

City of Harper Woods, Michigan

**Financial Report
with Supplemental Information
December 31, 2009**

City of Harper Woods, Michigan

Mayor and City Council

Mayor
Mayor Pro Tem

Kenneth A. Poynter
Cheryl A. Costantino

Council Member
Council Member
Council Member
Council Member
Council Member

Vivian M. Sawicki
John M. Szymanski
Michael P. Monaghan
Hugh Marshall
Daniel S. Palmer

City Administration

City Manager

James E. Leidlein

City Clerk

Mickey D. Todd

City Treasurer

Enid L. Pierson

Finance Director

Laura L. Stowell

City Auditors

Plante & Moran, PLLC

City of Harper Woods, Michigan

General Comments

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

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

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

City of Harper Woods, Michigan

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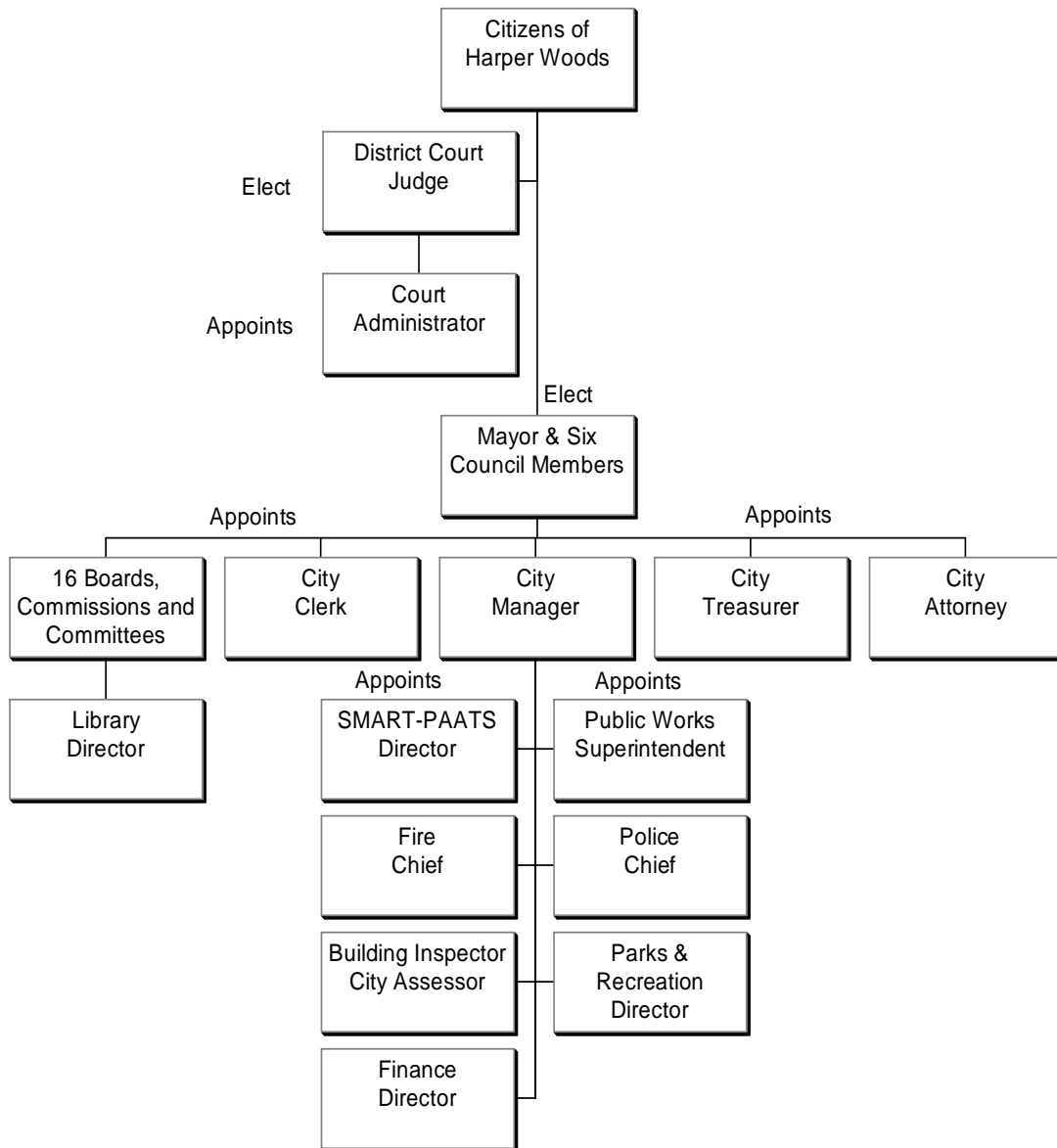
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Introductory Section

CITY OF HARPER WOODS ADMINISTRATIVE ORGANIZATION CHART



Financial Section

Independent Auditor's Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harper Woods, Michigan (the "City") as of and for the year ended December 31, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harper Woods, Michigan as of December 31, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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

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

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

Plante & Moran, PLLC

June 21, 2010

City of Harper Woods, Michigan

Management's Discussion and Analysis

This section of the annual financial report for the City of Harper Woods, Michigan (the "City") is our discussion and analysis of the City's performance for the fiscal year ended December 31, 2009. Please read it in conjunction with the City's financial statements which follow this section.

Using this Annual Report

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

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

The City of Harper Woods as a Whole

The following table shows, in a condensed format, the assets as of December 31, 2009 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Assets						
Current assets	\$ 19,429	\$ 20,301	\$ 769	\$ 789	\$ 20,198	\$ 21,090
Noncurrent assets -						
Capital assets	<u>22,698</u>	<u>23,825</u>	<u>2,740</u>	<u>2,869</u>	<u>25,438</u>	<u>26,694</u>
Total assets	42,127	44,126	3,509	3,658	45,636	47,784
Liabilities						
Current liabilities	12,584	14,506	454	362	13,038	14,868
Long-term liabilities	<u>15,786</u>	<u>13,293</u>	<u>264</u>	<u>131</u>	<u>16,050</u>	<u>13,424</u>
Total liabilities	<u>28,370</u>	<u>27,799</u>	<u>718</u>	<u>493</u>	<u>29,088</u>	<u>28,292</u>
Net Assets						
Invested in capital assets -						
Net of related debt	12,310	11,862	2,740	2,869	15,050	14,731
Restricted	2,160	2,480	-	-	2,160	2,480
Unrestricted	<u>(713)</u>	<u>1,985</u>	<u>51</u>	<u>296</u>	<u>(662)</u>	<u>2,281</u>
Total net assets	<u>\$ 13,757</u>	<u>\$ 16,327</u>	<u>\$ 2,791</u>	<u>\$ 3,165</u>	<u>\$ 16,548</u>	<u>\$ 19,492</u>

City of Harper Woods, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net assets decreased by 15.1 percent from a year ago - from \$19.5 million to \$16.5 million. The governmental activities' net assets decreased by 15.7 percent. This is a result of the major and nonmajor funds incurring losses this year. The business-type activities' net assets decreased by 11.8 percent as a result of the operating loss in the Water and Sewer Fund.

