
				(243,750)	(276,250)
			Total	\$ 3,256,250	\$ 3,593,750
County contractual obligations - Water and sewer:					
Evergreen-Farmington Sewage Disposal System (Interceptor)					
Date of issue - August 1, 1989					
Amount of issue - \$4,677,000					
	5.000	05/01/08	\$ 402,323	\$ 402,323	\$ 402,323
	5.000	05/01/09	452,612	452,612	452,612
			Total	\$ 854,935	\$ 854,935

City of Farmington Hills, Michigan

Schedule of Indebtedness (Continued) June 30, 2007

Description	Interest Rate (Percent)	Date of Maturity	Amount of Annual Maturity	Principal Outstanding	
				2007	2006
Business-type Activities (Continued)					
General obligation debt:					
Evergreen-Farmington Sewage Disposal System					
Date of issue - November 1, 1991					
Amount of issue - \$1,079,308					
	3.500	05/01/10	\$ 105,684	<u>\$ 105,684</u>	<u>\$ 105,684</u>
Evergreen-Farmington Sewage Farmington Hills - Southfield					
Segment I Refunding Bonds, Series 1997					
Date of issue - February 5, 1997					
Amount of issue - \$2,695,544					
	4.750	05/01/07	\$ 349,516	<u>\$ -</u>	<u>\$ 349,516</u>
Evergreen-Farmington Sewage Disposal System (Segments I and II)					
Date of issue - September 1, 1999					
Amount of issue - \$843,418					
	4.600	11/01/06	\$ 85,597	\$ -	\$ 85,597
	4.650	11/01/07	101,730	101,730	101,730
	4.750	11/01/08	105,315	105,315	105,315
	4.850	11/01/09	103,972	103,972	103,972
		Total		<u>\$ 311,017</u>	<u>\$ 396,614</u>
General obligation debt:					
Evergreen-Farmington Permanent Meter and Interceptor					
Rehabilitation Refunding Bonds					
Date of issue - November 1, 2001					
Amount of issue - \$590,392					
	3.750	05/01/07	\$ 71,488	\$ -	\$ 71,488
	3.900	05/01/08	82,581	82,581	82,581
	4.000	05/01/09	92,436	92,436	92,436
		Total		<u>\$ 175,017</u>	<u>\$ 246,505</u>
		Total business-type activities		<u>\$ 4,702,903</u>	<u>\$ 5,547,004</u>

Statistical Section

City of Farmington Hills, Michigan

Description of Statistical Section

This part of the City of Farmington Hills' Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplemental information says about the City's overall financial health. Many of the schedules present data for the past fiscal years that will allow the reader to discern trends that cannot be seen in a single year's financial statements.

Contents

Financial Trends:

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity:

These schedules contain information to help the reader assess the locally levied taxes including the property tax collected by the City treasurer, which represents the City's largest revenue source.

Debt Capacity:

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue debt in the future.

Demographic Information:

These schedules offer demographic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information:

These schedules contain service data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year. The City implemented GASB Statement No. 34 in 2003; schedules representing government-wide information include information beginning in that year. The reported numbers begin with the year for which information is available.

City of Farmington Hills, Michigan

Financial Trend Information Net Assets by Component

	Fiscal Year				
	2003	2004	2005	2006	2007
Governmental Activities					
Invested in capital assets - Net of related debt	\$ 128,876,295	\$ 130,784,565	\$ 121,573,154	\$ 123,530,837	\$ 122,136,048
Restricted	16,511,810	16,189,992	13,858,968	13,100,188	13,052,018
Unrestricted	17,111,908	16,384,429	20,915,089	19,867,990	23,301,442
Business-type Activities					
Invested in capital assets - Net of related debt	88,398,551	88,006,277	87,392,224	87,270,670	85,618,579
Restricted	-	-	-	-	-
Unrestricted	43,771,818	44,062,460	50,165,269	51,494,296	53,730,183
Primary Government in Total					
Invested in capital assets - Net of related debt	217,274,846	218,790,842	208,965,378	210,801,507	207,754,627
Restricted	16,511,810	16,189,992	13,858,968	13,100,188	13,052,018
Unrestricted	60,883,726	60,446,889	71,080,358	71,362,286	77,031,625

Note: In fiscal year 2003, the City adopted GASB No. 34 and began reporting a government-wide statement of net assets.

City of Farmington Hills, Michigan

Financial Trend Information Changes in Governmental Net Assets

	Fiscal Year				
	2003	2004	2005	2006	2007
Expenses					
General government	\$ 13,776,963	\$ 14,927,324	\$ 14,919,138	\$ 11,260,973	\$ 12,731,683
Police, fire, and EMS	24,632,334	25,327,565	25,760,614	26,100,754	28,359,188
Public works	16,025,955	15,604,121	18,599,140	17,614,606	16,157,867
Community and economic development	2,389,468	2,668,310	2,692,660	2,640,978	2,520,118
Recreation and culture	7,240,514	8,013,428	8,180,487	8,176,207	8,668,447
Interest on long-term debt	1,590,773	1,092,071	1,163,016	1,297,138	1,191,848
Total expenses	65,656,007	67,632,819	71,315,055	67,090,656	69,629,151
Program Revenues					
Charges for services:					
General government	3,110,839	2,907,838	3,029,686	2,798,752	3,043,892
Public safety	1,337,092	1,373,064	1,438,731	1,378,268	1,519,253
Public works	870,437	1,464,823	876,887	1,237,028	1,132,419
Community and economic development	1,034,612	1,126,532	2,097,060	1,450,251	1,436,038
Recreation and culture	2,049,636	2,527,898	2,858,758	3,232,637	3,308,205
Total charges for services	8,402,616	9,400,155	10,301,122	10,096,936	10,439,807
Operating grants and contributions	8,498,915	7,527,621	7,242,617	7,120,431	7,182,121
Capital grants and contributions	2,060,071	2,396,119	1,568,492	729,827	589,014
Total program revenues	18,961,602	19,323,895	19,112,231	17,947,194	18,210,942
Net Expenses	(46,694,405)	(48,308,924)	(52,202,824)	(49,143,462)	(51,418,209)
General Revenues					
Property taxes	38,112,953	39,581,555	40,837,672	39,833,977	43,648,073
State-shared revenues	7,836,696	7,043,252	6,966,481	6,897,159	6,683,814
Investment earnings	1,433,742	1,044,328	1,448,433	2,890,491	3,582,399
Gain on disposal	160,556	2,555,618	899,655	148,951	74,575
Miscellaneous	362,056	195,344	103,326	102,436	223,542
Total general revenues	47,906,003	50,420,097	50,255,567	49,873,014	54,212,403
Transfers	683,846	(1,252,200)	(5,064,518)	(577,747)	(803,700)
Change in Net Assets	\$ 1,895,444	\$ 858,973	\$ (7,011,775)	\$ 151,805	\$ 1,990,494

Note: In fiscal year 2003, the City adopted GASB No. 34 and began reporting a government-wide statement of net assets.

