

City of Harper Woods, Michigan

**Financial Report
with Supplemental Information
December 31, 2008**

City of Harper Woods, Michigan

Mayor and City Council

Mayor
Mayor Pro Tem

Kenneth A. Poynter
Cheryl A. Costantino

Council Member
Council Member
Council Member
Council Member
Council Member

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

City Administration

City Manager

James E. Leidlein

City Clerk

Mickey D. Todd

City Treasurer

Enid L. Pierson

Finance Director

Laura L. Stowell

City Auditors

Plante & Moran, PLLC

City of Harper Woods, Michigan

General Comments

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

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

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

City of Harper Woods, Michigan

Contents

Introductory Section

Administrative Organization Chart	1
------------------------------------------	---

Financial Section

Report Letter	2-3
----------------------	-----

Management's Discussion and Analysis	4-7
---------------------------------------------	-----

Basic Financial Statements

Government-wide Financial Statements:

Statement of Net Assets	8
Statement of Activities	9-10

Fund Financial Statements:

Governmental Funds:

Balance Sheet	11
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	12
Statement of Revenue, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14

Proprietary Funds:

Statement of Net Assets	15
Statement of Revenue, Expenses, and Changes in Net Assets	16
Statement of Cash Flows	17

Fiduciary Funds:

Statement of Fiduciary Net Assets	18
Statement of Changes in Net Assets	19

Notes to Financial Statements	20-39
-------------------------------	-------

Required Supplemental Information	40
------------------------------------------	----

Budgetary Comparison Schedule - General Fund	41
----------------------------------------------	----

Budgetary Comparison Schedule - Major Special Revenue Fund	42
------------------------------------------------------------	----

Police and Fire Pension System Schedule of Funding Progress	43
-------------------------------------------------------------	----

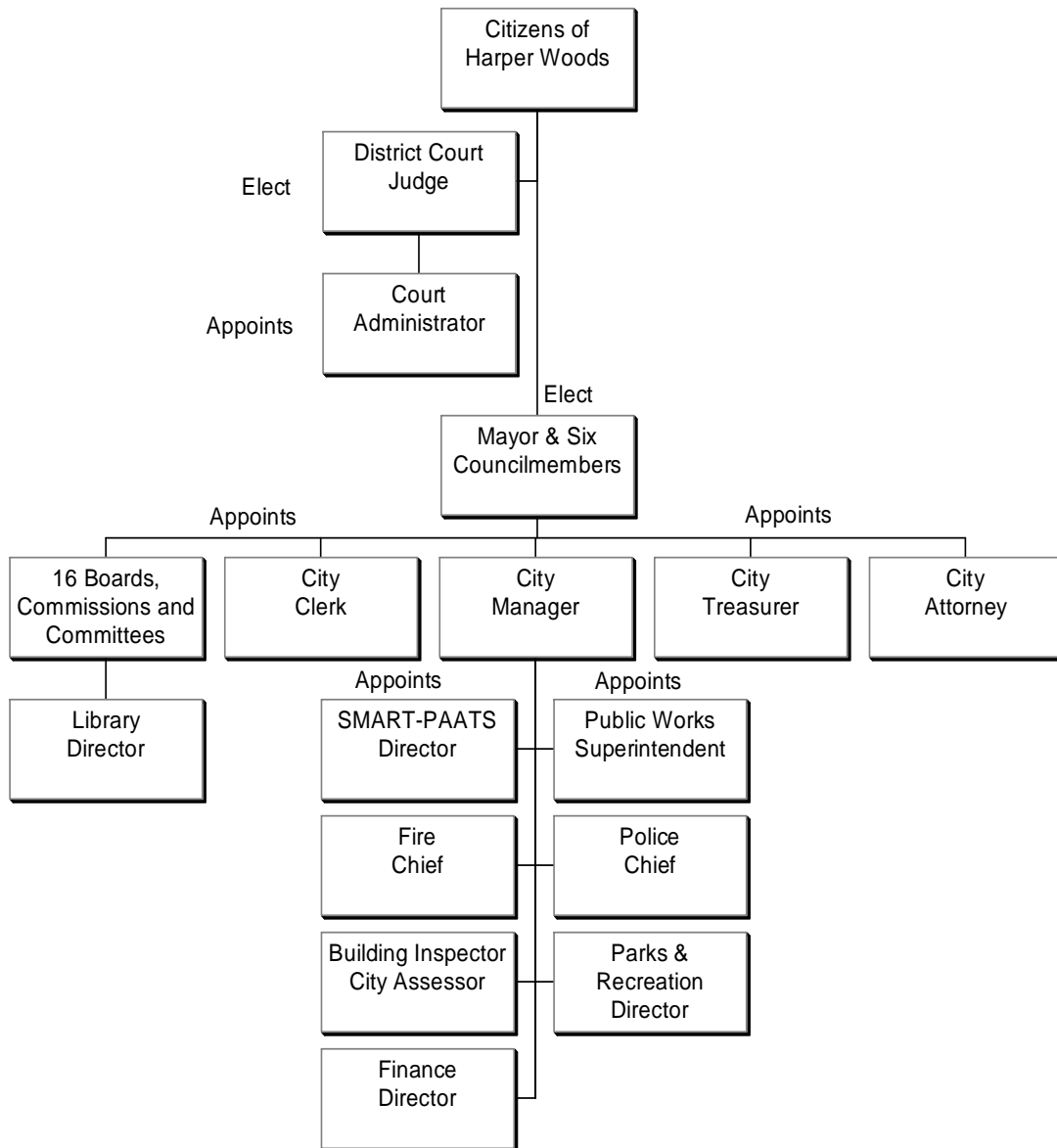
City of Harper Woods, Michigan

Contents (Continued)

Other Supplemental Information	44
Nonmajor Governmental Funds:	
Combining Balance Sheet	45-46
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	47-48
Internal Service Funds:	
Combining Statement of Net Assets	49
Combining Statement of Revenue, Expenses, and Changes in Net Assets	50
Combining Statement of Cash Flows	51
Agency Funds - Combining Statement of Assets and Liabilities	52

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, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Harper Woods, Michigan as of December 31, 2008 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.

As described in Note 1, the City has implemented the provisions of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of December 31, 2008.

The management's discussion and analysis, police and fire pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not required parts 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 & Morse, PLLC

June 19, 2009

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, 2008. Please read it in conjunction with the City's financial statements which follow.