The following table shows the change in net assets for the year ended December 31, 2009 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Revenue						
Program revenue:						
Charges for services	\$ 4,192	\$ 4,039	\$ 2,420	\$ 2,461	\$ 6,612	\$ 6,500
Operating grants and contributions	1,010	1,085	125	539	1,135	1,624
General revenue:						
Property taxes	9,565	9,250	-	-	9,565	9,250
State-shared revenues	1,310	1,527	-	-	1,310	1,527
Interest	103	402	7	78	110	480
Miscellaneous	554	340	-	-	554	340
Total revenue	16,734	16,643	2,552	3,078	19,286	19,721
Program Expenses						
General government	7,720	5,136	-	-	7,720	5,136
Public safety	5,568	7,249	-	-	5,568	7,249
Public works	4,628	5,197	-	-	4,628	5,197
Recreation and culture	946	1,097	-	-	946	1,097
Interest on long-term debt	442	502	-	-	442	502
Water and sewer	-	-	2,926	3,474	2,926	3,474
Total program expenses	19,304	19,181	2,926	3,474	22,230	22,655
Transfers	-	100	-	(100)	-	-
Net Change in Net Assets	(2,570)	(2,438)	(374)	(496)	(2,944)	(2,934)
Net Assets - Beginning of year	16,327	18,765	3,165	3,661	19,492	22,426
Net Assets - End of year	\$ 13,757	\$ 16,327	\$ 2,791	\$ 3,165	\$ 16,548	\$ 19,492

City of Harper Woods, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Total revenues for the City's governmental activities were \$16.7 million for the year ended December 31, 2009. The City again experienced a decrease in state-shared revenues. However, charges for services increased.

Expenses for the City's governmental activities totaled \$19.3 million for the year ended December 31, 2009. Total expenses increased by approximately 0.6 percent, with general government showing the largest increase. The other activities which provide direct City services (e.g., public safety, public works, recreation, and culture, etc.) are showing a decrease over the last year.

The following represents the most significant financial highlights for the year ended December 31, 2009:

The City's continued diligence to curb spending and an increase in revenue in the charges for service area, specifically the court/police fines and fees, were able to offset some of the state-shared revenue cuts. The City did not make reductions in City service areas, but instead maintained spending in the service areas. Capital outlays were reduced. Again, the City had long-term employees who left or retired whose payouts resulted in higher wages reported than expected.

Business-type Activities

The City's business-type activities consist of the Water and Sewer Fund. We provide potable water to our residents. The City pumps its sewage to the City of Detroit for treatment and disposal. This year's operations were not positive, in part due to the City of Detroit's water and sewer department rate increases. The negative outcome was buffered by charging 50 percent of the excess flow to the Storm Drain Fund for Milk River Drain maintenance, a practice started in 2005 when Wayne County changed its invoicing for sewer and drain charges.

The City's Funds

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

The General Fund pays for most of the City's governmental services. The most significant are police and fire services, which incurred expenses of approximately \$5.6 million in 2009. The General Fund is supported primarily by property taxes and state-shared revenue.

City of Harper Woods, Michigan

Management's Discussion and Analysis (Continued)

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

General Fund Budgetary Highlights

Over the course of the year, the City administration and City Council monitor the budget and, if necessary, amend the budget to take into account unanticipated events that occur during the year. There were no amendments made in 2009. Significant revenue budget variances were due to the increased revenue from service fees and decreased property tax revenue due to decreases in property tax values. Significant expenditure variances were due to the cost of health care as well as employee wages, retiree payouts, and repairs on aging equipment. It should be noted that the City did not make its contribution to the retirement system and had not fully contributed in prior years, resulting in an obligation to the retirement system of approximately \$1.1 million.

Capital Asset and Debt Administration

At the end of fiscal year 2009, the City had \$25.4 million invested in capital assets (land, buildings, equipment, vehicles, and water, sewer, and storm lines).

Debt reported in these financial statements is related to the three General Obligation Street Bonds issued in 1995, 1999, and 2001, the Milk River-County Drain Bonds, and the Library Bonds. The Street Bonds have a maturity in 2014, the various Milk River Bonds have final maturity in 2012, and the Library Bond has a maturity in 2024.

Economic Factors and Next Year's Budgets and Rates

The City will continue to face challenges with the cuts in state-shared revenue, reduction in property tax revenue due to the reduction in state equalized value of properties, and the continuing impact of the Headlee Amendment and Proposal A. The City will need to watch the budget closely and consider amendments as necessary.

On the expense side of the equation, medical insurance continues to be a rising cost and concern. The City has researched alternative plans. Water rates were increased in 2009 after not raising rates for five years. We will continue to monitor the budget in the Water and Sewer Fund closely and make amendments and adjustments as necessary.

Contacting the City's Management

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

City of Harper Woods, Michigan

Statement of Net Assets December 31, 2009

	Primary Government			Brownfield Redevelopment Authority - Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 4)	\$ 10,121,482	\$ 1,514,675	\$ 11,636,157	\$ -
Receivables:				
Taxes	5,498,824	-	5,498,824	-
Customers	-	928,586	928,586	-
Interest and other	81,522	-	81,522	-
Due from other governmental units	693,545	470	694,015	-
Service fee	1,012,992	-	1,012,992	-
Due from primary government	-	-	-	113,958
Internal balances (Note 6)	1,692,597	(1,692,597)	-	-
Inventories and prepaid items	272,188	17,984	290,172	-
Investment in joint venture (Note 10)	56,151	-	56,151	-
Capital assets (Note 5):				
Assets not subject to depreciation	760,574	-	760,574	-
Assets subject to depreciation - Net	21,937,464	2,739,656	24,677,120	-
Total assets	42,127,339	3,508,774	45,636,113	113,958
Liabilities				
Accounts payable	234,721	403,257	637,978	-
Due to Agency Fund	969,699	-	969,699	-
Due to component units	113,958	-	113,958	-
Accrued liabilities and other	505,309	50,834	556,143	-
Deferred property tax revenue (Note 1)	10,433,928	-	10,433,928	113,958
Rehabilitation escrow	325,951	-	325,951	-
Noncurrent liabilities (Note 7):				
Due within one year	1,943,800	-	1,943,800	-
Due in more than one year:				
Accumulated employee benefits	1,166,267	-	1,166,267	-
Net pension obligation (Note 9)	1,061,544	-	1,061,544	-
Net other postemployment benefit obligations (Note 11)	2,870,517	263,920	3,134,437	-
Long-term debt - Net of current portion	8,744,227	-	8,744,227	-
Total liabilities	28,369,921	718,011	29,087,932	113,958
Net Assets				
Invested in capital assets - Net of related debt	12,310,011	2,739,656	15,049,667	-
Restricted for:				
Streets and highways	14,462	-	14,462	-
Debt service	1,514,311	-	1,514,311	-
Library	6,839	-	6,839	-
Refuse	526,255	-	526,255	-
Drug enforcement	98,903	-	98,903	-
Unrestricted	(713,363)	51,107	(662,256)	-
Total net assets	\$ 13,757,418	\$ 2,790,763	\$ 16,548,181	\$ -