City of Farmington Hills, Michigan

	Fiscal Year Ended June 30			
	1998	1999	2000	2001
Operating Revenue				
Sale of water (I)	\$ -	\$ -	\$ -	\$ -
Sewage disposal charges (I)	-	-	-	-
Ice arena rentals	1,342,691	1,287,712	1,257,051	1,096,575
Food sales	230,771	206,180	204,773	199,172
Retail sales	303,881	282,374	254,074	211,760
Other	41,109	41,093	67,428	49,813
Total operating revenue	1,918,452	1,817,359	1,783,326	1,557,320
Operating Expenses				
Cost of water produced/purchased (I)	-	-	-	-
Cost of sewage treatment (I)	-	-	-	-
Cost of ice arena sales	-	-	-	-
Operation and maintenance costs	-	-	-	-
Depreciation	265,242	268,384	272,494	271,589
General and administrative costs	1,164,824	1,179,156	1,212,809	1,090,621
Total operating expenses	1,430,066	1,447,540	1,485,303	1,362,210
Operating Income (Loss)	488,386	369,819	298,023	195,110
Nonoperating Revenue (Expenses)				
Investment income	8,038	10,542	9,918	10,827
Interest expense	(362,150)	(290,969)	(306,838)	(281,885)
Capital charges (I)	-	-	-	-
Debt service charges (I)	-	-	-	-
Grants (I)	-	-	-	-
Tap fees (I)	-	-	-	-
Other (I)	-	-	-	-
Income (Loss) - Before contributions	134,274	89,392	1,103	(75,948)
Capital contributions (I)	-	-	-	-
Transfers from other funds (I)	-	-	-	-
Transfers to other funds (I)	-	-	-	-
Change in Net Assets	\$ 134,274	\$ 89,392	\$ 1,103	\$ (75,948)

(I) Water and sewer activities were reflected in the CAFR beginning in 2003 to meet GASB No. 34 requirements.

Source: Annual financial statements

Financial Trend Information
Change in Business-type Net Assets

Fiscal Year Ended June 30						
2002	2003	2004	2005	2006	2007	
\$ -	\$ 10,103,709	\$ 9,265,183	\$ 9,611,400	\$ 10,281,241	\$ 10,825,406	
-	8,540,110	7,954,533	7,982,648	8,603,638	8,885,341	
1,266,144	1,219,675	1,246,863	1,154,118	1,192,208	1,191,403	
169,416	194,033	190,787	196,109	180,737	162,676	
159,973	119,569	31,985	16,480	15,652	12,559	
98,881	725,272	1,241,145	797,452	827,212	688,887	
<u>1,694,414</u>	<u>20,902,368</u>	<u>19,930,496</u>	<u>19,758,207</u>	<u>21,100,688</u>	<u>21,766,272</u>	
-	7,011,740	7,104,033	7,216,179	7,473,239	7,736,438	
-	6,708,657	6,503,997	5,924,807	6,405,824	7,342,683	
-	206,431	96,940	91,829	84,642	76,383	
-	4,687,777	4,668,186	4,102,144	4,183,523	4,641,918	
276,514	3,433,180	3,523,944	3,542,089	3,445,882	3,521,542	
1,029,566	1,452,594	1,569,086	2,152,306	2,321,303	2,518,263	
<u>1,306,080</u>	<u>23,500,379</u>	<u>23,466,186</u>	<u>23,029,354</u>	<u>23,914,413</u>	<u>25,837,227</u>	
388,334	(2,598,011)	(3,535,690)	(3,271,147)	(2,813,725)	(4,070,955)	
4,807	641,126	651,767	1,039,658	1,990,401	2,707,526	
(271,925)	(432,670)	(424,438)	(342,185)	(307,746)	(270,218)	
-	1,001,415	885,213	1,464,641	669,293	653,099	
-	1,091,266	460,338	554,788	566,333	568,898	
-	-	-	125,630	-	-	
-	-	1,001,873	702,204	388,024	161,488	
-	2,083	(392,895)	150,649	104,394	(6,023)	
<u>121,216</u>	<u>(294,791)</u>	<u>(1,353,832)</u>	<u>424,238</u>	<u>596,974</u>	<u>(256,185)</u>	
-	-	-	-	998,320	36,281	
-	181,600	1,252,200	5,064,518	763,424	803,700	
-	(865,446)	-	-	(185,677)	-	
<u>\$ 121,216</u>	<u>\$ (978,637)</u>	<u>\$ (101,632)</u>	<u>\$ 5,488,756</u>	<u>\$ 2,173,041</u>	<u>\$ 583,796</u>	

Financial Trend Information Fund Balances - Governmental Funds

June 30					
2002	2003	2004	2005	2006	2007
\$ 2,797,226	\$ 2,455,421	\$ 2,261,661	\$ 2,171,865	\$ 2,109,393	\$ 1,768,931
16,148,367	13,628,760	13,867,351	13,419,323	14,836,555	16,849,172
18,945,593	16,084,181	16,129,012	15,591,188	16,945,948	18,618,103
8,901,028	10,342,849	9,969,961	9,591,399	10,338,792	11,727,791
5,907,486	1,337,173	1,594,421	6,522,937	4,242,341	5,719,111
9,991,355	5,748,253	6,110,990	5,622,287	4,975,369	4,191,743
(975,155)	110,739	(133,343)	(238,861)	(230,599)	(42,248)
\$ 42,770,307	\$ 33,623,195	\$ 33,671,041	\$ 37,088,950	\$ 36,271,851	\$ 40,214,500

Change in Fund Balances Governmental Funds

Year Ended June 30					
2002	2003	2004	2005	2006	2007
\$ 35,798,125	\$ 38,112,953	\$ 39,581,555	\$ 40,837,672	\$ 39,833,977	\$ 43,648,073
1,168,058	758,164	1,527,819	2,066,806	1,470,397	1,633,930
14,267,451	15,544,463	13,365,212	13,107,584	12,898,513	12,735,007
191,730	154,823	151,902	226,058	194,731	178,317
-	1,405,077	1,637,106	967,958	799,797	522,985
7,490,817	6,835,109	6,930,483	7,528,987	7,412,005	7,350,847
2,226,312	2,087,250	2,406,863	2,405,719	2,262,481	2,498,603
1,879,853	1,383,409	999,237	1,432,381	2,661,066	3,581,579
2,103,407	1,223,970	3,711,650	1,787,527	1,121,134	1,219,932
65,125,753	67,505,218	70,311,827	70,360,692	68,654,101	73,369,273
12,422,185	12,937,292	13,408,345	13,504,759	10,102,475	11,937,785
21,480,500	23,192,361	23,722,620	24,526,966	25,335,913	27,262,343
13,145,615	13,892,526	13,912,758	14,891,807	13,155,038	12,927,893
793,490	2,251,107	2,381,404	2,475,478	2,556,411	2,587,708
-	5,855,834	5,975,789	6,278,393	6,403,457	7,267,798
-	-	-	-	34,289	13,554
18,952,148	15,985,143	6,026,481	3,740,394	6,700,563	2,216,943
3,125,413	3,241,072	3,592,560	3,560,105	3,216,331	3,193,368
1,390,073	1,565,841	1,041,824	1,100,363	1,388,976	1,173,866
71,309,424	78,921,176	70,061,781	70,078,265	68,893,453	68,581,258
(6,183,671)	(11,415,958)	250,046	282,427	(239,352)	4,788,015
11,000,000	4,482,836	3,960,000	8,200,000	-	6,916,604
6,619,741	13,146,991	9,227,229	7,855,405	5,635,903	3,103,486
(6,947,237)	(12,463,145)	(10,479,429)	(12,919,923)	(6,213,650)	(3,907,186)
-	(2,897,836)	(2,910,000)	-	-	(6,958,270)
10,672,504	2,268,846	(202,200)	3,135,482	(577,747)	(845,366)
143,439	-	-	-	-	-
4,632,272	(9,147,112)	47,846	3,417,909	(817,099)	3,942,649
38,138,035	42,770,307	33,623,195	33,671,041	37,088,950	36,271,851
\$ 42,770,307	\$ 33,623,195	\$ 33,671,041	\$ 37,088,950	\$ 36,271,851	\$ 40,214,500
9.44%	8.27%	7.80%	7.56%	8.00%	7.04%

City of Farmington Hills, Michigan

Taxable Value by Property Type				
Real Property				
Tax Year	Residential	Commercial	Industrial	Personal Property
1998	\$ 1,974,525,640	\$ 619,914,830	\$ 205,769,310	\$ 273,613,900
1999	2,063,487,370	638,771,670	216,396,710	298,238,050
2000	2,157,359,040	669,405,550	226,018,290	283,929,650
2001	2,279,684,910	705,244,050	232,364,480	296,210,250
2002	2,404,894,930	751,530,320	239,069,180	299,294,170
2003	2,494,573,160	790,858,870	244,276,060	300,524,080
2004	2,601,427,910	817,606,480	248,911,830	306,640,780
2005	2,714,015,100	855,500,180	265,554,000	285,526,350
2006	2,846,495,290	882,999,590	273,655,430	291,027,340
2007	2,961,431,410	907,534,470	279,338,250	290,225,360

Note: Under Michigan law, the revenue base is taxable value.
 Taxes levied in a particular "tax year" become revenue of the subsequent fiscal year.