Using this Annual Report

This annual report includes a series of financial statements. Two kinds of statements follow which present different views of the City. The statement of net assets and the statement of activities provide information about the City as a whole and present a longer-term view of the City's finances. This kind of statement measures the cost of providing services for the year, 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, 2008 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Assets						
Current assets	\$ 20,301	\$ 21,328	\$ 789	\$ 1,108	\$ 21,090	\$ 22,436
Noncurrent assets -						
Capital assets	23,825	24,708	2,869	2,998	26,694	27,706
Total assets	44,126	46,036	3,658	4,106	47,784	50,142
Liabilities						
Current liabilities	14,506	14,070	210	445	14,716	14,515
Long-term liabilities	13,293	13,201	131	-	13,424	13,201
Total liabilities	27,799	27,271	341	445	28,140	27,716
Net Assets						
Invested in capital assets -						
Net of related debt	11,862	11,236	2,869	2,998	14,731	14,234
Restricted	2,480	3,125	-	-	2,480	3,125
Unrestricted	1,985	4,404	448	663	2,433	5,067
Total net assets	<u>\$ 16,327</u>	<u>\$ 18,765</u>	<u>\$ 3,317</u>	<u>\$ 3,661</u>	<u>\$ 19,644</u>	<u>\$ 22,426</u>

City of Harper Woods, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net assets decreased by 12.0 percent from a year ago - from \$22.4 million to \$19.6 million. The governmental activities' net assets decreased by 13.0 percent. This is a result of the major and nonmajor funds incurring losses this year. The business-type activities' net assets decreased by 9.0 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, 2008 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenue						
Program revenue:						
Charges for services	\$ 4,039	\$ 3,542	\$ 2,461	\$ 2,974	\$ 6,500	\$ 6,516
Operating grants and contributions	1,085	1,330	539	-	1,624	1,330
General revenue:						
Property taxes	9,250	9,496	-	-	9,250	9,496
State-shared revenues	1,527	1,530	-	-	1,527	1,530
Interest	402	665	78	97	480	762
Miscellaneous	340	489	-	-	340	489
Total revenue	16,643	17,052	3,078	3,071	19,721	20,123
Program Expenses						
General government	5,136	4,688	-	-	5,136	4,688
Public safety	7,249	6,169	-	-	7,249	6,169
Public works	5,197	5,087	-	-	5,197	5,087
Recreation and culture	1,097	807	-	-	1,097	807
Interest on long-term debt	502	574	-	-	502	574
Water and sewer	-	-	3,322	3,030	3,322	3,030
Total program expenses	19,181	17,325	3,322	3,030	22,503	20,355
Transfers	100	100	(100)	(100)	-	-
Net Change in Net Assets	(2,438)	(173)	(344)	(59)	(2,782)	(232)
Net Assets - Beginning of year	18,765	18,938	3,661	3,720	22,426	22,658
Net Assets - End of year	<u>\$ 16,327</u>	<u>\$ 18,765</u>	<u>\$ 3,317</u>	<u>\$ 3,661</u>	<u>\$ 19,644</u>	<u>\$ 22,426</u>

City of Harper Woods, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

Total revenues for the City's governmental activities were \$16.6 million for the year ended December 31, 2008. The City again experienced a decrease in state-shared revenues. However, charges for services increased.

Expenses for the City's governmental activities totaled \$19.2 million for the year ended December 31, 2008. Total expenses increased by approximately 10.7 percent, with public safety showing the largest increase. The other activities which provide direct City services (e.g., general government, recreation and culture, etc.) are showing small increases over the last year.

The following represents the most significant financial highlights for the year ended December 31, 2008:

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 \$6.4 million in 2008. 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 2008. Significant revenue budget variances were due to the increased revenue from service fees and improved interest rates on invested cash and decreased property tax revenue due to tax appeal adjustments. Significant expenditure variances were due to the cost of health care as well as employee wages, retiree payouts, and repairs on aging equipment.

Capital Asset and Debt Administration

At the end of fiscal year 2008, the City had \$26.7 million invested in capital assets (land, buildings, equipment, vehicles, and water, sewer, and storm lines).

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

Economic Factors and Next Year's Budgets and Rates

The City will continue to face challenges with the cuts in state-shared revenue, 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 have not been increased since 2004 and, because of the rates imposed by the City of Detroit, we will need to monitor the budget in the Water and Sewer Fund closely and again make amendments and adjustments as necessary.

Contacting the City's Management

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

City of Harper Woods, Michigan

Statement of Net Assets December 31, 2008

	Primary Government			Brownfield Redevelopment Authority - Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 10,971,088	\$ 1,480,278	\$ 12,451,366	\$ -
Receivables:				
Taxes	5,509,735	-	5,509,735	-
Customers	-	773,706	773,706	-
Interest and other	93,030	-	93,030	-
Service fee	959,254	-	959,254	-
Other governmental units	884,280	113,200	997,480	-
Due from primary government	-	-	-	102,441
Internal balances (Note 5)	1,600,334	(1,600,334)	-	-
Inventories and prepaid items	228,058	21,856	249,914	-
Investment in joint venture (Note 9)	55,428	-	55,428	-
Capital assets (Note 4):				
Assets not subject to depreciation	760,574	-	760,574	-
Assets subject to depreciation - Net	23,063,995	2,868,956	25,932,951	-
Total assets	44,125,776	3,657,662	47,783,438	102,441
Liabilities				
Accounts payable	534,190	140,562	674,752	-
Due to component units	102,441	-	102,441	-
Accrued liabilities and other	508,000	69,758	577,758	-
Deferred property tax revenue (Note 1)	11,161,097	-	11,161,097	102,441
Rehabilitation escrow	325,951	-	325,951	-
Noncurrent liabilities (Note 6):				
Due within one year	1,874,490	-	1,874,490	-
Due in more than one year:				
Accumulated employee benefits	1,130,840	-	1,130,840	-
Net pension obligation (Note 8)	353,536	-	353,536	-
Net other postemployment benefit obligations (Note 10)	1,420,131	130,587	1,550,718	-
Long-term debt - Net of current portion	10,388,027	-	10,388,027	-
Total liabilities	27,798,703	340,907	28,139,610	102,441
Net Assets				
Invested in capital assets - Net of related debt	11,862,052	2,868,956	14,731,008	-
Restricted for:				
Streets and highways	40,205	-	40,205	-
Debt service	1,568,725	-	1,568,725	-
Library	31,590	-	31,590	-
Refuse	734,152	-	734,152	-
Drug enforcement	105,269	-	105,269	-
Unrestricted	1,985,080	447,799	2,432,879	-
Total net assets	\$ 16,327,073	\$ 3,316,755	\$ 19,643,828	\$ -

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

City of Harper Woods, Michigan

Functions/Programs	Program Revenues		
	Expenses	Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 5,135,917	\$ 1,927,315	\$ 46,344
Public safety	7,249,597	321,813	151,231
Public works	5,196,617	1,474,962	855,798
Recreation and culture	1,096,849	314,628	32,106
Interest on long-term debt	502,422	-	-
Total governmental activities	19,181,402	4,038,718	1,085,479
Business-type activities - Water and sewer	3,322,001	2,461,054	538,529
Total primary government	<u>\$ 22,503,403</u>	<u>\$ 6,499,772</u>	<u>\$ 1,624,008</u>
Component unit - Brownfield Redevelopment Authority	<u>\$ 121,742</u>	<u>\$ -</u>	<u>\$ -</u>
General revenues:			
Property taxes			
State-shared revenues			
Interest			
Miscellaneous			
Total general revenues			
Transfers			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended December 31, 2008