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

City of Harper Woods, Michigan

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 7,719,498	\$ 1,819,613	\$ 49,590	\$ -
Public safety	5,568,339	337,918	130,391	-
Public works	4,628,323	1,698,207	821,140	-
Recreation and culture	945,784	335,952	8,954	-
Interest on long-term debt	441,937	-	-	-
Total governmental activities	19,303,881	4,191,690	1,010,075	-
Business-type activities - Water and Sewer Fund	2,926,139	2,419,648	125,056	-
Total primary government	<u>\$ 22,230,020</u>	<u>\$ 6,611,338</u>	<u>\$ 1,135,131</u>	<u>\$ -</u>
Component unit - Brownfield Redevelopment Center	<u>\$ 72,363</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:				
Property taxes				
State-shared revenue				
Investment income				
Other miscellaneous income				
Income from joint venture				
Total general revenues				
Change in Net Assets				
Net Assets - Beginning of year - As restated (Note 2)				
Net Assets - End of year				

Statement of Activities
Year Ended December 31, 2009

Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (5,850,295)	\$ -	\$ (5,850,295)	\$ -
(5,100,030)	-	(5,100,030)	-
(2,108,976)	-	(2,108,976)	-
(600,878)	-	(600,878)	-
(441,937)	-	(441,937)	-
(14,102,116)	-	(14,102,116)	-
-	(381,435)	(381,435)	-
(14,102,116)	(381,435)	(14,483,551)	-
-	-	-	(72,363)
9,564,637	-	9,564,637	72,363
1,310,427	-	1,310,427	-
102,560	7,698	110,258	-
554,114	-	554,114	-
723	-	723	-
11,532,461	7,698	11,540,159	72,363
(2,569,655)	(373,737)	(2,943,392)	-
16,327,073	3,164,500	19,491,573	-
\$ 13,757,418	\$ 2,790,763	\$ 16,548,181	\$ -

City of Harper Woods, Michigan

Governmental Funds Balance Sheet December 31, 2009

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Local Streets Fund	Nonmajor Funds	Total
Assets						
Cash and investments (Note 4)	\$ 489,548	\$ 1,699,549	\$ 3,744,081	\$ -	\$ 4,188,304	\$ 10,121,482
Receivables:						
Taxes	4,053,542	696,007	-	-	749,275	5,498,824
Interest and other	18,213	3,675	-	12,752	46,882	81,522
Other governmental units	478,356	-	-	31,851	183,338	693,545
Service fee	-	-	1,012,992	-	-	1,012,992
Due from other funds (Note 6)	6,506,225	785,955	-	2,462,956	3,772,631	13,527,767
Inventories and prepaid items	256,126	-	-	-	16,062	272,188
Total assets	\$ 11,802,010	\$ 3,185,186	\$ 4,757,073	\$ 2,507,559	\$ 8,956,492	\$ 31,208,320
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 129,770	\$ -	\$ -	\$ 615	\$ 93,790	\$ 224,175
Due to agency fund	969,699	-	-	-	-	969,699
Due to component units	113,958	-	-	-	-	113,958
Due to other funds	1,820,984	1,578,368	2,151,107	2,498,473	4,295,877	12,344,809
Accrued liabilities and other	407,103	-	-	3,720	20,740	431,563
Deferred property tax revenue (Note 1)	6,436,864	1,145,175	1,653,298	-	1,198,591	10,433,928
Rehabilitation escrow	-	-	-	-	325,951	325,951
Total liabilities	9,878,378	2,723,543	3,804,405	2,502,808	5,934,949	24,844,083
Fund Balances						
Reserved for - Prepaid expenses and inventory	256,126	-	-	-	-	256,126
Unreserved, reported in:						
General Fund:						
Designated (Note 12)	529,000	-	-	-	-	529,000
Undesignated	1,138,506	-	-	-	-	1,138,506
Special Revenue Funds:						
Designated (Note 12)	-	-	-	4,751	2,534,655	2,539,406
Undesignated	-	-	-	-	486,888	486,888
Debt Service Funds - Designated (Note 12)	-	461,643	952,668	-	-	1,414,311
Total fund balances	1,923,632	461,643	952,668	4,751	3,021,543	6,364,237
Total liabilities and fund balances	\$ 11,802,010	\$ 3,185,186	\$ 4,757,073	\$ 2,507,559	\$ 8,956,492	\$ 31,208,320

City of Harper Woods, Michigan

Governmental Funds **Reconciliation of the Balance Sheet to the Statement of Net Assets** **December 31, 2009**

Fund Balance Reported in Governmental Funds	\$ 6,364,237
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	22,585,113
Investments in joint ventures are not reported in the funds	56,151
Net pension obligation is not due and payable in the current period and is not reported in the funds	(1,061,544)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds	(2,870,517)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(10,388,027)
Accrued interest obligations are not due and payable in the current period and are not reported in the funds	(68,995)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(1,466,267)
Internal Service Funds are included as part of governmental activities	<u>607,267</u>
Net Assets of Governmental Activities	<u>\$ 13,757,418</u>

City of Harper Woods, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2009

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Local Streets Fund	Nonmajor Funds	Total
Revenue						
Property taxes	\$ 7,126,764	\$ 1,205,151	\$ 5,726	\$ -	\$ 1,226,996	\$ 9,564,637
Licenses and permits	116,008	-	-	-	-	116,008
Federal sources	45,392	-	-	-	-	45,392
State sources	1,475,485	-	-	208,151	631,163	2,314,799
Charges for services	2,308,461	-	-	-	88,776	2,397,237
Service fees	75,000	-	1,609,431	-	-	1,684,431
Interest	2,260	27,086	55,380	5	17,829	102,560
Miscellaneous revenue	413,798	-	-	10,464	84,177	508,439
Total revenue	11,563,168	1,232,237	1,670,537	218,620	2,048,941	16,733,503
Expenditures - Current						
General government	5,294,887	-	-	26,800	129,754	5,451,441
Public safety	5,422,151	-	-	-	27,988	5,450,139
Public works	563,474	-	728,572	436,608	1,931,811	3,660,465
Recreation and culture	419,658	-	-	-	413,559	833,217
Debt service:						
Principal retirement	-	925,000	649,490	-	-	1,574,490
Interest and fiscal charges	-	385,774	68,352	-	-	454,126
Total expenditures	11,700,170	1,310,774	1,446,414	463,408	2,503,112	17,423,878
Excess of Revenue Over (Under) Expenditures	(137,002)	(78,537)	224,123	(244,788)	(454,171)	(690,375)
Other Financing Sources (Uses)						
Transfers in (Note 6)	310,000	-	-	240,000	395,000	945,000
Transfers out (Note 6)	-	-	(300,000)	-	(695,000)	(995,000)
Total other financing sources (uses)	310,000	-	(300,000)	240,000	(300,000)	(50,000)
Net Change in Fund Balances	172,998	(78,537)	(75,877)	(4,788)	(754,171)	(740,375)
Fund Balances - Beginning of year	1,750,634	540,180	1,028,545	9,539	3,775,714	7,104,612
Fund Balances - End of year	\$ 1,923,632	\$ 461,643	\$ 952,668	\$ 4,751	\$ 3,021,543	\$ 6,364,237

City of Harper Woods, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2009

Net Change in Fund Balances - Total Governmental Funds	\$ (740,375)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Capital outlay	186,950
Depreciation expense	(1,297,401)
Income from joint venture	723
Net pension obligation is not due and payable in the current period and is not reported in the funds	(708,008)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds	(1,450,386)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,574,490
Change in accrued interest payable and other	12,189
Increase in accumulated employee sick and vacation pay and other similar expenses reported in the statement of activities do not require the use of current resources, and therefore are not reported in the fund statements until they come due for payment	(35,427)
Internal Service Funds are included as part of governmental activities	<u>(112,410)</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,569,655)</u>