Tax Year	Millage Rates - Direct City Taxes				Overlapping Taxes			
	General Operating	Debt	Special Purpose	Total Direct Taxes	County	OCPTA	Library	Oakland Community College
1997	7.2193	0.9080	2.0377	10.1650	4.8180	0.3300	0.0000	1.6522
1998	7.2193	0.8688	2.0769	10.1650	4.6564	0.3300	0.6000	1.6456
1999	7.2193	0.7785	2.1672	10.1650	4.6522	0.3270	0.5985	1.6295
2000	7.2193	0.7785	2.1672	10.1650	4.6478	0.3236	0.5958	1.6109
2001	7.2193	0.7432	2.2025	10.1650	4.6438	0.3207	0.5933	1.5952
2002	7.2193	0.8117	2.1911	10.2221	4.6523	0.6000	0.5887	1.6090
2003	7.5705	0.7932	1.8584	10.2221	4.6497	0.5974	0.5866	1.5983
2004	7.7142	0.7014	1.8065	10.2221	4.6476	0.5962	0.5856	1.5889
2005	6.9452	0.6318	1.9451	9.5221	4.6461	0.5950	1.5856	1.5844
2006	6.9408	0.6362	2.4446	10.0216	4.6461	0.5900	1.5856	1.5844

Source: Oakland County Public Transportation Authority

Revenue Capacity Information
Assessed Value and Actual Value of Taxable Property

IFT	Total Taxable	Tax Rate (Mills)	Total SEV	Taxable Value as a Percentage of Actual
\$ -	\$ 3,073,823,680	10.1650	\$ 3,217,279,700	95.54
-	3,216,893,800	10.1650	3,456,406,270	93.07
1,696,600	3,338,409,130	10.1650	3,645,559,130	91.57
15,341,050	3,528,844,740	10.1649	3,945,512,540	89.44
19,117,510	3,713,906,110	10.1650	4,277,835,510	86.82
18,491,200	3,848,723,370	10.2221	4,504,750,120	85.44
21,201,670	3,995,788,670	10.2221	4,629,979,870	86.30
13,611,350	4,134,206,980	9.5221	4,741,538,300	87.19
14,649,020	4,308,817,670	10.0216	4,873,928,140	88.41
14,001,540	4,452,531,030	10.0216	4,959,218,650	89.78

Direct and Overlapping Property Tax Rates

Overlapping Taxes

Schoolcraft Community College	Intermediate School District	State Education	School: Homestead Farmington	School: Homestead Clarenceville	School: Homestead Walled Lake	School: Non- homestead Farmington	School: Non- homestead Clarenceville	School: Non- homestead Walled Lake
1.8521	2.1294	6.0000	14.8931	3.5511	8.4399	20.2800	20.5500	23.1000
1.8521	2.1208	6.0000	14.4761	3.5279	8.1074	20.1200	20.5000	22.8000
1.8444	2.0999	6.0000	14.0071	3.6827	7.8520	20.1000	21.7441	22.8000
1.8311	2.0752	6.0000	13.2614	4.7395	8.0982	20.0000	21.7449	23.1000
1.8193	3.4526	6.0000	12.8633	4.5920	7.9538	20.0000	21.6745	23.1000
1.8043	3.4224	6.0000	12.4459	4.7548	7.4728	19.9388	21.8907	22.9884
1.8024	3.3991	5.0000	11.8783	4.7114	7.5248	19.9388	21.8771	23.1000
1.7967	3.3789	6.0000	11.5466	4.5763	7.0548	19.9388	21.7522	22.7900
1.7967	3.3690	6.0000	11.1596	4.3392	6.8975	19.9388	21.5727	22.7900
1.7967	3.3690	6.0000	10.6511	5.1766	6.7841	19.7388	22.5000	22.7900

City of Farmington Hills, Michigan

Revenue Capacity Information Principal Property Taxpayers

Taxpayer	2007 Taxable Value	Percentage of Total	1998 Taxable Value	Percentage of Total	1998 Rank
1 Oakland Management Co.	\$ 76,684,720	1.73	\$ 55,798,220	1.82	1
2 FH Corporate Investors (Kojaian)	53,133,280	1.20	N/A	-	
3 Robert Bosch Corp.	45,178,800	1.02	17,784,360	0.58	5
4 Nissan Corp.	42,924,030	0.97	24,475,340	0.80	3
5 Detroit Edison	30,461,740	0.69	31,192,850	1.01	2
6 Arboretum Development	22,599,140	0.51	18,994,170	0.62	4
7 Chrysler Financial Corp.	20,126,550	0.45	N/A	-	
8 Ramco/Lion Venture LP	19,659,900	0.44	N/A	-	
9 Aimco (Independence Green)	18,696,790	0.42	15,200,290	0.49	9
10 Green Hill Apartments	17,737,110	0.40	14,221,330	0.46	10

Source: City Assessing Department Records

City of Farmington Hills, Michigan

Property Tax Levies and Collections

Fiscal Year Ended June 30	Tax Levy (1)	Current Collections	Percent of Levy Collected	Delinquent Collections	Total Tax Collections	Percent of Total Collections to Tax Levy
1998	\$ 29,725,050	\$ 29,163,223	98.11	\$ 41,522	\$ 29,204,745	98.25
1999	31,195,930	30,632,027	98.19	59,106	30,691,133	98.38
2000	32,658,075	32,112,752	98.33	11,511	32,124,263	98.37
2001	33,894,509	33,300,139	98.25	8,984	33,309,123	98.27
2002	35,771,438	35,031,887	97.93	16,431	35,048,318	97.98
2003	37,737,279	36,903,184	97.79	18,324	36,921,508	97.84
2004	39,101,846	38,244,628	97.81	21,482	38,266,110	97.86
2005	40,428,497	39,824,096	98.51	16,868	39,840,964	98.55
2006	39,553,780	38,817,558	98.14	22,108	38,839,666	98.19
2007	42,813,720	41,829,579	97.70	12,546	41,842,125	97.73

(1) Does not include penalty and interest on late payment of taxes

City of Farmington Hills, Michigan

	Fiscal Year			
	1998	1999	2000	2001
Governmental Activities				
General obligation bonds	\$ 12,075,000	\$ 11,175,000	\$ 9,470,000	\$ 8,480,000
County contractual obligations	13,782,391	13,118,931	12,451,818	11,658,291
Installment purchase agreements	100,000	-	-	-
Special assessment bonds	6,215,000	8,175,000	8,680,000	7,500,000
Highway loan program	46,369	24,273	-	-
Total governmental activities	32,218,760	32,493,204	30,601,818	27,638,291
Business-type Activities				
General obligation bonds	5,800,000	5,591,250	5,303,750	5,046,250
County contractual obligations	7,741,387	6,755,262	5,571,175	4,686,378
Total business-type activities	13,541,387	12,346,512	10,874,925	9,732,628
Total debt of the government	\$ 45,760,147	\$ 44,839,716	\$ 41,476,743	\$ 37,370,919
Total taxable value	\$ 2,925,849,260	\$ 3,073,823,680	\$ 3,216,893,800	\$ 3,336,712,530
Ratio of total debt to taxable value	1.56%	1.46%	1.29%	1.12%
Total population	81,291	81,620	82,111	81,970
Total debt per capita	\$ 563	\$ 549	\$ 505	\$ 456