Net (Expense) Revenue and Changes in Net Assets

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (3,162,258)	\$ -	\$ (3,162,258)	\$ -
(6,776,553)	-	(6,776,553)	-
(2,865,857)	-	(2,865,857)	-
(750,115)	-	(750,115)	-
<u>(502,422)</u>	<u>-</u>	<u>(502,422)</u>	<u>-</u>
(14,057,205)	-	(14,057,205)	-
<u>-</u>	<u>(322,418)</u>	<u>(322,418)</u>	<u>-</u>
(14,057,205)	(322,418)	(14,379,623)	-
-	-	-	(121,742)
9,249,941	-	9,249,941	121,742
1,527,363	-	1,527,363	-
401,795	78,293	480,088	-
<u>339,778</u>	<u>-</u>	<u>339,778</u>	<u>-</u>
11,518,877	78,293	11,597,170	121,742
<u>100,000</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>
(2,438,328)	(344,125)	(2,782,453)	-
<u>18,765,401</u>	<u>3,660,880</u>	<u>22,426,281</u>	<u>-</u>
<u>\$ 16,327,073</u>	<u>\$ 3,316,755</u>	<u>\$ 19,643,828</u>	<u>\$ -</u>

City of Harper Woods, Michigan

Governmental Funds Balance Sheet December 31, 2008

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Assets						
Cash and investments (Note 3)	\$ 51,546	\$ 1,878,854	\$ 3,876,102	\$ 974	\$ 5,159,371	\$ 10,966,847
Receivables:						
Taxes	4,119,978	678,716	-	-	711,041	5,509,735
Interest and other	30,092	3,675	-	12,752	46,511	93,030
Service fee	-	-	959,254	-	-	959,254
Other governmental units	468,533	-	-	31,407	384,340	884,280
Due from other funds (Note 5)	6,629,512	785,955	-	2,826,123	2,854,465	13,096,055
Inventories and prepaid items	207,112	-	-	-	20,946	228,058
Total assets	\$ 11,506,773	\$ 3,347,200	\$ 4,835,356	\$ 2,871,256	\$ 9,176,674	\$ 31,737,259
Liabilities and Fund Balances						
Liabilities						
Accounts payable	\$ 353,079	\$ 29,636	\$ -	\$ 1,010	\$ 144,289	\$ 528,014
Due to component units	71,740	-	-	-	30,701	102,441
Due to other funds	1,821,122	1,578,368	2,197,379	2,851,367	3,647,424	12,095,660
Accrued liabilities and other	380,338	-	-	9,340	29,806	419,484
Deferred property tax revenue (Note 1)	7,129,860	1,199,016	1,609,432	-	1,222,789	11,161,097
Rehabilitation escrow	-	-	-	-	325,951	325,951
Total liabilities	9,756,139	2,807,020	3,806,811	2,861,717	5,400,960	24,632,647
Fund Balances						
Reserved for:						
Inventories and prepaid items	207,112	-	-	-	20,946	228,058
Drug law enforcement	-	-	-	-	83,269	83,269
Unreserved, reported in:						
General Fund:						
Designated (Note 11)	675,000	-	-	-	-	675,000
Undesignated	868,522	-	-	-	-	868,522
Debt Service Fund - Designated	-	540,180	1,028,545	-	-	1,568,725
Special Revenue Funds:						
Designated (Note 11)	-	-	-	400	3,033,501	3,033,901
Undesignated	-	-	-	9,139	637,998	647,137
Total fund balances	1,750,634	540,180	1,028,545	9,539	3,775,714	7,104,612
Total liabilities and fund balances	\$ 11,506,773	\$ 3,347,200	\$ 4,835,356	\$ 2,871,256	\$ 9,176,674	\$ 31,737,259

City of Harper Woods, Michigan

Governmental Funds Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets December 31, 2008

Fund Balance - Total Governmental Funds	\$ 7,104,612
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	23,695,564
Investments in joint ventures are not reported in the funds	55,428
Net pension obligation is not due and payable in the current period and is not reported in the funds	(353,536)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds	(1,420,131)
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(11,962,517)
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	(1,430,840)
Accrued interest obligations are not due and payable in the current period and are not reported in the funds	(81,184)
Internal Service Funds are included as part of governmental activities	<u>719,677</u>
Net Assets - Governmental Activities	<u>\$ 16,327,073</u>

City of Harper Woods, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended December 31, 2008

	General Fund	General Obligation Bonds Fund	Storm Drain Fund	Local Streets Fund	Other Nonmajor Governmental Funds	Total Governmental Funds
Revenue						
Property taxes	\$ 6,911,792	\$ 1,158,439	\$ -	\$ -	\$ 1,179,710	\$ 9,249,941
Licenses and permits	97,343	-	-	-	-	97,343
Federal sources	41,484	-	-	-	-	41,484
State sources	1,666,424	-	-	214,023	871,641	2,752,088
Charges for services	2,391,412	-	-	-	92,425	2,483,837
Service fees	75,001	-	1,382,537	-	-	1,457,538
Interest	63,037	53,924	123,758	412	160,664	401,795
Miscellaneous revenue	222,595	-	-	24,254	91,086	337,935
Total revenue	11,469,088	1,212,363	1,506,295	238,689	2,395,526	16,821,961
Expenditures - Current						
General government	5,663,906	-	-	27,250	90,583	5,781,739
Public safety	5,330,929	-	-	-	20,712	5,351,641
Public works	455,268	-	964,569	465,263	2,052,067	3,937,167
Recreation and culture	499,413	-	-	-	446,227	945,640
Debt service:						
Principal retirement	-	875,000	633,692	-	-	1,508,692
Interest and fiscal charges	-	430,825	85,859	-	-	516,684
Total expenditures	11,949,516	1,305,825	1,684,120	492,513	2,609,589	18,041,563
Excess of Expenditures Over Revenue	(480,428)	(93,462)	(177,825)	(253,824)	(214,063)	(1,219,602)
Other Financing Sources (Uses)						
Transfers in	325,000	-	-	234,370	301,056	860,426
Transfers out	-	-	(140,426)	-	(595,000)	(735,426)
Total other financing sources (uses)	325,000	-	(140,426)	234,370	(293,944)	125,000
Net Change in Fund Balances	(155,428)	(93,462)	(318,251)	(19,454)	(508,007)	(1,094,602)
Fund Balances - Beginning of year	1,906,062	633,642	1,346,796	28,993	4,283,721	8,199,214
Fund Balances - End of year	\$ 1,750,634	\$ 540,180	\$ 1,028,545	\$ 9,539	\$ 3,775,714	\$ 7,104,612