City of Harper Woods, Michigan

Proprietary Funds Statement of Net Assets December 31, 2009

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and investments (Note 4)	\$ 1,514,675	\$ -
Receivables:		
Customer receivables	928,586	-
Due from other governmental units	470	-
Due from other funds (Note 6)	1,763,989	3,153,797
Prepaid expenses and other assets	17,984	-
Total current assets	4,225,704	3,153,797
Noncurrent assets - Capital assets being depreciated - Net (Note 5)	2,739,656	112,925
Total assets	6,965,360	3,266,722
Liabilities		
Current liabilities:		
Accounts payable	403,257	10,546
Due to other funds (Note 6)	3,456,586	2,644,158
Accrued liabilities and other	50,834	4,751
Total current liabilities	3,910,677	2,659,455
Noncurrent liabilities - Net other postemployment benefit obligation (Note 11)	263,920	-
Total liabilities	4,174,597	2,659,455
Net Assets		
Invested in capital assets - Net of related debt	2,739,656	112,925
Unrestricted	51,107	494,342
Total net assets	\$ 2,790,763	\$ 607,267

City of Harper Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2009

	Enterprise Funds	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Customer billings	\$ 2,335,995	\$ -
Other operating revenues	83,653	-
Billings to other funds	-	230,303
	2,419,648	230,303
Total operating revenue		
Operating Expenses		
Cost of materials	-	73,901
Water supply and sewage disposal	1,712,738	-
Operation and maintenance costs	644,175	237,732
General and administrative	439,926	65,000
Depreciation	129,300	16,080
	2,926,139	392,713
Total operating expenses		
Operating Loss	(506,491)	(162,410)
Nonoperating Revenue		
Interest income	7,698	-
Operating grants	125,056	-
	132,754	-
Loss - Before transfers	(373,737)	(162,410)
Transfers In (Note 6)	100,000	150,000
Transfers Out (Note 6)	(100,000)	(100,000)
Change in Net Assets	(373,737)	(112,410)
Net Assets - Beginning of year - As restated (Note 2)	3,164,500	719,677
Net Assets - End of year	\$ 2,790,763	\$ 607,267

City of Harper Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2009

	Business-type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flow from Operating Activities		
Receipts from customers	\$ 2,264,768	\$ -
Receipts from interfund services and reimbursements	92,263	320,603
Payments to suppliers	(2,047,998)	(198,547)
Payments to employees	(520,120)	(176,297)
Other receipts	112,730	-
	(98,357)	(54,241)
Net cash used in operating activities		
Cash Flows from Noncapital Financing Activities		
Operating grants	125,056	-
Transfers from other funds	100,000	150,000
Transfers to other funds	(100,000)	(100,000)
	125,056	50,000
Net cash provided by noncapital financing activities		
Cash Flows from Investing Activities - Interest received on investments	7,698	-
	34,397	(4,241)
Net Increase (Decrease) in Cash and Cash Equivalents		
Cash and Cash Equivalents - Beginning of year	1,480,278	4,241
Cash and Cash Equivalents - End of year	\$ 1,514,675	\$ -
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (506,491)	\$ (162,410)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	129,300	16,080
Changes in assets and liabilities:		
Receivables	(42,150)	-
Due from other funds	92,263	90,300
Prepaid and other assets	3,872	-
Accounts payable	110,440	4,370
Accrued and other liabilities	114,409	(2,581)
	(98,357)	(54,241)
Net cash used in operating activities	\$ (98,357)	\$ (54,241)

City of Harper Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2009

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System	Agency Funds
Assets		
Cash	\$ 403	\$ 1,069,833
Investments:		
U.S. government securities	5,719,040	-
Stocks	8,715,972	-
Bonds	7,696,996	-
Mutual funds	9,572,854	-
Accrued interest and dividends receivable	152,690	-
Due from primary government	-	969,699
Total assets	31,857,955	<u><u>\$ 2,039,532</u></u>
Liabilities		
Due to other governmental units	244,340	\$ 100,848
Refundable deposits, bonds, etc.	-	20,584
Tax collections distributable	-	1,918,100
Total liabilities	244,340	<u><u>\$ 2,039,532</u></u>
Net Assets Held in Trust for Pension and Other Employee Benefits		<u><u>\$ 31,613,615</u></u>

City of Harper Woods, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Year Ended December 31, 2009

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System
Additions	
Investment income:	
Interest and dividends	\$ 1,234,803
Net appreciation in fair value of investments	4,890,508
Less investment expenses	<u>(157,374)</u>
Net investment income	5,967,937
Contributions - Employee	<u>425,955</u>
Total additions	6,393,892
Deductions	
Benefit payments	2,746,805
Refunds to employees	255,164
Administrative expenses	<u>11,000</u>
Total deductions	<u>3,012,969</u>
Net Increase in Net Assets Held in Trust	3,380,923
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>28,232,692</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$31,613,615</u></u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

The City reports the following major funds:

Governmental Funds

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

The City reports the following major Enterprise Fund:

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

Additionally, the City reports the following fund types:

- Internal Service Funds are used to account for the financing of services by one department to other departments of the City, primarily on a cost-reimbursement basis.
- The Pension and Other Employee Benefit Trust Fund accounts for the activities of the employees' retirement system, which accumulates resources for pension payments to qualified employees.
- The Agency Funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and expenditures relating to compensated absences are recorded only when payment is due.

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

Assets, Liabilities, and Net Assets or Equity

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

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

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

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

The 2008 taxable valuation of the City totaled \$422,294,000, on which taxes levied consisted of 17.0332 mills for operating purposes, 2.8399 mills for debt service, 0.9168 mills for the library, and 2.0000 mills for rubbish removal. This resulted in \$7,193,000 for operating, \$1,199,000 for debt service, \$387,000 for the library, and \$845,000 for rubbish removal. These amounts are recognized in their respective funds as tax revenue.

Deferred Revenue - Property taxes billed during the month of December 2009 will be used to finance 2010 operations. As such, these taxes are unearned and are recorded as deferred revenue in the respective funds at December 31, 2009.

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

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

Infrastructure:

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

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In the governmental funds, pension and OPEB costs are recognized as contributions are made. For the government-wide statements and proprietary funds, the City reports the full accrual cost equal to the current year required contribution, adjusted for interest and "adjustment to the ARC" on the beginning of year underpaid amount, if any.

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.

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.

Upcoming Accounting Pronouncement - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved will be replaced with five new classifications: nonspendable, restricted, committed, assigned, and unassigned. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The City will implement GASB Statement No. 54 beginning with the fiscal year ending December 31, 2012.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 2 - Prior Period Adjustment

In prior years, the City did not accrue certain water and sewer purchases, resulting in understated accounts payable. As a result of this change, net assets of the Water and Sewer Fund and of the business-type activities were decreased by \$152,255. Had this error not been made, the prior year change in net assets of the Water and Sewer Fund and business-type activities would have been lower by \$34,086.

Note 3 - Stewardship, Compliance, and Accountability

Budgetary Information

The annual budget is prepared by the City's management and adopted by the City Council; subsequent amendments are also approved by the City Council. Unexpended appropriations lapse at year end and encumbrances outstanding at December 31, 2009 has not been calculated. During the current year, the budget was not amended for any fund.