Source: City Annual Financial Statements: Population data reported from demographics data

**Debt Capacity Information
Ratios of Outstanding Debt**

		Fiscal Year									
		2002	2003	2004	2005	2006	2007				
\$	18,430,000	\$	17,090,000	\$	15,825,000	\$	22,440,000	\$	21,200,000	\$	20,045,000
	9,797,054		8,527,174		7,571,472		6,696,107		5,829,778		4,856,409
	-		-		-		-		-		-
	6,420,000		6,955,000		6,810,000		5,670,000		4,560,000		3,495,000
	-		-		-		-		-		-
	<u>34,647,054</u>		<u>32,572,174</u>		<u>30,206,472</u>		<u>34,806,107</u>		<u>31,589,778</u>		<u>28,396,409</u>
	4,788,750		4,506,250		4,218,750		3,906,250		3,593,750		3,256,250
	<u>4,064,016</u>		<u>3,483,582</u>		<u>2,896,023</u>		<u>2,459,082</u>		<u>1,953,253</u>		<u>1,446,653</u>
	<u>8,852,766</u>		<u>7,989,832</u>		<u>7,114,773</u>		<u>6,365,332</u>		<u>5,547,003</u>		<u>4,702,903</u>
\$	<u>43,499,820</u>	\$	<u>40,562,006</u>	\$	<u>37,321,245</u>	\$	<u>41,171,439</u>	\$	<u>37,136,781</u>	\$	<u>33,099,312</u>
\$	3,513,503,690	\$	3,694,788,600	\$	3,830,232,170	\$	3,974,587,000	\$	4,120,595,630	\$	4,308,817,670
	1.24%		1.10%		0.97%		1.04%		0.90%		0.77%
	83,500		82,274		81,058		80,854		80,486		80,392
\$	521	\$	493	\$	460	\$	509	\$	461	\$	412

City of Farmington Hills, Michigan

Debt Capacity Information Ratios of General Bonded Debt Outstanding

Fiscal Year Ended June 30	Assessed Value (SEV)	Estimated Population	General Bonded Debt Outstanding	Obligation Debt to Assessed Value (Percent)	General Obligation Debt per Capita
1998	\$ 2,996,801,200	81,291	\$ 12,075,000	0.40	148.54
1999	3,217,279,700	81,620	11,175,000	0.35	136.91
2000	3,456,406,270	82,111	9,470,000	0.27	115.33
2001	3,645,559,130	81,970	8,480,000	0.23	103.45
2002	3,945,512,540	83,500	18,430,000	0.47	220.72
2003	4,277,835,510	82,274	17,090,000	0.40	207.72
2004	4,504,750,120	81,028	15,825,000	0.35	195.30
2005	4,629,979,870	80,854	22,440,000	0.48	277.54
2006	4,741,538,300	80,486	21,200,000	0.45	263.40
2007	4,945,217,110	80,392	20,090,000	0.41	249.90

General bonded debt - For the purpose of this schedule, general bonded debt includes only Building Authority Bonds. The debt service requirements of all remaining debt are currently funded through revenue sources other than property taxes.

Direct and Overlapping Debt

Jurisdiction	Net General Bonded Debt Outstanding	Percent Applicable to Farmington Hills Taxpayers	Amount Applicable to Farmington Hills Taxpayers
Direct debt - City of Farmington Hills	\$ 33,099,312	100.00	\$ 33,099,312
Overlapping debt:			
Farmington School District	70,350,000	87.76	61,739,160
Clarenceville School District	-	30.63	-
Walled Lake School District	190,145,000	3.70	7,035,365
Oakland County at Large	106,286,871	6.91	7,344,423
Oakland County Intermediate School District	55,185,000	6.93	3,824,321
Oakland Community College	8,995,000	6.77	608,962
Farmington Hills Library	6,685,000	91.30	6,103,405
Total overlapping debt	<u>437,646,871</u>		<u>86,655,635</u>
Total	<u>\$ 470,746,183</u>		<u>\$ 119,754,947</u>

General bonded debt - For the purpose of this schedule, general bonded debt is defined as all bonded debt with the exception of Special Assessment and Michigan Transportation Bonds.

Source: Municipal Advisory Council of Michigan

City of Farmington Hills, Michigan

	1998	1999	2000
Debt Limit (Fiscal Year Ended) (1)			
State equalized valuation (previous year)	\$ 2,996,801,200	\$ 3,217,279,700	\$ 3,456,406,270
Debt limit (10 percent of State equalized valuation) (2)	<u>10.00</u>	<u>10.00</u>	<u>10.00</u>
 Total debt limit	 299,680,120	 321,727,970	 345,640,627
Debt Applicable to Debt Limit			
Total bonded debt	45,760,147	44,839,716	41,476,743
Less deductions allowed by law:			
Special Assessment Bonds	6,215,000	8,175,000	8,680,000
Michigan Transportation Bonds	<u>3,850,000</u>	<u>3,500,000</u>	<u>3,150,000</u>
 Total amount of debt applicable to debt limit	 <u>35,695,147</u>	 <u>33,164,716</u>	 <u>29,646,743</u>
 Legal Debt Margin	 <u>\$ 263,984,973</u>	 <u>\$ 288,563,254</u>	 <u>\$ 315,993,884</u>
 Net Debt Subject to Limit as Percentage of Debt Limit	 11.91%	 10.31%	 8.58%

(1) The legal debt limit continues to be derived from State Equalized Value (SEV), not Taxable Value (TV)

(2) Debt limit set forth in Section 4a, Act 279 of 1909 and Act 202, P.A. 1943 as amended by Act 42 P.A. 1960

Source: City budget and financial statements

Debt Capacity Information
Legal Debt Margins

2001	2002	2003	2004	2005	2006	2007
\$ 3,645,559,130	\$ 3,945,512,540	\$ 4,277,835,510	\$ 4,504,750,120	\$ 4,629,979,870	\$ 4,727,926,950	\$ 4,873,928,140
10.00	10.00	10.00	10.00	10.00	10.00	10.00
364,555,913	394,551,254	427,783,551	450,475,012	462,997,987	472,792,695	487,392,814
37,370,919	43,499,820	40,562,006	37,321,245	41,171,439	37,136,781	33,099,312
7,500,000	6,420,000	6,955,000	6,810,000	5,670,000	4,560,000	3,495,000
2,800,000	2,400,000	1,950,000	1,500,000	1,050,000	600,000	300,000
27,070,919	34,679,820	31,657,006	29,011,245	34,451,439	31,976,781	29,304,312
<u>\$ 337,484,994</u>	<u>\$ 359,871,434</u>	<u>\$ 396,126,545</u>	<u>\$ 421,463,767</u>	<u>\$ 428,546,548</u>	<u>\$ 440,815,914</u>	<u>\$ 458,088,502</u>
7.43%	8.79%	7.40%	6.44%	7.44%	6.76%	6.01%

City of Farmington Hills, Michigan

Demographic and Economic Statistics Principal Employers

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Unemployment Rate	Number of Households
1998	81,291 (2)	(1)	(1)	1.7 (3)	32,423 (2)
1999	81,620 (2)	(1)	(1)	1.7 (3)	32,588 (2)
2000	82,111 (4)	(1)	\$ 36,134 (4)	1.5 (3)	33,559 (4)
2001	81,970 (2)	(1)	(1)	2.6 (3)	33,656 (2)
2002	83,500 (2)	(1)	(1)	3.7 (3)	33,714 (2)
2003	82,274 (2)	(1)	(1)	3.7 (3)	33,854 (2)
2004	81,058 (2)	(1)	(1)	4.7 (3)	33,615 (2)
2005	80,854 (2)	(1)	(1)	5.1 (3)	33,644 (2)
2006	80,486 (2)	(1)	(1)	5.0 (3)	33,650 (2)
2007	80,392 (2)	(1)	(1)	5.6 (3)	33,740 (2)