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, 2008

Net Change in Fund Balances of Governmental Funds	\$ (1,094,602)
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	428,493
Depreciation expense	(1,295,308)
Interest expense is recorded when incurred in the statement of activities	14,261
Income from a joint venture is reported in the statement of activities as it is earned; this revenue is reported in the governmental funds when distributions are received	1,843
Net pension obligation is not due and payable in the current period and is not reported in the funds	(157,330)
Net OPEB obligation is not due and payable in the current period and is not reported in the funds	(1,420,131)
Revenue reported in the statement of activities that does not provide current financial resources is not reported as revenue in the governmental funds	(180,730)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities	1,508,693
Compensated absence liabilities are recorded when earned in the statement of activities	(89,383)
Internal Service Funds are included as part of governmental activities	<u>(154,134)</u>
Change in Net Assets of Governmental Activities	<u>\$ (2,438,328)</u>

City of Harper Woods, Michigan

Proprietary Funds Statement of Net Assets December 31, 2008

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and investments (Note 3):	\$ 1,480,278	\$ 4,241
Customer receivables	773,706	-
Due from other governmental units	113,200	-
Due from other funds (Note 5)	1,372,118	3,041,602
Prepaid expenses and other assets	21,856	-
Total current assets	3,761,158	3,045,843
Noncurrent assets - Capital assets being depreciated - Net (Note 4)	2,868,956	129,005
Total assets	6,630,114	3,174,848
Liabilities		
Current liabilities:		
Accounts payable	140,562	6,176
Due to other funds	2,972,452	2,441,663
Accrued liabilities and other	69,758	7,332
Total current liabilities	3,182,772	2,455,171
Noncurrent liabilities - Net other postemployment benefit obligations	130,587	-
Total liabilities	3,313,359	-
Net Assets		
Investment in capital assets - Net of related debt	2,868,956	129,005
Unrestricted	447,799	590,672
Total net assets	\$ 3,316,755	\$ 719,677

City of Harper Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended December 31, 2008

	Business-type Activities Water and Sewer Fund	Governmental Activities Internal Service Funds
Operating Revenue		
Customer billings	\$ 2,461,054	\$ -
Billings to other funds	-	270,638
	2,461,054	270,638
Total operating revenue		
Operating Expenses		
Cost of materials	-	104,033
Water supply and sewage disposal	1,562,680	-
Operation and maintenance	1,157,091	214,659
General and administrative expenses	443,844	65,000
Other operating expenses	29,086	-
Depreciation	129,300	16,080
	3,322,001	399,772
Total operating expenses		
Operating Loss	(860,947)	(129,134)
Nonoperating Revenue		
Interest income	78,293	-
Other nonoperating revenue - Operating grant	538,529	-
	616,822	-
Loss - Before transfers	(244,125)	(129,134)
Transfers In	-	150,000
Transfers Out	(100,000)	(175,000)
Change in Net Assets	(344,125)	(154,134)
Net Assets - Beginning of year	3,660,880	873,811
Net Assets - End of year	\$ 3,316,755	\$ 719,677

City of Harper Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended December 31, 2008

	Business-type Activities	Governmental Activities
	Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,558,562	\$ -
Receipts from interfund services and reimbursements	(311,240)	234,431
Payments to suppliers	(2,779,281)	(221,816)
Payments to employees	(519,433)	(158,374)
	(1,051,392)	(145,759)
Net cash used in operating activities		
Cash Flows from Noncapital Financing Activities		
Operating grant	539,190	-
Transfers from other funds	-	150,000
Transfers to other funds	(100,000)	-
	439,190	150,000
Net cash provided by noncapital financing activities		
Cash Flows from Investing Activities - Interest received on investments	78,293	-
Net (Decrease) Increase in Cash and Cash Equivalents	(533,909)	4,241
Cash and Cash Equivalents - Beginning of year	2,014,187	-
Cash and Cash Equivalents - End of year	\$ 1,480,278	\$ 4,241
Reconciliation of Operating Loss to Net Cash from Operating Activities		
Operating loss	\$ (860,947)	\$ (129,134)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	129,300	16,080
Changes in assets and liabilities:		
Receivables	97,508	-
Due from other funds	(303,053)	(240,151)
Prepaid and other assets	(1,396)	-
Accounts payable	(262,656)	91
Due to other funds	(8,187)	203,944
Accrued and other liabilities	158,039	3,411
	(1,051,392)	(145,759)
Net cash used in operating activities		
Noncash Transactions - Internal activity - Transfers to other funds	\$ -	\$ 175,000

City of Harper Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets December 31, 2008

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System	Agency Funds
Assets		
Cash	\$ 403	\$ 2,354,427
Investments:		
U.S. government securities	5,757,129	-
Common stocks	4,220,888	-
Corporate bonds	6,406,402	-
Mutual funds	11,885,777	-
Accrued interest and dividends receivable	186,109	-
	28,456,708	\$ 2,354,427
Liabilities		
Due to other governmental units	224,016	\$ 35,074
Bond deposits	-	32,190
Tax collections distributable	-	2,287,163
	224,016	\$ 2,354,427
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 28,232,692	

City of Harper Woods, Michigan

Fiduciary Funds Statement of Changes in Net Assets Year Ended December 31, 2008

	Pension and Other Employee Benefit Trust Fund - Employees' Retirement System
Additions	
Investment income (loss):	
Interest and dividends	\$ 1,262,360
Net depreciation in fair value of investments	(11,052,807)
Less investment expenses	(143,640)
Net investment loss	(9,934,087)
Contributions:	
Employer	500,000
Employee	447,836
Total contributions	947,836
Total additions - Net	(8,986,251)
Deductions	
Benefit payments	2,749,922
Refunds to employees	388,873
General and administrative expenses	11,000
Total deductions	3,149,795
Net Decrease in Net Assets	(12,136,046)
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	40,368,738
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 28,232,692</u></u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 1 - Summary of Significant Accounting Policies

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

Reporting Entity

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

Discretely Presented Component Unit - The City has 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 unit. The effect of interfund activity has been removed from these statements.

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major funds:

Governmental Funds

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

The City reports the following major Enterprise Fund:

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

Additionally, the City reports the following fund types:

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting

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

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

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

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

Assets, Liabilities, and Net Assets or Equity

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note I - Summary of Significant Accounting Policies (Continued)

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

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

The 2007 taxable valuation of the City totaled \$428,983,000, on which ad valorem taxes levied consisted of 17.0332 mills for the City's operating purposes, 2.8399 mills for debt service, 0.9168 mills for the library, and 2.0000 mills for rubbish removal. The ad valorem taxes raised \$7,307,000 for general operations, \$1,218,000 for debt service, \$393,000 for the library, and \$858,000 for rubbish removal. These amounts are recorded in their respective funds as tax revenue.