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

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

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Safety - Law enforcement expenditures in the General Fund were approximately \$215,000 higher than the appropriation as a result of overtime expenditures being higher than the amount anticipated.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 3 - Stewardship, Compliance, and Accountability (Continued)

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

Shortfall at January 1, 2009		\$	(229,051)
Current year permit revenue			112,785
Related expenses:			
Direct costs	\$	67,504	
Estimated indirect costs		<u>6,750</u>	<u>74,254</u>
Current year shortfall			<u>38,531</u>
Cumulative shortfall at December 31, 2009		\$	<u>(190,520)</u>

Note 4 - 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 City has adopted an investment policy in accordance with state law.

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 4 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a third-party custodian's failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City's investment policy requires that the City limit investments to the safest types of securities, prequalify the financial institutions, brokers, dealers, intermediaries, and advisors with which the City does business, and diversify the investment portfolio so potential losses on individual securities will be minimized. At year end, the City had \$8.2 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it invests funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk of Investments - Pension and Other Employee Benefit Trust Fund - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's Pension and Other Employee Benefit Trust Fund does not have an investment policy for custodial credit risk.

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

<u>Investment Type</u>	<u>Carrying Value</u>	<u>How Held</u>
United States government agency securities	\$ 5,719,040	Counterparty
Corporate bonds	7,696,996	Counterparty
Mutual funds	9,572,854	Counterparty
Equity securities	7,391,157	Counterparty
Total uninsured and unregistered	<u>\$ 30,380,047</u>	

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 4 - Deposits and Investments (Continued)

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

Investment	Fair Value	Less than 6 Years	6 to 15 Years	Greater Than 15 Years
Primary Government -				
Bank investment pools	\$ 4,409,702	\$ 4,409,702	\$ -	\$ -
Employees' Retirement System				
Corporate bonds	7,696,996	3,252,259	3,762,459	682,278
United States government agency securities	5,719,040	-	90,011	5,629,029

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

Investment	Fair Value	Rating	Rating Organization
Federal Home Loan Mortgage Corporation	\$ 3,590,445	Not rated	Not rated
Federal National Mortgage Association	1,852,540	Not rated	Not rated
Government National Mortgage Association	276,055	Not rated	Not rated
Bank investment pool	6,527,977	Not rated	Not rated
Bank investment pool	1,524,757	A-1	Standard and Poor's
Corporate bonds	7,696,996	BBB- to AAA	Standard and Poor's

Concentration of Credit Risk - The City and the City's pension fund do not limit investments in any one issuer. At December 31, 2009, the City's pension fund maintained investments in the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association totaling approximately 11.8 percent and 6.1 percent, respectively, of the pension fund's total investments.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 5 - Capital Assets

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

Governmental Activities	Balance January 1, 2009	Additions	Disposals	Balance December 31, 2009
Capital assets not being depreciated -				
Land	\$ 760,574	\$ -	\$ -	\$ 760,574
Capital assets being depreciated:				
Roads	15,993,495	-	-	15,993,495
Sidewalks	1,119,044	-	-	1,119,044
Storm drains	10,890,938	-	-	10,890,938
Buildings and improvements	4,517,078	-	-	4,517,078
Machinery and equipment	2,827,012	79,597	-	2,906,609
Vehicles	3,153,189	100,249	-	3,253,438
Office furnishings	245,696	886	-	246,582
Land improvements	492,496	6,218	-	498,714
Subtotal	39,238,948	186,950	-	39,425,898
Accumulated depreciation:				
Roads	5,610,983	639,740	-	6,250,723
Sidewalks	842,955	55,521	-	898,476
Storm drains	4,565,195	272,273	-	4,837,468
Buildings and improvements	994,610	82,623	-	1,077,233
Machinery and equipment	1,434,783	127,409	-	1,562,192
Vehicles	2,635,621	101,524	-	2,737,145
Office furnishings	52,439	12,307	-	64,746
Land improvements	38,367	22,084	-	60,451
Subtotal	16,174,953	1,313,481	-	17,488,434
Net capital assets being depreciated	23,063,995	(1,126,531)	-	21,937,464
Net capital assets	<u>\$ 23,824,569</u>	<u>\$ (1,126,531)</u>	<u>\$ -</u>	<u>\$ 22,698,038</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 5 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2009	Additions	Disposals	Balance December 31, 2009
Capital assets being depreciated:				
Water system	\$ 5,110,535	\$ -	\$ -	\$ 5,110,535
Sewer system	1,240,998	-	-	1,240,998
Machinery and equipment	62,133	-	-	62,133
Subtotal	6,413,666	-	-	6,413,666
Accumulated depreciation:				
Water system	2,448,167	108,000	-	2,556,167
Sewer system	1,034,410	21,300	-	1,055,710
Machinery and equipment	62,133	-	-	62,133
Subtotal	3,544,710	129,300	-	3,674,010
Net capital assets	<u>\$ 2,868,956</u>	<u>\$ (129,300)</u>	<u>\$ -</u>	<u>\$ 2,739,656</u>

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

Governmental activities:

General government	\$ 15,659
Public safety	136,624
Public works	989,205
Recreation and culture	171,993

Total governmental activities \$ 1,313,481

Business-type activities - Water and sewer \$ 129,300

Note 6 - Interfund Receivables, Payables, and Transfers

Below are interfund receivables of the City at December 31, 2009:

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Water and Sewer Fund	\$ 1,521,048
	Local Streets Fund	1,920,994
	Nonmajor governmental funds	320,025
	Internal Service Funds	2,644,158
	Storm Drain Fund	100,000
	Total General Fund	<u>6,506,225</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

Receivable Fund	Payable Fund	Amount
General Obligation Bonds Fund	General Fund	\$ 477,713
	Nonmajor governmental funds	<u>308,242</u>
	Total General Obligation Bonds Fund	785,955
Local Streets Fund	General Obligation Bonds Fund	766,588
	Water and Sewer Fund	64,757
	Nonmajor governmental funds	<u>1,631,611</u>
	Total Local Streets Fund	2,462,956
Nonmajor governmental funds	General Fund	867,476
	General Obligations Bonds Fund	811,780
	Storm Drain Fund	287,118
	Water and Sewer Fund	1,073,993
	Nonmajor governmental funds	<u>732,264</u>
	Total nonmajor governmental funds	3,772,631
Internal Service Funds	General Fund	475,795
	Local Streets Fund	577,478
	Water and Sewer Fund	796,790
	Nonmajor governmental funds	<u>1,303,734</u>
	Total Internal Service Funds	3,153,797
Water and Sewer Fund	Storm Drain Fund	<u>1,763,989</u>
	Total	<u>\$ 18,445,553</u>

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

Transfer In	Transfer Out	Amount
General Fund	Storm Drain Fund	\$ 50,000
	Nonmajor governmental funds	160,000
	Internal Service Funds	<u>100,000</u>
	Total General Fund	310,000
Local Streets Fund	Storm Drain Fund	75,000
	Nonmajor governmental funds	<u>165,000</u>
	Total Local Streets Fund	240,000
Nonmajor governmental funds	Storm Drain Fund	75,000
	Other nonmajor funds	<u>320,000</u>
	Total nonmajor governmental funds	395,000
Internal Service Funds	Nonmajor governmental funds	50,000
	Water and Sewer Fund	<u>100,000</u>
	Total Internal Service Funds	150,000
Water and Sewer Fund	Storm Drain Fund	<u>100,000</u>
	Total	<u>\$ 1,195,000</u>

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

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

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

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

The transfers from the nonmajor governmental funds to the nonmajor governmental funds represent the transfer of discretionary funds for major street construction.