- (1) Not available
- (2) Statistics from the Southeastern Michigan Coalition of Governments (SEMCOG) and/or the Farmington Hills Planning Department
- (3) Michigan Department of Labor and Economic Growth
- (4) U.S. Census Bureau

Taxpayer	2007 Employees	Percentage of Total	1998 Employees	Percentage of Total	1998 Rank
1 Botsford Hospital	2,500	5.72	(1)	(1)	(1)
2 Farmington Public Schools	1,700	3.89	(1)	(1)	(1)
3 Robert Bosch Corporation	1,600	3.66	(1)	(1)	(1)
4 Quicken Loans	1,000	2.29	(1)	(1)	(1)
5 Cengage Learning Gale	850	1.94	(1)	(1)	(1)
6 Chrysler Financial Services	800	1.83	(1)	(1)	(1)
7 TRW Automotive Electronics	600	1.37	(1)	(1)	(1)
8 Minacs Group	500	1.14	(1)	(1)	(1)
9 Nissan Technical Center North America	500	1.14	(1)	(1)	(1)
10 City of Farmington Hills	400	0.91	(1)	(1)	(1)
11 Amerisure	400	0.91	(1)	(1)	(1)
12 Daimler Financial Services	400	0.91	(1)	(1)	(1)

Source: City Economic Development records
(1) Not available

City of Farmington Hills, Michigan

Operating Information Full-time Equivalent Government Employees (1)

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
General Government										
City administration (1)	10.50	10.50	6.00	6.00	6.00	6.00	6.00	6.00	6.00	6.00
Public information	4.00	4.00	3.75	3.75	3.50	3.50	3.50	3.50	3.50	4.00
Finance department	16.15	16.06	16.05	15.55	15.60	15.60	15.60	15.60	15.15	14.53
Assessing	10.76	10.06	9.96	9.04	9.04	9.04	9.04	9.04	9.04	9.04
City clerk	10.58	9.63	9.63	11.25	10.61	11.15	9.80	10.26	9.90	8.90
Human resources	3.75	3.75	3.75	3.75	3.75	3.75	4.25	4.25	4.00	4.00
Central services (2)	7.75	7.50	8.50	8.50	8.50	8.50	8.50	9.50	9.50	9.50
Public Safety										
Police (3)	168.93	169.88	177.28	178.69	180.74	180.62	180.62	173.58	173.52	181.27
Fire and EMS (4)	67.11	74.95	75.95	76.95	76.95	80.95	80.95	80.95	80.95	85.95
Public Services										
Administration (5)	4.00	4.00	4.00	4.00	4.00	4.00	5.00	5.00	5.00	5.00
Road maintenance	28.25	28.25	28.25	28.25	28.25	28.25	28.25	27.50	26.50	27.25
Building maintenance (6)	2.00	2.00	2.00	2.00	2.00	2.00	3.00	3.00	3.00	3.00
Engineering	20.86	20.99	21.99	21.79	21.79	21.79	21.79	21.79	21.07	21.20
D.P.W. garage	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.50	11.00
Waste collection/recycling	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Planning and community development (7)	30.50	28.50	28.00	28.00	28.00	26.50	26.50	26.50	26.50	26.50
Special Services (8)										
Administration	36.58	38.57	10.10	10.10	10.40	10.10	10.60	10.80	18.30	19.50
Youth and families	-	-	6.60	6.50	6.50	6.70	6.70	7.24	7.24	10.40
Senior adults	-	-	-	-	20.02	17.24	15.91	16.34	24.75	23.02
Parks division	-	-	24.20	24.62	27.11	28.83	27.17	24.47	24.44	25.44
Cultural arts	-	-	-	-	2.40	2.40	2.75	3.04	3.04	3.04
William Costick Activities Center	26.50	26.95	28.88	28.87	7.31	7.35	7.35	7.31	-	-
Golf course division	0.00	-	4.21	4.31	4.31	5.60	7.77	9.66	10.39	10.39
Ice arena	30.10	26.18	23.88	23.33	19.10	18.15	16.61	17.39	17.73	18.16
Total	490.82	494.27	505.48	507.75	508.38	510.52	510.16	505.22	512.02	528.09

* FTE statistics not available.

Source: City personnel records

- (1) Youth and family employees were moved from City administration to the youth and family budget in special services in 2000.
- (2) One position was added in 2000 to support the growing number of computers and one position added in 2005 for GIS.
- (3) Over the years, police personnel increased due to the passage of a millage and the growth of the community until 2004, when six full-time positions were not filled. Five patrol officers and one cadet, funded by a millage renewal and increase, were added in 2007.
- (4) Gradual increase over the years due to the passage of a millage and new EMS service. Five fire fighters were added in 2007, funded by a millage renewal and increase.
- (5) An environmental coordinator was added in 2004.
- (6) Several contractual positions were eliminated and one full-time position was added in 2004.
- (7) As a result of less new construction, the building staff was reduced in 2003.
- (8) There has been change over the years in this department with the combining and/or addition of divisions; however, the number of employees has remained steady. It appears there was an increase of 10 employees in 2006, but that is the transfer of employees previously charged to a transportation grant. The number of employees in youth and families increased in 2007 because of the opening of another youth center.

City of Farmington Hills, Michigan

Function/Program	1998	1999	2000	2001
Police:				
Physical arrests	2,995	3,033	2,995	2,887
Traffic violations	22,442	19,494	22,032	19,166
Fire:				
Total incidents	5,479	5,901	6,393	6,440
Public education programs	(1)	(1)	315	288
Fire loss	\$ 3,491,473	\$ 4,518,683	\$ 2,983,042	\$ 3,224,960
Public works:				
Dwelling units receiving refuse service	21,680	22,154	22,430	22,557
% of waste stream recycled	26.20	27.27	29.82	31.35
Parks and recreation - Recreation programs	(1)	(1)	(1)	(1)
Library:				
Circulation (books borrowed)	834,893	860,040	943,335	954,333
Collection volume	(1)	207,784	207,606	211,357
Water				
Water customers	20,976	21,234	21,590	21,811
Water main breaks	87	93	131	119
Total consumption (mcf)	465,848	549,634	563,236	494,561
Average consumption per user (mcf/year)	22.2	25.9	26.1	22.7
Sewer - Average daily sewage treatment	22.1	25.0	25.1	22.0

(1) Information not available

Source: City records, Department annual reports, and Oakland County Drain Commission

Operating Information
Operating Indicators

2002	2003	2004	2005	2006	2007
3,463	3,060	3,230	3,328	2,789	3,482
19,832	19,081	18,991	17,646	13,347	17,770
6,746	6,432	6,487	6,645	6,818	6,668
275	244	451	218	109	111
\$ 4,531,661	\$ 5,967,485	\$ 5,735,652	\$ 3,427,891	\$ 2,490,598	\$ 3,401,006
22,581	22,661	22,665	22,750	22,790	22,980
30.54	28.46	30.91	30.94	30.98	32.48
(1)	1,710	2,008	2,329	2,329	2,454
1,085,750	1,221,738	1,206,540	1,152,305	1,152,305	1,202,625
221,611	237,152	237,624	240,639	240,639	246,016
21,981	22,198	22,331	22,473	22,672	22,713
121	134	161	82	77	65
543,716	562,976	508,604	493,433	529,758	490,831
24.7	25.4	22.8	22	23.4	21.6
23.8	23.9	21.7	21	20.7	19.3