Deferred Revenue - Property taxes billed during the month of December 2008 will be used to finance 2009 operations. As such, these taxes are unearned and recorded as deferred revenue in the respective funds at December 31, 2008.

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Infrastructure:

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

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

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

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

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 expenditures during the reporting period. Actual results could differ from those estimates.

New Accounting Standard - In the current year, the City implemented the Governmental Accounting Standards Board's Statement No. 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The 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 pronouncement causes the government-wide financial statements to recognize the cost of providing retiree healthcare expenses over the working life of the employee, rather than at the time the healthcare expenses are paid. As a result of implementing this statement, governmental activities reported an additional expense of \$1,420,131 in excess of what would have been reported in prior years and the business-type activities and proprietary funds recorded an additional expense of \$130,587. The new standard had no impact on the expenditures reported in the governmental funds.

Note 2 - 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 are not included as expenditures. The amount of encumbrances outstanding at December 31, 2008 has not been calculated. During the current year, the budget was not amended for any fund.

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

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

Excess of Expenditures Over Appropriations in Budgeted Funds

Public Safety - Law enforcement expenditures in the General Fund were approximately \$239,000 higher than the appropriation as a result of overtime expenditures being higher than the amount anticipated.

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

Shortfall at January 1, 2008		\$	(239,653)
Current year permit revenue			94,472
Related expenses:			
Direct costs	\$	76,245	
Estimated indirect costs		<u>7,625</u>	<u>83,870</u>
Current year shortfall			<u>10,602</u>
Cumulative shortfall at December 31, 2008		\$	<u>(229,051)</u>

Note 3 - Deposits and Investments

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits and Investments - Custodial credit risk is the risk that in the event of a third-party custodian's failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. The City's investment policy requires that the City limit investments to the safest types of securities, prequalify the financial institutions, brokers, dealers, intermediaries, and advisors with which the City does business, and diversify the investment portfolio so potential losses on individual securities will be minimized. At year end, the City had \$12.8 million of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of Federal Deposit Insurance Corporation insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it invests funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

Investment Type	Fair Value	How Held
United States government agency securities	\$ 5,757,128	Counterparty
Corporate bonds	6,406,402	Counterparty
Equity securities	<u>15,219,923</u>	Counterparty
Total uninsured and unregistered	<u>\$ 27,383,453</u>	

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

Investment	Fair Value	Less than Six Years	6 to 15 Years	Greater than 15 Years
Primary Government				
Bank investment pools	\$ 2,531,948	\$ 2,531,948	\$ -	\$ -
United States government agency securities	1,520,465	1,520,465	-	-
Employees' Retirement System				
Corporate bonds	6,406,402	3,213,942	2,159,541	1,032,919
United States government agency securities	5,757,129	-	127,835	5,629,294

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 3 - Deposits and Investments (Continued)

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

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
United States government agency securities:			
Federal Home Loan Bank	\$ 512,655	Not rated	Not rated
Federal Home Loan Mortgage Corporation	4,252,897	Not rated	Not rated
Federal National Mortgage Association	2,000,831	Not rated	Not rated
Government National Mortgage Association	511,211	Not rated	Not rated
Bank investment pool	2,008,998	Not rated	Not rated
Bank investment pool	522,950	A-1	Standard and Poor's
Corporate bonds	6,406,402	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, 2008, the City's pension fund maintained investments in the Federal Home Loan Mortgage Corporation and Federal National Mortgage Association totaling approximately 11.9 percent and 7.3 percent, respectively, of the pension fund's total investments.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 4 - Capital Assets

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

	Balance January 1, 2008	Additions	Disposals and Adjustments	Balance December 31, 2008
Governmental Activities				
Capital assets not being depreciated - Land	\$ 760,574	\$ -	\$ -	\$ 760,574
Capital assets being depreciated:				
Roads	15,993,495	-	-	15,993,495
Sidewalks	1,119,044	-	-	1,119,044
Storm drains	10,890,938	-	-	10,890,938
Land improvements	348,418	144,078	-	492,496
Buildings and improvements	4,517,078	-	-	4,517,078
Vehicles	3,064,614	88,575	-	3,153,189
Office furnishings	245,111	585	-	245,696
Machinery and equipment	2,631,756	195,256	-	2,827,012
Subtotal	38,810,454	428,494	-	39,238,948
Accumulated depreciation:				
Roads	4,971,243	639,740	-	5,610,983
Sidewalks	787,239	55,716	-	842,955
Storm drains	4,292,922	272,273	-	4,565,195
Land improvements	20,399	17,968	-	38,367
Building and improvements	911,987	82,623	-	994,610
Vehicles	2,533,793	101,828	-	2,635,621
Office furnishings	40,100	12,339	-	52,439
Machinery and equipment	1,305,881	128,902	-	1,434,783
Subtotal	14,863,564	1,311,389	-	16,174,953
Net capital assets being depreciated	23,946,890	(882,895)	-	23,063,995
Net capital assets	\$ 24,707,464	\$ (882,895)	\$ -	\$ 23,824,569

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance January 1, 2008	Additions	Disposals and Adjustments	Balance December 31, 2008
Capital assets being depreciated:				
Water system	\$ 5,110,535	\$ -	\$ -	\$ 5,110,535
Sewer system	1,240,998	-	-	1,240,998
Machinery and equipment	62,132	-	-	62,132
Subtotal	6,413,665	-	-	6,413,665
Accumulated depreciation:				
Water system	2,340,172	107,995	-	2,448,167
Sewer system	1,013,105	21,305	-	1,034,410
Machinery and equipment	62,132	-	-	62,132
Subtotal	3,415,409	129,300	-	3,544,709
Net capital assets	<u>\$ 2,998,256</u>	<u>\$ (129,300)</u>	<u>\$ -</u>	<u>\$ 2,868,956</u>

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

Governmental activities:	
General government	\$ 17,694
Public safety	133,893
Public works	988,364
Recreation and culture	171,437
Total governmental activities	<u>\$ 1,311,388</u>
Business-type activities - Water and sewer	<u>\$ 129,300</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 5 - Interfund Receivables, Payables, and Transfers

Below are the interfund receivables of the City at December 31, 2008:

Receivable Fund	Payable Fund	Amount
General Fund	Local Streets Fund	\$ 2,331,232
	Storm Drain Fund	50,000
	Water and Sewer Fund	1,611,302
	Nonmajor governmental funds	195,315
	Internal Service Funds	<u>2,441,663</u>
	Total General Fund	6,629,512
General Obligation Bonds Fund	General Fund	477,713
	Nonmajor governmental funds	<u>308,242</u>
	Total General Obligations Bonds Fund	785,955
Local Streets Fund	General Obligations Bonds Fund	766,588
	Storm Drain Fund	563,143
	Water and Sewer Fund	64,757
	Nonmajor governmental funds	<u>1,431,635</u>
	Total Local Streets Fund	2,826,123
Nonmajor governmental funds	General Fund	767,476
	General Obligations Bonds Fund	811,780
	Storm Drain Fund	212,118
	Water and Sewer Fund	506,435
	Nonmajor governmental funds	<u>556,656</u>
	Total nonmajor governmental funds	2,854,465
Internal Service Funds	General Fund	575,933
	Local Streets Fund	520,135
	Water and Sewer Fund	789,958
	Nonmajor governmental funds	<u>1,155,576</u>
	Total Internal Service Funds	3,041,602
Water and Sewer Fund	Storm Drain Fund	<u>1,372,118</u>
	Total interfund receivables	<u>\$ 17,509,775</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

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

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

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

Transfer In	Transfer Out	Amount
General Fund	Nonmajor governmental funds	\$ 150,000
	Internal Service Funds	<u>175,000</u>
	Total General Fund	325,000
Local Streets Fund	Storm Drain Fund	69,370
	Nonmajor governmental funds	<u>165,000</u>
	Total Local Streets Fund	234,370
Nonmajor governmental funds	Storm Drain Fund	71,056
Internal Service Funds	Nonmajor governmental funds	50,000
	Water and Sewer Fund	<u>100,000</u>
	Total Internal Service Funds	<u>150,000</u>
	Total	<u><u>\$ 780,426</u></u>

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

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

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

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

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

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

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

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

Note 6 - Long-term Debt

Long-term obligations are summarized as follows:

Governmental Activities

Unlimited tax general obligation bonds:

1995 General Obligation Road Bonds, \$5,000,000 original issue, bearing interest from 4.00% to 5.40%, maturing in 2011	\$ 1,425,000
1999 General Obligation Road Bonds, \$5,000,000 original issue, bearing interest from 4.125% to 5.00%, maturing in 2014	4,000,000
2001 General Obligation Road Bonds, \$1,500,000 original issue, bearing interest from 4.00% to 5.00%, maturing in 2014	950,000
2004 General Obligation Library Bonds, \$3,100,000 original issue, bearing interest from 3.30% to 5.00%, maturing in 2024	<u>2,900,000</u>

Total unlimited tax general obligation bonds 9,275,000

County Drain Obligations - Milk River Drain, bearing interest from 2.00% to 4.65%, maturing in 2012	<u>2,687,517</u>
-----------------------------------------------------------------------------------------------------	------------------

Total governmental activity debt \$ 11,962,517

Long-term debt activity can be summarized as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities					
Unlimited tax general obligation bonds	\$ 10,150,000	\$ -	\$ (875,000)	\$ 9,275,000	\$ 925,000
County drain obligations	3,321,210	-	(633,693)	2,687,517	649,490
Total	<u>\$ 13,471,210</u>	<u>\$ -</u>	<u>\$ (1,508,693)</u>	<u>\$ 11,962,517</u>	<u>\$ 1,574,490</u>
Accumulated employee benefits	<u>\$ 1,341,457</u>	<u>\$ 98,925</u>	<u>\$ (9,542)</u>	<u>\$ 1,430,840</u>	<u>\$ 300,000</u>
Net OPEB Obligation	<u>\$ -</u>	<u>\$ 2,569,139</u>	<u>\$ (1,149,008)</u>	<u>\$ 1,420,131</u>	<u>\$ -</u>
Business-type Activities					
Net OPEB Obligation	<u>\$ -</u>	<u>\$ 236,243</u>	<u>\$ (105,656)</u>	<u>\$ 130,587</u>	<u>\$ -</u>

The City has pledged its full faith and credit to pay its proportionate share of the outstanding debt issued by the Milk River Inter-County Drainage District. The total Milk River Inter-County Drainage District debt consists of three loans and two bond issues with an original face value of approximately \$31,750,000 and an outstanding balance of approximately \$8,625,000 at December 31, 2008.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 6 - Long-term Debt (Continued)

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

	Governmental Activities		
	Principal	Interest	Total
2009	\$ 1,574,490	\$ 452,927	\$ 2,027,417
2010	1,643,799	388,832	2,032,631
2011	1,888,108	328,123	2,216,231
2012	1,881,120	251,508	2,132,628
2013	1,325,000	181,288	1,506,288
2014-2018	2,050,000	460,512	2,510,512
2019-2023	1,275,000	220,788	1,495,788
2024	325,000	7,313	332,313
Total	<u>\$ 11,962,517</u>	<u>\$ 2,291,291</u>	<u>\$ 14,253,808</u>

Note 7 - Risk Management

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

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

The City is also exposed to risk of loss as a result of flood damage to resident properties caused by sewage overflows. Previously, incidents such as these were generally considered "acts of God" for which the City was not liable. However, as a result of a recent Michigan Supreme Court ruling, the City could now be liable for flood damages due to sewage overflows. Public Act 222 of 2001 has tempered this court ruling by requiring affected customers to prove that an action by the City was more than 50 percent of the cause in order to support any claim against the City. In May 2002, the City Council adopted an ordinance consistent with the new state statute to further protect the City from sewer backup claims. The City has not purchased commercial insurance to cover such claims. There is no liability outstanding as of December 31, 2008 and the City believes that there are sufficient resources in the Self-insurance Internal Service Fund to cover potential claims that may arise in the near term.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 8 - Defined Benefit Pension Plan

Plan Description - The City of Harper Woods Employees' Retirement System (the "System") is the administrator of a single-employer defined benefit pension plan (the "Plan") that covers all full-time employees of the City. The System provides retirement, disability, and death benefits to plan members and their beneficiaries. At December 31, 2007, the date of the most recent actuarial valuation, membership consisted of 94 retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them and 94 current active employees. The Plan does not issue a separate financial report.

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

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.

Annual Pension Cost and Net Pension Obligation

Annual required contribution	\$ 652,491
Interest on net pension obligation	15,206
Adjustment to annual required contribution	<u>(10,367)</u>
Annual pension cost (APC)	657,330
Contributions made	<u>500,000</u>
Increase in net pension obligation	157,330
Net pension obligation - Beginning of year	<u>196,206</u>
Net pension obligation - End of year	<u>\$ 353,536</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 8 - Defined Benefit Pension Plan (Continued)

Funding Status and Funding Progress - As of December 31, 2007, the most recent actuarial valuation date, the Plan was 92.7 percent funded. The actuarial accrued liability for benefits was \$43.1 million, and the actuarial value of assets was \$39.9 million, resulting in an unfunded actuarial accrued liability of \$3.2 million. The covered payroll (annual payroll to active employees covered by the Plan) was \$6.3 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 50.5 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 \$652,491 for 2008. In 2008, the City made a contribution in the amount of \$500,000.