The transfers from the Storm Drain Fund to the Water and Sewer Fund represent the transfer of discretionary funds for additional maintenance and repairs.

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the government.

Long-term obligations are summarized as follows:

Description	Amount
Governmental Activities	
Unlimited tax general obligation bonds:	
1995 General Obligation Road Bonds, \$5,000,000 original issue, bearing interest from 4.00% to 5.40%, maturing in 2011	\$ 975,000
1999 General Obligation Road Bonds, \$5,000,000 original issue, bearing interest from 4.125% to 5.00%, maturing in 2014	3,700,000
2001 General Obligation Road Bonds, \$1,500,000 original issue, bearing interest from 4.00% to 5.00%, maturing in 2014	850,000
2004 General Obligation Library Bonds, \$3,100,000 original issue, bearing interest from 3.30% to 5.00%, maturing in 2024	<u>2,825,000</u>
Total unlimited tax general obligation bonds	8,350,000
County Drain Obligations - Milk River Drain, bearing interest from 2.00% to 4.65%, maturing in 2012.	<u>2,038,028</u>
Total governmental activity debt	<u>\$ 10,388,028</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 7 - Long-term Debt (Continued)

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Unlimited tax general obligation bonds	\$ 9,275,000	\$ -	\$ (925,000)	\$ 8,350,000	\$ 975,000
County drain obligations	2,687,517	-	(649,490)	2,038,027	668,800
Total	11,962,517	-	(1,574,490)	10,388,027	1,643,800
Accumulated employee benefits	1,430,840	35,427	-	1,466,267	300,000
Total	\$ 13,393,357	\$ 35,427	\$ (1,574,490)	\$ 11,854,294	\$ 1,943,800

The City has pledged its full faith and credit to pay its proportionate share of the outstanding debt issued by the Milk River Inter-County Drainage District. The total Milk River Inter-County Drainage District debt consists of three loans and two bond issues with an original face value of approximately \$31,750,000 and an outstanding balance of approximately \$6,540,000 at December 31, 2009.

Years Ending December 31	Principal	Interest	Total
2010	\$ 1,643,800	\$ 388,832	\$ 2,032,632
2011	1,888,108	328,123	2,216,231
2012	1,881,120	251,508	2,132,628
2013	1,325,000	181,288	1,506,288
2014	1,375,000	124,787	1,499,787
2015-2019	900,000	400,531	1,300,531
2020-2024	1,375,000	163,294	1,538,294
Total	\$ 10,388,028	\$ 1,838,363	\$ 12,226,391

Note 8 - Risk Management

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 8 - Risk Management (Continued)

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

The City is also exposed to risk of loss as a result of flood damage to resident properties caused by sewage overflows. Previous incidents such as these were generally considered "acts of God" for which the City was not liable. However, as a result of a recent Michigan Supreme Court ruling, the City could now be liable for flood damages due to sewage overflows. Public Act 222 of 2001 has tempered this court ruling by 50 percent of the cause in order to support any claim against the City. In May 2002, the City Council adopted an ordinance consistent with the new state statute to further protect the City from sewer backup claims. The City has not purchased commercial insurance to cover such claims. There is no liability outstanding as of December 31, 2009 and the City believes that there are sufficient resources in the Self-insurance Internal Service Fund to cover potential claims that may arise in the near term.

Note 9 - Defined Benefit Pension Plan

Plan Description - The City of Harper Woods Employees' Retirement System (the "System") is the administrator of a single-employer defined benefit pension plan (the "Plan") that covers all full-time employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2008, the date of the most recent actuarial valuation, membership consisted of 93 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them, and 95 current active employees. The Plan does not issue a separate financial report.

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

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 and requires a contribution from the employees ranging from 5.0 percent to 7.25 percent. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the Plan are financed through investment earnings.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 9 - Defined Benefit Pension Plan (Continued)

Annual Pension Cost and Net Pension Obligation

Annual required contribution	\$ 699,704
Interest on net pension obligation	27,399
Adjustment to annual required contribution	<u>(19,095)</u>
Annual pension cost (APC)	<u>708,008</u>
Increase in net pension obligation	708,008
Net pension obligation - Beginning of year	<u>353,536</u>
Net pension obligation - End of year	<u>\$ 1,061,544</u>

The annual pension costs, the percentage contributed to the Plan, and the net pension obligation for the current and two preceding years were as follows:

	Fiscal Year Ended December 31		
	2007	2008	2009
Annual pension cost (APC)	\$ 499,867	\$ 657,330	\$ 708,008
Percentage of APC contributed	100.0 %	76.0 %	- %
Net pension obligation	\$ 196,206	\$ 353,536	\$ 1,061,544

Funding Status and Funding Progress - As of December 31, 2008, the most recent actuarial valuation date, the Plan was 86.1 percent funded. The actuarial accrued liability for benefits was \$44.6 million and the actuarial value of assets was \$38.4 million, resulting in an unfunded actuarial accrued liability of \$6.2 million. The covered payroll (annual payroll to active employees covered by the Plan) was \$6.5 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 94.9 percent.

The schedule of funding progress, presented as required supplemental information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability of benefits.

Article 9 of the Michigan Constitution requires local units of government to fully fund the recommended contribution as determined by the actuary, which was \$699,704 for 2009. In 2009, the City did not contribute to the Plan.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 9 - Defined Benefit Pension Plan (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2008, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.75 investment rate of return, (b) projected salary increases of 4.5 percent to 8.3 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 27 years.

Reserves - As of December 31, 2009, the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 10,243,951
Reserve for retired benefit payments	25,906,709

Note 10 - Joint Venture

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

The City's interest in the net assets of the Authority totaled \$56,151 at December 31, 2009 and is reported as part of the governmental activities in the statement of net assets. The Authority is expected to sell real estate assets in future years. It is unknown what benefit the City will realize as a result of these transactions. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional benefit or burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 3664 Nesting Ridge Drive, Rochester Hills, MI 48309.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 11 - Other Postemployment Benefits

Plan Description - The City provides retiree healthcare benefits to all general, DPW, police, and fire employees. Eligibility conditions are as follows: general (age 60 with 10 or more years of service), DPW (age 60 with 10 or more years of service or age 55 and 25 or more years of service), police (age 50 with 25 or more years of service or age 55 with 10 or more years of service), and fire (age 50 with 25 or more years of service or age 55 with 10 or more years of service). The benefits provided cover the retired employee, as well as his or her spouse and eligible dependants. At December 31, 2008, the date of the most recent actuarial valuation, general membership consisted of 32 retirees currently receiving benefits, two terminated employees entitled to benefits but not yet receiving them, and 46 current active employees. Police and fire membership consisted of 59 retirees currently receiving benefits, four terminated employees entitled to benefits but not currently receiving them, and 49 current active employees. At December 31, 2009, 94 retirees were eligible.

Funding Policy - The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). As shown below, the City has made no contributions to advance-fund these benefits as of December 31, 2009.