City of Farmington Hills, Michigan

Operating Information Capital Asset Statistics

Function/Program	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Police:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	(1)	(1)	(1)	77	78	82	82	82	82	82
Fire:										
Stations	5	5	5	5	5	5	5	5	5	5
Trucks	14 (***)	15 (***)	15 (***)	15 (**)	15 (**)	18 (*)	16	16	17	16
Public works - Streets (miles):										
Major	57	57	58	58	58	58	58	58	58	58
Local	241	241	241	242	242	243	243	243	243	245
Parks and recreation:										
Acreage	614	629	629	629	629	629	629	629	629	629
Playgrounds	4	4	4	4	4	4	4	4	4	4
Soccer fields	10	10	10	10	15	15	15	15	15	15
Baseball/Softball diamonds	9	10	10	10	10	10	10	10	10	10
Pools	1	1	1	1	1	1	1	1	1	1
Ice arena	1	1	1	1	1	1	1	1	1	1
Senior center	1	1	1	1	1	1	1	1	1	1
Golf course	1	1	1	1	1	1	1	1	1	1
Libraries - Branches										
	1	1	1	1	1	1	1	1	1	1
Water:										
Mains (miles)	425	429	437	439	443	449	450	454	457	460
Fire hydrants	(1)	(1)	(1)	(1)	(1)	(1)	4,703	4,883	5,008	5,033
Storage capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Sewer:										
Miles of sanitary sewers	326	311	313	315	317	320	322	323	325	326
Sewer customers	20,520	20,996	21,383	21,577	21,724	21,913	22,051	22,152	22,363	22,393
Treatment capacity	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

Source: City records, department annual reports, and Oakland County Drain Commission

(1) Information not available

(*) Two are temporary

(**) Three are temporary

(***) One is temporary

City of Farmington Hills, Michigan

**Federal Awards
Supplemental Information
June 30, 2007**

City of Farmington Hills, Michigan

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Independent Auditor's Report

To the Honorable Mayor and
Members of the City Council
City of Farmington Hills, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Farmington Hills, Michigan's basic financial statements, and have issued our report thereon dated November 20, 2007.

Those basic financial statements are the responsibility of the management of the City of Farmington Hills, Michigan. Our responsibility was to express opinions on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Farmington Hills, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. The information in these schedules 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.

Plante & Moran, PLLC

November 20, 2007





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Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements Performed in Accordance
with *Government Auditing Standards*

To the Honorable Mayor and
Members of the City Council
City of Farmington Hills, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Farmington Hills, Michigan as of and for the year ended June 30, 2007, which collectively comprise the City of Farmington Hills, Michigan's basic financial statements, and have issued our report thereon dated November 20, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Farmington Hills, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Farmington Hills, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Farmington Hills, Michigan's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the Honorable Mayor and Members
of the City Council
City of Farmington Hills, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Farmington Hills, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 20, 2007



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Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Honorable Mayor and Members
of the City Council
City of Farmington Hills, Michigan

Compliance

We have audited the compliance of the City of Farmington Hills, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2007. The major federal program of the City of Farmington Hills, Michigan is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Farmington Hills, Michigan's management. Our responsibility is to express an opinion on the City of Farmington Hills, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Farmington Hills, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Farmington Hills, Michigan's compliance with those requirements.

In our opinion, the City of Farmington Hills, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 07-1 and 07-2.

To the Honorable Mayor and Members
of the City Council
City of Farmington Hills, Michigan

Internal Control Over Compliance

The management of the City of Farmington Hills, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Farmington Hills, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal controls. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 07-1 to be a significant deficiency.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider the significant deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness.

The City of Farmington Hills, Michigan's management's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Farmington Hills, Michigan's management's response and, accordingly, we express no opinion on it.

To the Honorable Mayor and Members
of the City Council
City of Farmington Hills, Michigan

This report is intended solely for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 20, 2007

City of Farmington Hills, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity		Federal Expenditures
		Project/Grant Number	Award Amount	
U.S. Department of Housing and Urban Development - Direct programs - Community Development Block Grant: Program year 2005 - B-05-MC-26-0032 Program year 2006 - B-06-MC-26-0032	14.218	N/A	\$ 435,291 389,336	\$ 145,431 <u>408,103</u>
Total U.S. Department of Housing and Urban Development				553,534
Department of Homeland Security: Assistance to Firefighters Grant Assistance to Firefighters Grant	97.004	EMW-2005-FP-033 P451 04 HGSP	61,850 21,988	61,850 <u>21,988</u>
Total Department of Homeland Security				83,838
U.S. Department of Health and Human Services - Passed through Area Agency on Aging: Nutrition services Nutrition services	93.045	06-9018-03 07-9018-03	22,378 116,000	22,378 <u>116,000</u>
Total U.S. Department of Health and Human Services				138,378
U.S. Department of Agriculture: Passed through Area Agency on Aging: Nutrition services Nutrition services	10.570	06-9018-03 07-9018-03	13,290 42,821	13,290 <u>42,821</u>
Total Passed through Area Agency on Aging				56,111
Forest Service: Emerald Ash Borer Emerald Ash Borer	10.664	06-12 07-08	10,000 10,000	8,850 <u>10,000</u>
Total Forest Service				18,850
Total U.S. Department of Agriculture				74,961
U.S. Department of Justice - Direct programs: Federal Equitable Sharing Program Bulletproof Vest Partnership Local Law Enforcement Block Grant - 2004-LB-BX-0058 Justice Assistance Grant - 2005-LB-BX-0191	16.unknown 16.607 16.592 16.738	N/A N/A N/A N/A	898,174 4,500 14,546 21,655	514,661 4,500 2,749 <u>21,655</u>
Total U.S. Department of Justice				543,565
U.S. Department of Treasury - Direct program - Federal Equitable Sharing Program	22.unknown	N/A	1,364	1,364

City of Farmington Hills, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended June 30, 2007

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Award Amount	Federal Expenditures
U.S. Environmental Protection Agency - Passed through Wayne County, Michigan - Wet Weather Grant - East Lincolnshire SSO Project	66.606	RVIA-03	\$ 1,114,400	\$ 36,281
U.S. Department of Transportation - Passed through the Michigan Department of Transportation - Northwestern Highway Enhancement	20.205	STP0463(368)	64,000	<u>14,256</u>
Total federal awards				<u>\$ 1,446,177</u>

City of Farmington Hills, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Revenue from federal sources - As reported on financial statements:	
Governmental funds	\$ 1,633,930
Proprietary funds	<u>36,281</u>
Total revenue from federal sources	1,670,211
Add federal revenue not reported on financial statements but expended in current year	37,500
Less federal revenue reported on financial statements but not expended in current year	<u>(261,534)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,446,177</u></u>

City of Farmington Hills, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2007

Note - Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Farmington Hills, Michigan and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

City of Farmington Hills, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2007

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program(s):

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes None reported

Type of auditor's report issued on compliance for major program(s): Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster	Amount
16.Unknown	Federal Equitable Sharing Program	\$ 514,661

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

City of Farmington Hills, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Findings
Current Year: 07-1	<p>Program Name - Federal equitable sharing program - 16.unknown</p> <p>Finding Type - Significant deficiency, material noncompliance</p> <p>Criteria - The City is required to separately track federal forfeiture expenses. In addition, the City is required to reconcile the annual certification report to the general ledger.</p> <p>Condition - The City did not segregate federal forfeiture expenses in the general ledger. In addition, the annual certification report was not reconciled to the general ledger.</p> <p>Questioned Costs - None</p> <p>Context - The police department tracks expenditures paid with federal forfeiture money, but they are not segregated in the general ledger.</p> <p>Cause and Effect - The lack of a separate fund or separate accounts in the forfeiture fund to segregate federal forfeiture expenses led to the report not reconciling to the general ledger. The federal certification report was not reconciled to the general ledger.</p> <p>Recommendation - It is recommended that the City establish a separate federal forfeiture fund which will ensure that the reporting will align with the general ledger.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City plans to create a separate federal forfeiture fund.</p>

City of Farmington Hills, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2007

Section III - Federal Program Audit Findings (Continued)