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at December 31, 2007, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) a 7.75 percent investment rate of return, (b) projected salary increases of 4.5 percent to 8.3 percent per year, and (c) no cost of living adjustments. Both (a) and (b) include an inflation component of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period is 28 years.

Reserves - As of December 31, 2008 the Plan's legally required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 7,455,208
Reserve for retired benefit payments	24,684,339

Note 9 - Joint Venture

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

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 9 - Joint Venture (Continued)

The City's interest in the net assets of the Authority totaled \$55,428 at December 31, 2008 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.

Note 10 - Other Postemployment Benefits

Plan Description - The City provides 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 regardless of years of service), 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, 91 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, 2008.

Funding Progress - For the year ended December 31, 2008, 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 year's computed contributions and funding are summarized as follows:

Annual required contribution/OPEB cost	\$ 2,805,382
Amounts contributed - Payment of current premiums	<u>(1,254,664)</u>
Increase in net OPEB obligation	1,550,718
OPEB obligation - Beginning of year	<u>-</u>
OPEB obligation - End of year	<u>\$ 1,550,718</u>

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 10 - Other Postemployment Benefits (Continued)

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

Annual OPEB costs	\$ 2,805,382
Percentage contribution	44.7 %
Net OPEB obligation	\$ 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	\$ 35,500,099
Unfunded AAL	\$ 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, a projected salary increase of 4.5 percent per year, 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, 2008 was 30 years.

City of Harper Woods, Michigan

Notes to Financial Statements December 31, 2008

Note 11 - Designated Fund Balance

Designated fund balance in the governmental funds at December 31, 2008 is as follows:

	General Fund	General Obligations Bond Fund	Storm Drain Fund	Local Streets Fund	Other Nonmajor Governmental Funds
Subsequent year's budget	\$ 675,000	\$ -	\$ -	\$ 400	\$ 177,000
Debt service	-	540,180	1,028,545	-	-
Separation pay	-	-	-	-	330,000
Municipal improvement	-	-	-	-	2,526,501
Total	<u>\$ 675,000</u>	<u>\$ 540,180</u>	<u>\$ 1,028,545</u>	<u>\$ 400</u>	<u>\$ 3,033,501</u>

Note 12 - Contingent Liabilities

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

Required Supplemental Information

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended December 31, 2008

	Original Budget	Actual	Variance with Original Budget
Revenue			
Property taxes	\$ 7,332,500	\$ 6,911,792	\$ (420,708)
Licenses and permits	101,500	97,343	(4,157)
Federal sources	-	41,484	41,484
State sources	1,608,000	1,666,424	58,424
Charges for services	1,466,500	2,391,412	924,912
Other fines and forfeitures	75,000	75,001	1
Interest	10,000	63,037	53,037
Miscellaneous revenue	178,500	222,595	44,095
	10,772,000	11,469,088	697,088
Total revenue			
Expenditures - Current			
General government:			
City Council	31,000	24,424	6,576
City manager	140,700	134,957	5,743
General services administration	687,700	729,674	(41,974)
City Clerk/Elections	213,100	207,617	5,483
District Court	551,800	554,709	(2,909)
Personnel	287,600	311,312	(23,712)
Other	3,665,200	3,701,213	(36,013)
Public safety:			
Law enforcement	3,751,400	3,990,495	(239,095)
Fire	1,435,400	1,264,189	171,211
Other	80,500	76,245	4,255
Public works	499,500	455,268	44,232
Recreation and culture	483,800	499,413	(15,613)
	11,827,700	11,949,516	(121,816)
Total expenditures			
Excess of Expenditures Over Revenue	(1,055,700)	(480,428)	575,272
Other Financing Sources - Transfers in	200,000	325,000	125,000
Net Change in Fund Balance	(855,700)	(155,428)	700,272
Fund Balance - Beginning of year	1,906,062	1,906,062	-
Fund Balance - End of year	\$ 1,050,362	\$ 1,750,634	\$ 700,272

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund Local Streets Fund Year Ended December 31, 2008

	<u>Original Budget</u>	<u>Actual</u>	Variance with <u>Original Budget</u>
Revenue			
State sources	\$ 227,500	\$ 214,023	\$ (13,477)
Interest	500	412	(88)
Miscellaneous revenue	10,000	24,254	14,254
Total revenue	<u>238,000</u>	<u>238,689</u>	<u>689</u>
Expenditures - Current			
General government	37,000	27,250	9,750
Public works	350,500	465,263	(114,763)
Total expenditures	<u>387,500</u>	<u>492,513</u>	<u>(105,013)</u>
Excess of Expenditures Over Revenue	(149,500)	(253,824)	(104,324)
Other Financing Sources - Transfers in	<u>150,000</u>	<u>234,370</u>	<u>84,370</u>
Net Change in Fund Balance	500	(19,454)	(19,954)
Fund Balance - Beginning of year	<u>28,993</u>	<u>28,993</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 29,493</u></u>	<u><u>\$ 9,539</u></u>	<u><u>\$ (19,954)</u></u>

City of Harper Woods, Michigan

Required Supplemental Information Police and Fire Pension System Schedule of Funding Progress Year Ended December 31, 2008

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
12/31/02	\$ 42,319,742	\$ 36,049,125	\$ (6,270,617)	117.4	\$ 5,619,098	(111.6)
12/31/03	42,381,685	38,175,120	(4,206,565)	111.0	6,436,895	(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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
12/31/03	12/31/02	\$ -	-
12/31/04	12/31/03	-	-
12/31/05	12/31/04	149,082	100.0
12/31/06	12/31/05	556,939	65.0
12/31/07	12/31/06	502,015	99.6
12/31/08	12/31/07	652,491	76.6

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2007, the latest actuarial valuation, follows:

Actuarial cost method	Individual entry age
Amortization method	Level of payroll, closed
Amortization period (perpetual)	28 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return*	7.75%
Projected salary increases*	4.5% - 8.3%
*Includes inflation at	4.5%
Cost of living adjustments	None