Funding Progress - For the year ended December 31, 2009, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2008. The valuation computes an annual required contribution which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contributions and funding are summarized as follows:

Annual required contribution	\$ 2,805,382
Interest on the prior year's net OPEB obligation	85,289
Less adjustment to the annual required contribution	<u>(35,226)</u>
Annual OPEB cost	2,855,445
Amounts contributed - Payment of current premiums	<u>(1,271,726)</u>
Increase in net OPEB obligation	1,583,719
OPEB obligation - Beginning of year	<u>1,550,718</u>
OPEB obligation - End of year	<u>\$ 3,134,437</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 11 - Other Postemployment Benefits (Continued)

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation for the current and preceding year are as follows:

	2009	2008
Annual required contribution	\$ 2,855,445	\$ 2,805,382
Interest on the prior year's net OPEB obligation	45 %	45 %
Less adjustment to the annual required contribution	\$ 3,134,437	\$ 1,550,718

The current funding progress of the plan is as follows:

Valuation as of December 31, 2008:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	\$ 35,500,099
Unfunded AAL (UAAL)	\$ 35,500,099
Funded ratio	- %
Annual covered payroll	\$ 6,521,118
Ratio of UAAL to covered payroll	544.4%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 5.50 percent investment rate of return (net of administrative expenses), which is the expected long-term investment returns on plan assets, and an annual healthcare cost trend rate of 8.0 percent initially, reduced by decrements to an ultimate rate of 4.0 percent after eight years. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2009 was 29 years.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2009

Note 12 - Designated Fund Balance

Designated fund balance in the governmental funds at December 31, 2009 is as follows:

	General Fund	General Obligations Bond Fund	Storm Drain Fund	Local Streets Fund	Other Nonmajor Governmental Funds
Subsequent year's budget	\$ 529,000	\$ -	\$ -	\$ 4,751	\$ 173,550
Debt service	-	461,643	952,668	-	-
Separation pay	-	-	-	-	230,000
Municipal improvements	-	-	-	-	2,131,105
Total designated	<u>\$ 529,000</u>	<u>\$ 461,643</u>	<u>\$ 952,668</u>	<u>\$ 4,751</u>	<u>\$ 2,534,655</u>

Note 13 - Contingent Liabilities

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

Required Supplemental Information

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2009

	Original/Final Budget	Actual	Variance with Original Budget
Revenue			
Property taxes	\$ 7,222,000	\$ 7,126,764	\$ (95,236)
Licenses and permits	101,000	116,008	15,008
Federal sources	-	45,392	45,392
State sources	1,656,000	1,475,485	(180,515)
Charges for services	2,077,500	2,308,461	230,961
Service fees	75,000	75,000	-
Interest	15,000	2,260	(12,740)
Miscellaneous revenue	187,500	413,798	226,298
Total revenue	11,334,000	11,563,168	229,168
Expenditures - Current			
General government:			
City Council	30,000	18,417	11,583
City manager	136,700	135,524	1,176
General services administration	712,950	669,207	43,743
Clerk/Elections	204,500	162,531	41,969
District Court	543,800	565,663	(21,863)
Human resources/personnel	295,000	286,787	8,213
Insurance and other functions	3,812,700	3,456,758	355,942
Total general government	5,735,650	5,294,887	440,763
Public safety:			
Law enforcement	3,981,800	4,196,366	(214,566)
Fire	1,503,500	1,158,281	345,219
Other	75,500	67,504	7,996
Total public safety	5,560,800	5,422,151	138,649
Public works	547,400	563,474	(16,074)
Recreation and culture	475,600	419,658	55,942
Total expenditures	12,319,450	11,700,170	619,280
Excess of Expenditures Over Revenue	(985,450)	(137,002)	848,448
Other Financing Sources - Transfers in	310,000	310,000	-
Net Change in Fund Balance	(675,450)	172,998	848,448
Fund Balance - Beginning of year	1,750,634	1,750,634	-
Fund Balance - End of year	<u>\$ 1,075,184</u>	<u>\$ 1,923,632</u>	<u>\$ 848,448</u>

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Streets Fund Year Ended December 31, 2009

	Amended Budget	Actual	Variance with Amended Budget
Revenue			
State sources	\$ 217,400	\$ 208,151	\$ (9,249)
Interest	500	5	(495)
Miscellaneous revenue	10,000	10,464	464
Total revenue	227,900	218,620	(9,280)
Expenditures - Current			
General government	37,000	26,800	10,200
Public works	415,500	436,608	(21,108)
Total expenditures	452,500	463,408	(10,908)
Excess of Expenditures Over Revenue	(224,600)	(244,788)	(20,188)
Other Financing Sources - Transfers in	225,000	240,000	15,000
Net Change in Fund Balance	400	(4,788)	(5,188)
Fund Balance - Beginning of year	9,539	9,539	-
Fund Balance - End of year	\$ 9,939	\$ 4,751	\$ (5,188)

City of Harper Woods, Michigan

Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2009

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/03	\$ 42,381,685	\$ 38,175,120	\$ (4,206,565)	111.0	\$ 6,436,895	(65.4)
12/31/04	40,593,702	39,976,469	(617,233)	101.5	6,234,491	(9.9)
12/31/05	39,433,033	39,543,052	110,019	99.7	5,888,821	1.9
12/31/06	39,080,964	42,086,688	3,005,724	92.9	5,872,496	51.2
12/31/07	39,945,261	43,109,687	3,164,426	92.7	6,270,323	50.5
12/31/08	38,371,026	44,556,903	6,185,877	86.1	6,521,118	94.9

The schedule of employer contributions is as follows:

Fiscal Year Ending	Actuarial Valuation Date	Annual Required Contribution*	Percentage Contributed
12/31/04	12/31/03	\$ -	-
12/31/05	12/31/04	149,082	100.0
12/31/06	12/31/05	556,939	65.0
12/31/07	12/31/06	502,015	99.6
12/31/08	12/31/07	652,491	76.6
12/31/09	12/31/08	699,704	-

* The required contribution is expressed to the City as a percentage of payroll.

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2008, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level of payroll, closed
Amortization period (perpetual)	27 years
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return**	7.75
Projected salary increases**	4.5%-8.3%
**Includes inflation at	4.5%
Cost-of-living adjustments	None

Other Supplemental Information

City of Harper Woods, Michigan

	Special Revenue Funds					
	Major	Municipal		Drug Law		Community
	Streets Fund	Improvements Fund	Library Fund	Enforcement	Refuse	Development Block Grant
Assets						
Cash and investments	\$ 500,063	\$ 1,948,503	\$ 714,560	\$ 98,764	\$ 590,057	\$ 14,143
Receivables:						
Taxes	-	-	212,075	-	537,200	-
Interest and other	29,602	8,763	230	139	3,252	-
Other governmental units	74,993	-	-	-	-	90,774
Due from other funds	1,650,319	889,761	-	-	1,002,551	-
Inventories and prepaid expenses	16,062	-	-	-	-	-
Total assets	\$2,271,039	\$ 2,847,027	\$ 926,865	\$ 98,903	\$2,133,060	\$ 104,917
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 19,770	\$ 400	\$ 3,181	\$ -	\$ 70,439	\$ -
Due to other funds	2,232,810	715,522	561,010	-	683,514	103,021
Accrued liabilities and other	8,748	-	9,405	-	2,587	-
Deferred property tax revenue	-	-	346,430	-	850,265	1,896
Rehabilitation escrow	-	-	-	-	-	-
Total liabilities	2,261,328	715,922	920,026	-	1,606,805	104,917
Fund Balances - Special Revenue Funds						
Designated	9,711	2,131,105	6,839	22,000	135,000	-
Undesignated	-	-	-	76,903	391,255	-
Total fund balances	9,711	2,131,105	6,839	98,903	526,255	-
Total liabilities and fund balances	\$2,271,039	\$ 2,847,027	\$ 926,865	\$ 98,903	\$2,133,060	\$ 104,917