Reference Number	Findings
Current Year: 07-2	<p>Program Name - Federal equitable sharing program - 16.unknown</p> <p>Finding Type - Material noncompliance</p> <p>Criteria - The City is required to have a capital asset listing that identifies assets purchased with federal forfeiture monies.</p> <p>Condition - During testing it was noted that there is no capital asset listing that identifies assets purchased with federal forfeiture monies.</p> <p>Questioned Costs - None</p> <p>Context - The police department was unaware of the need for such a list but was aware that income resulting from the sale of assets purchased with forfeiture funds needs to be recorded as federal forfeiture revenue.</p> <p>Cause and Effect - The City does have a list of federal forfeiture expenses, but not a separate capital asset listing. Capital assets are not identified as being purchased with federal forfeiture money in the City's records.</p> <p>Recommendation - It is recommended that the City maintain a separate asset list for capital items purchased with federal forfeiture monies.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City is presently creating a capital asset list for forfeiture assets.</p>



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November 20, 2007

To the Honorable Mayor and Members
of the City Council
City of Farmington Hills
31555 W. Eleven Mile Rd.
Farmington Hills, MI 48336

Dear Mayor and City Council Members:

We recently completed our audit of the basic financial statements of the City of Farmington Hills (the "City") for the year ended June 30, 2007. As a result of our audit, we have the following comments and recommendations for your review and consideration.

New Auditing Standards

New auditing rules, effective December 31, 2006, have resulted in some changes in the communications that we are required to provide following our audit. These rules require us to more formally communicate matters we note about your accounting procedures and internal controls. While we have always provided our observations in these areas as part of our audit, we are now required to tell you about more items than we may have in the past and to communicate them in writing.

The new auditing standard (Statement on Auditing Standards No. 112, referred to as SAS 112) requires us to inform you about any matters noted in your accounting procedures or internal controls that the new standard defines as a "significant deficiency." The new threshold for a significant deficiency is a low one - a significant deficiency is any flaw that creates more than a remote risk of errors in your financial statements that could matter to a user of the statements. Matters that may be immaterial to the financial statements still may be classified by the new auditing standards as a significant deficiency.

We are also required to communicate these matters to more people. In the past, we have sometimes provided comments of this nature as part of a draft meeting with management. Only material internal control issues have been included in our letter. Under these new rules, we are obligated to communicate these matters in writing to all individuals involved in overseeing strategic direction and accountability for your operations, including the supervisor and the board members in addition to our communications with management. This communication is intended to comply with the requirements of the new auditing standards.

In planning and performing our audit for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with accounting principles generally accepted in the United States of America such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We believe that the following deficiency constitutes a significant deficiency:

The City did not separately track federal forfeiture expenses in the general ledger. In addition, the City did not have a capital asset listing that specifically identified assets purchased with federal forfeiture funds. These items are required under the terms of the federal forfeiture program.

In addition to the above, we have identified additional matters that we would like to communicate as a result of our audit. These matters are not considered to be significant deficiencies or material weaknesses.

Revenue Sharing

The future of the State's revenue-sharing program continues to be directly tied to the condition of the State's budget. Reductions to statutory revenue sharing started in 2001 as shortfalls began occurring in the State's budget. The State's budget shortfalls and structural budget deficit condition continue to be a challenge. The State was approximately \$1.8 billion short of the revenue needed to cover basic services for the State's upcoming fiscal year 2007/2008 budget. The legislature and the governor acted on October 1 to increase the income tax rate (from 3.9 percent to 4.35 percent, raising more than \$750 million) and to enact a new 6 percent tax on certain services (raising approximately \$700 million per year), which was subsequently repealed. As part of the continuation budget that was also passed on October 1, there are still approximately \$400 million of "to-be-determined" cuts that remain to be agreed upon and announced for the fiscal year 2007/2008 budget. It is not completely clear whether the State's fiscal year 2006/2007 budget has been completely balanced as well. The outcome of other matters will also impact revenue sharing and those matters include the following:

- **Future of County Participation in Statutory Revenue Sharing** - In 2004, the State terminated payment of statutory revenue sharing to counties (which was approximately \$182 million) but allowed counties to move their operating tax levy to July from December. Counties are required to deposit the additional monies from the earlier levy into a "reserve fund" which is to be used by the counties to replace lost statutory revenue sharing in future years. The question that remains is when the reserve funds established by counties are depleted, will counties come back into the "revenue-sharing formula" and to what extent? Will the size of the statutory pot grow to accommodate counties or will there be a shift of the same monies from cities, villages, and townships to the counties?
- **Statutory Revenue-sharing Formula Expires in 2007** - Legislative action is required on this Act for appropriations to continue into 2008 and beyond.
- **Changes to Michigan's Tax Structure** - The Michigan single business tax has been eliminated effective December 31, 2007 which will result in the loss of \$1.9 billion from the State's budget in 2008. In June 2007, a replacement for the single business tax - called the new Michigan business tax - was approved by the legislature. More details on this new tax structure are included below. In the overview, the plan creates a new tax structure for Michigan businesses, provides further personal property tax relief to business taxpayers, and is forecasted by the State to generate about the same revenue (\$1.9 billion) as the single business tax. Technical corrections on this recently passed law are still pending and the law is lengthy and complex. The true financial impact on the State's budget is hard to predict. Further changes to Michigan's tax structure were made on October 1 as described above to partially close the structural budget deficit that exists.

As introduced, the governor's budget for fiscal year 2007/2008 includes a revenue-sharing increase of \$27 million to be distributed using the three-part formula currently contained in the revenue-sharing act (taxable value per capita, population/unit type, and yield equalization) with an additional \$14.5 million for public safety funding. While specific details have not yet been announced, communities would only be eligible for the increase if they can demonstrate service sharing with other local governments. Many observers have indicated that it is more likely that revenue sharing for fiscal year 2007/2008 will more than likely be tied to fiscal year 2006/2007 funding levels.

It is unclear what the outcome will be regarding the short-term and long-term funding of statutory revenue sharing. Decisions still remain on the ultimate funding level for revenue sharing for the State's fiscal years 2006/2007 and 2007/2008. Local governments may need to react with budget amendments when these final decisions are made by the State.

The table below details state-shared revenue for the City since 2001 broken out by statutory and constitutional portions:

State Fiscal Year	Statutory	Constitutional	Total	Decrease from 2001
2001	\$2,973,000	\$5,328,000	\$8,301,000	\$ -
2002	2,735,000	5,383,000	8,118,000	183,000
2003	2,363,000	5,474,000	7,837,000	464,000
2004	1,629,000	5,414,000	7,043,000	1,258,000
2005	1,423,000	5,544,000	6,967,000	1,334,000
2006	1,251,070	5,637,897	6,888,967	1,412,033
2007	1,163,064	5,520,750	6,683,814	1,617,186

If the State were to eliminate the statutory portion of revenue sharing, the City would lose approximately \$1,165,000 (as the constitutional portion cannot be modified without a change to the State's constitution). We will continue to update the City as developments occur.

New Michigan Business Tax

As previously indicated, the new Michigan business tax (MBT) was approved by the legislature in June 2007 and replaces the single business tax (SBT) which expires on December 31, 2007. According to the State, the new MBT is intended to generate about the same \$1.9 billion generated by the expiring SBT.

While the MBT intended to simplify the old SBT, the MBT is a very lengthy and complicated new law. The new MBT imposes two taxes - a modified gross receipts tax and a business income tax. The modified gross receipts tax is imposed at .8 percent on a tax base composed of gross receipts less certain purchases. The business income tax will be imposed at a rate of approximately 5 percent on business income. The MBT provides for new investment, compensation, and research and development credits to businesses. The MBT also allows certain qualified small businesses to opt out of the MBT and pay a straight 1.8 percent tax on adjusted business income.