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2009**

<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
Loan Revolving	Separation Pay	
\$ 322,214	\$ -	\$ 4,188,304
-	-	749,275
4,896	-	46,882
17,571	-	183,338
-	230,000	3,772,631
-	-	16,062
<u>\$ 344,681</u>	<u>\$ 230,000</u>	<u>\$ 8,956,492</u>

\$ -	\$ -	\$ 93,790
-	-	4,295,877
-	-	20,740
-	-	1,198,591
325,951	-	325,951
325,951	-	5,934,949
-	230,000	2,534,655
18,730	-	486,888
18,730	230,000	3,021,543
<u>\$ 344,681</u>	<u>\$ 230,000</u>	<u>\$ 8,956,492</u>

City of Harper Woods, Michigan

	Special Revenue Funds					
	Major Streets Fund	Municipal Improvements Fund	Library Fund	Drug Law Enforcement	Refuse	Community Development Block Grant
Revenue						
Property taxes	\$ -	\$ -	\$ 385,619	\$ -	\$ 841,377	\$ -
State sources	490,209	-	8,954	-	-	132,000
Charges for services	-	-	-	-	88,776	-
Interest	707	2,757	10,240	43	3,699	-
Miscellaneous revenue	24,413	-	35,495	23,413	45	-
Total revenue	515,329	2,757	440,308	23,456	933,897	132,000
Expenditures - Current						
General government	45,500	-	51,500	1,834	12,000	18,920
Public safety	-	-	-	27,988	-	-
Public works	735,784	13,153	-	-	1,069,794	113,080
Recreation and culture	-	-	413,559	-	-	-
Total expenditures	781,284	13,153	465,059	29,822	1,081,794	132,000
Excess of Revenue (Under) Over Expenditures	(265,955)	(10,396)	(24,751)	(6,366)	(147,897)	-
Other Financing Sources (Uses)						
Transfers in	395,000	-	-	-	-	-
Transfers out	(150,000)	(385,000)	-	-	(60,000)	-
Total other financing sources (uses)	245,000	(385,000)	-	-	(60,000)	-
Net Change in Fund Balances	(20,955)	(395,396)	(24,751)	(6,366)	(207,897)	-
Fund Balances - Beginning of year	30,666	2,526,501	31,590	105,269	734,152	-
Fund Balances - End of year	\$ 9,711	\$ 2,131,105	\$ 6,839	\$ 98,903	\$ 526,255	\$ -

**Other Supplemental Information
Combining Statement of Revenue, Expenditures,
and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2009**

<u>Special Revenue Funds</u>		Total Nonmajor Governmental Funds
<u>Loan Revolving</u>	<u>Separation Pay</u>	<u>Funds</u>
\$ -	\$ -	\$ 1,226,996
-	-	631,163
-	-	88,776
383	-	17,829
811	-	84,177
1,194	-	2,048,941
-	-	129,754
-	-	27,988
-	-	1,931,811
-	-	413,559
-	-	2,503,112
1,194	-	(454,171)
-	-	395,000
-	(100,000)	(695,000)
-	(100,000)	(300,000)
1,194	(100,000)	(754,171)
17,536	330,000	3,775,714
\$ 18,730	\$ 230,000	\$ 3,021,543

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds December 31, 2009

	Equipment Fund	Self-insurance Fund	Total
Assets			
Current assets - Due from other funds	\$ 2,678,002	\$ 475,795	\$ 3,153,797
Noncurrent assets - Capital assets	112,925	-	112,925
Total assets	2,790,927	475,795	3,266,722
Liabilities - Current liabilities			
Accounts payable	10,546	-	10,546
Due to other funds	2,644,158	-	2,644,158
Accrued liabilities and other	4,751	-	4,751
Total liabilities	2,659,455	-	2,659,455
Net Assets			
Invested in capital assets	112,925	-	112,925
Unrestricted	18,547	475,795	494,342
Total net assets	\$ 131,472	\$ 475,795	\$ 607,267

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended December 31, 2009

	Equipment Fund	Self-insurance Fund	Total
Operating Revenue - Billings to other funds	\$ 230,303	\$ -	\$ 230,303
Operating Expenses			
Costs of materials	73,901	-	73,901
Other operating and maintenance costs	237,732	-	237,732
General and administrative	65,000	-	65,000
Depreciation	16,080	-	16,080
Total operating expenses	392,713	-	392,713
Operating Loss	(162,410)	-	(162,410)
Transfers In	150,000	-	150,000
Transfers Out	-	(100,000)	(100,000)
Change in Net Assets	(12,410)	(100,000)	(112,410)
Net Assets - Beginning of year	143,882	575,795	719,677
Net Assets - End of year	\$ 131,472	\$ 475,795	\$ 607,267

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2009

	Equipment Fund	Self-insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 220,465	\$ 100,138	\$ 320,603
Payments to suppliers	(198,409)	(138)	(198,547)
Payments to employees	(176,297)	-	(176,297)
Net cash (used in) provided by operating activities	(154,241)	100,000	(54,241)
Cash Flows from Noncapital Financing Activities			
Transfers from other funds	150,000	-	150,000
Transfers to other funds	-	(100,000)	(100,000)
Net cash provided by (used in) noncapital financing activities	150,000	(100,000)	50,000
Net Decrease in Cash and Cash Equivalents	(4,241)	-	(4,241)
Cash and Cash Equivalents - Beginning of year	4,241	-	4,241
Cash and Cash Equivalents - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (162,410)	\$ -	\$ (162,410)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation	16,080	-	16,080
Changes in assets and liabilities:			
Due from other funds	(9,838)	100,138	90,300
Accounts payable	4,508	(138)	4,370
Accrued and other liabilities	(2,581)	-	(2,581)
Net cash provided by (used in) operating activities	<u>\$ (154,241)</u>	<u>\$ 100,000</u>	<u>\$ (54,241)</u>

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds December 31, 2009

	<u>Tax Collection</u>	<u>District Court</u>	<u>Total Agency Funds</u>
Assets			
Cash	\$ 948,401	\$ 121,432	\$ 1,069,833
Due from primary government	<u>969,699</u>	<u>-</u>	<u>969,699</u>
Total assets	<u>\$ 1,918,100</u>	<u>\$ 121,432</u>	<u>\$ 2,039,532</u>
Liabilities			
Due to other governmental units	\$ -	\$ 100,848	\$ 100,848
Refundable deposits, bonds, etc.	-	20,584	20,584
Tax collections distributable	<u>1,918,100</u>	<u>-</u>	<u>1,918,100</u>
Total liabilities	<u>\$ 1,918,100</u>	<u>\$ 121,432</u>	<u>\$ 2,039,532</u>