Additional personal property tax relief is also part of the new MBT. Business personal property classified as "industrial" or "commercial" will be exempt from certain personal property taxes - specifically from the state education tax (SET) and local school operating mills. Industrial personal property will receive exemptions from the six SET mills and the 18 schools operating mills (for a total 24 mill exemption). Commercial personal property will be exempt from 12 of the 18 school operating mills.

These newly enacted personal property tax exemptions will mean that local governments will collect less school taxes on these properties. For local governments that have enacted an administrative fee on tax collections, they will likely see a decrease in the administration fees that have traditionally been collected. Also, for those local governments with tax increment financing authorities that continue to have existing eligible obligations outstanding and are therefore allowed to capture school taxes (to the extent of these eligible obligations), the personal property tax exemptions on school millages will likely decrease the amount of school taxes available to capture.

Given the favorable tax treatment of industrial versus commercial personal property, it is expected that businesses will be re-reviewing the classification of their personal property. Your assessor will likely receive more frequent inquiries and requests to change classification of personal property to take the most advantage of the tax break afforded to industrial property and commercial property and the additional relief available for industrial property.

As we understand it now, these are the areas at the local governmental level (i.e., impact on administrative fees, impact on school dollars available for capture for certain tax increment financing authorities, and property classifications) that are the most directly impacted by the new MBT.

We will keep you updated as we continue to explore these and other issues regarding the impact of the MBT on local units of government.

Property Taxes

As you recall, Proposal A limits the growth in taxable value to the lesser of inflation or 5 percent. The inflation factor for this calculation is published by the State Tax Commission and is:

2007	3.7%	2001	3.2%
2006	3.3%	2000	1.9%
2005	2.3%	1999	1.6%
2004	2.3%	1998	2.7%
2003	1.5%	1997	2.8%
2002	3.2%		

Also, as you probably recall, the Headlee Amendment to the Michigan Constitution limits the amount of taxes that can be levied by the City. In general terms, if growth on the City's existing property tax base exceeds inflation for a particular year, the Headlee Amendment requires the City to "roll back" its property tax rate to inflation. Prior to the passage of Proposal A in 1994, during years when the growth on the City's existing property tax base was less than inflation, the Headlee Amendment allowed the City to "roll up" its property tax rate and recover from years when the property tax rate was "rolled back." However, subsequent to the passage of Proposal A and as a result of changes made to the State's General Property Tax Act, the City is no longer allowed to "roll up" its property tax rate in years when growth on its existing tax base is less than inflation.

For the year ended June 30, 2007, the City's Headlee maximum property tax rate for its operating levy was 8.4252 mills even though City Charter would allow the City to levy 10 mills for operations. Although the City's maximum allowable millage is 8.4252, in the current year the City only levied 7.5300 mills. Because of changes made to the General Property Tax Act in 1994, this reduction in millage rate is permanent absent a Headlee override vote. Additionally, as demonstrated in several published studies and reports, due to definitional changes made to the General Property Tax Act in 1994, the treatment of uncapped values or the "pop-up" amount when a property is transferred or sold (as growth on existing property subject to the Headlee rollback calculation), will continue downward pressure on millage rates particularly given the significant gap that now exists between taxable value and state equalized value.

Property Tax Legislation

A series of House bills were introduced in 2007 dealing with the treatment of the uncapping of value on sale or transfer of property. With the passage of Proposal A in 1994, changes to the taxable value of an individual property are limited to the lesser of the rate of inflation or 5 percent - until the property is sold or transferred. The difference between the capped taxable value amount and state equalized value at the time of transfer is referred as the "uncapped" value or the "pop-up" value. As several published studies and reports have demonstrated, the treatment of "uncapped" values or the "pop-up" amount when a property is transferred or sold as growth on existing property subject to the Headlee rollback calculation has resulted in continued downward pressure on millage rates. This treatment is due to definitional changes made to the General Property Tax Act in 1994.

The three bills in the package are House Bills 4440, 4441, and 4442 and would propose to do the following:

- **House Bill 4440** - This bill establishes an 18-month moratorium on the “pop-up” or “uncapping” of taxable value to state equalized value at the time of sale or transfer of a property. Property sales or transfers occurring in the timeframe of the moratorium would continue to pay property taxes at the previous taxable value amount. The “pop-up” or “uncapping” of taxable value would be delayed until the property was sold or transferred in later years.
- **House Bill 4441** - This bill increases the real estate transfer tax by .10 percent and earmarks the money to be returned to local government for potential loss in revenue occurring from House Bill 4440.
- **House Bill 4442** - This bill would change the General Property Tax Act to exempt the “pop-up” or “uncapped” value from the Headlee rollback calculation. If this legislation were enacted, increases in taxable value resulting from property sales or transfers would be treated as “additions” to taxable value or new growth versus growth on existing property.
- **House Bills 4440 and 4441** - These bills passed the House on March 14 (House Bill 4440 has been assigned to the Senate Finance Committee). House Bill 4442 has not been voted on yet in the House. The bills are not tie barred.

New Cable Franchise Legislation

The governor signed cable franchise legislation (House Bill 6456) into law effective January 1, 2007. The new law (Public Act 480 of 2006) creates the Uniform Video Services Local Franchise Act, which provides a statewide framework for franchising agreements instead of individual community agreements. This Act requires video service providers to obtain a local franchise, good for 10 years, from the franchising entity (the local unit of government). As part of the local franchise, the provider is required to pay an annual video service provider fee, not to exceed 5 percent of gross revenue, as well as an annual fee for the costs of the PEG access facilities, not to exceed 2 percent of gross revenue. The Act allows providers to terminate the current franchise contracts before their expiration date, in order to enter into this new local franchise agreement under the statewide framework.

Local units of government will be impacted in the following ways:

- Under the Act, no additional fees or charges other than those stipulated under the Act may be written into the local franchise agreements.
- To the extent existing cable franchise agreements provided more funding than provided for under the new Act, municipalities will see reduced fees from these new local franchise agreements.

- A credit, based on annual maintenance fees paid for use of public rights of way, to video service providers is allowed under the Act. This credit could eliminate or significantly reduce any revenue the local unit might receive under the bills' franchise fee.
- Audits of the video service providers' calculation of gross revenue are limited to once every two years.
- It is expected that local governments will receive their first payment under the new Act beginning in May 2007 or shortly thereafter. We strongly encourage you to review this payment compared to payments previously received and follow up with your provider as required.
- Subsequent to the passage of the Act, amendments have been proposed in both the House and the Senate (House Bill 5047 and Senate Bill 636) to clarify language about the ability of local governments to receive PEG fees.

Postemployment Benefits

As discussed last year, there were two new accounting pronouncements issued by the Governmental Accounting Standards Board (GASB). GASB Nos. 43 and 45 address the accounting and disclosures related to postemployment benefits other than pensions. In short, these pronouncements will require communities to account for and disclose liabilities related to healthcare promises to retirees, much in the same way that pensions are handled. Starting in fiscal year 2007-2008, the City will be required to measure its retiree healthcare liability through actuarial valuations that are to be performed biannually. These valuations will compute an "annual required contribution." The annual required contribution is the amount the actuary believes is necessary to fund the benefit over a period of 30 years or less. The City has been funding this liability on an actuarial basis and has funds set aside in the Employees' Retirement System and Postretirement Health Care Finance Fund. We commend the City for having the foresight to begin prefunding this liability.

To the Honorable Mayor and Members
of the City Council
City of Farmington Hills

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November 20, 2007

Bonding to Fund Liability for Other Postemployment Benefits

To provide local governments with additional funding options for other postemployment benefits, legislation was introduced in 2006 which would allow for bonding as a funding tool. The legislation was passed by the Michigan legislature and vetoed by the governor. It is expected that the legislation may be reconsidered in the future.

Very truly yours,

Plante & Moran, PLLC



Douglas G. Bohrer



William E. Brickey