Other Supplemental Information

City of Harper Woods, Michigan

	Municipal		Special
	Improvements		
	Major Streets Fund	Fund	Library Fund
Assets			
Cash and investments	\$ 207,901	\$ 2,117,001	\$ 921,618
Receivables:			
Taxes	-	-	218,117
Interest	29,602	8,763	230
Other governmental units	73,947	180,730	-
Due from other funds	1,394,177	689,761	-
Inventories and prepaid expenses	20,946	-	-
	<u>\$ 1,726,573</u>	<u>\$ 2,996,255</u>	<u>\$ 1,139,965</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 25,441	\$ 374	\$ 12,582
Due to component units	-	-	9,650
Due to other funds	1,655,013	469,380	695,814
Accrued liabilities and other	15,453	-	6,598
Deferred property tax revenue	-	-	383,731
Rehabilitation escrow	-	-	-
	<u>1,695,907</u>	<u>469,754</u>	<u>1,108,375</u>
Total liabilities			
Fund Balances			
Reserved for:			
Inventories and prepaid expenses	20,946	-	-
Drug law enforcement	-	-	-
Unreserved, reported in			
Special Revenue Funds:			
Designated	2,000	2,526,501	20,000
Undesignated	7,720	-	11,590
	<u>30,666</u>	<u>2,526,501</u>	<u>31,590</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 1,726,573</u>	<u>\$ 2,996,255</u>	<u>\$ 1,139,965</u>

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2008**

Revenue Funds						Total Nonmajor Governmental Funds
Drug Law Enforcement	Refuse	Community Development Block Grant	Loan Revolving	Separation Pay		
\$ 107,611	\$ 1,418,426	\$ 2,958	\$ 383,856	\$ -	\$ 5,159,371	
-	492,924	-	-	-	711,041	
139	2,752	-	5,025	-	46,511	
-	-	112,662	17,001	-	384,340	
-	434,993	5,534	-	330,000	2,854,465	
-	-	-	-	-	20,946	
\$ 107,750	\$ 2,349,095	\$ 121,154	\$ 405,882	\$ 330,000	\$ 9,176,674	
\$ 2,481	\$ 103,411	\$ -	\$ -	\$ -	\$ 144,289	
-	21,051	-	-	-	30,701	
-	645,563	119,259	62,395	-	3,647,424	
-	7,755	-	-	-	29,806	
-	837,163	1,895	-	-	1,222,789	
-	-	-	325,951	-	325,951	
2,481	1,614,943	121,154	388,346	-	5,400,960	
-	-	-	-	-	20,946	
83,269	-	-	-	-	83,269	
22,000	133,000	-	-	330,000	3,033,501	
-	601,152	-	17,536	-	637,998	
105,269	734,152	-	17,536	330,000	3,775,714	
\$ 107,750	\$ 2,349,095	\$ 121,154	\$ 405,882	\$ 330,000	\$ 9,176,674	

City of Harper Woods, Michigan

	Special			
	Major Streets Fund	Municipal Improvements Fund	Library Fund	Drug Law Enforcement
Revenue				
Property taxes	\$ -	\$ -	\$ 370,759	\$ -
State sources	504,130	203,530	9,306	-
Charges for services	-	-	-	-
Interest	8,228	74,110	33,272	448
Miscellaneous revenue	17,157	-	40,232	33,697
Total revenue	529,515	277,640	453,569	34,145
Expenditures - Current				
General government	45,500	-	4,000	2,553
Public safety	-	-	-	20,712
Public works	619,284	132,551	-	-
Recreation and culture	-	-	446,227	-
Total expenditures	664,784	132,551	450,227	23,265
Transfers In	301,056	-	-	-
Transfers Out	(150,000)	(295,000)	-	-
Net Change in Fund Balances	15,787	(149,911)	3,342	10,880
Fund Balances - Beginning of year	14,879	2,676,412	28,248	94,389
Fund Balances - End of year	<u>\$ 30,666</u>	<u>\$ 2,526,501</u>	<u>\$ 31,590</u>	<u>\$ 105,269</u>

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended December 31, 2008

Revenue Funds

Refuse	Community Development Block Grant	Loan Revolving	Separation Pay	Total Nonmajor Governmental Funds
\$ 808,951	\$ -	\$ -	\$ -	\$ 1,179,710
-	154,675	-	-	871,641
92,425	-	-	-	92,425
39,135	-	5,471	-	160,664
-	-	-	-	91,086
940,511	154,675	5,471	-	2,395,526
12,000	26,530	-	-	90,583
-	-	-	-	20,712
1,172,226	128,145	(139)	-	2,052,067
-	-	-	-	446,227
1,184,226	154,675	(139)	-	2,609,589
-	-	-	-	301,056
-	-	-	(150,000)	(595,000)
(243,715)	-	5,610	(150,000)	(508,007)
977,867	-	11,926	480,000	4,283,721
\$ 734,152	\$ -	\$ 17,536	\$ 330,000	\$ 3,775,714

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds December 31, 2008

	Equipment Fund	Self-insurance Fund	Total
Assets			
Cash and investments	\$ 4,241	\$ -	\$ 4,241
Current assets - Due from other funds	2,465,669	575,933	3,041,602
Total current assets	2,469,910	575,933	3,045,843
Noncurrent assets - Capital assets being depreciated - Net	129,005	-	129,005
Total assets	2,598,915	575,933	3,174,848
Liabilities - Current			
Accounts payable	6,038	138	6,176
Due to other funds	2,441,663	-	2,441,663
Accrued liabilities and other	7,332	-	7,332
Total liabilities	2,455,033	138	2,455,171
Net Assets			
Invested in capital assets	129,005	-	129,005
Unrestricted	14,877	575,795	590,672
Total net assets	\$ 143,882	\$ 575,795	\$ 719,677

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, 2008

	Equipment Fund	Self-insurance Fund	Total
Operating Revenue - Billings to other funds	\$ 270,638	\$ -	\$ 270,638
Operating Expenses			
Cost of materials	104,033	-	104,033
Operation and maintenance	214,521	138	214,659
General and administrative expenses	65,000	-	65,000
Depreciation	16,080	-	16,080
Total operating expenses	399,634	138	399,772
Operating Loss	(128,996)	(138)	(129,134)
Transfers In	150,000	-	150,000
Transfers Out	-	(175,000)	(175,000)
Change in Net Assets	21,004	(175,138)	(154,134)
Net Assets - Beginning of year	122,878	750,933	873,811
Net Assets - End of year	\$ 143,882	\$ 575,795	\$ 719,677

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended December 31, 2008

	Equipment Fund	Self-insurance Fund	Total
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 234,431	\$ -	\$ 234,431
Payments to suppliers	(221,816)	-	(221,816)
Payments to employees	(158,374)	-	(158,374)
Net cash used in operating activities	(145,759)	-	(145,759)
Cash Flows from Noncapital Financing Activities -			
Transfers from other funds	150,000	-	150,000
Net Increase in Cash and Cash Equivalents	4,241	-	4,241
Cash and Cash Equivalents - Beginning of year	-	-	-
Cash and Cash Equivalents - End of year	\$ 4,241	\$ -	\$ 4,241
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (128,996)	\$ (138)	\$ (129,134)
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	(240,151)	-	(240,151)
Accounts payable	(47)	138	91
Due to other funds	203,944	-	203,944
Accrued and other liabilities	3,411	-	3,411
Net cash used in operating activities	\$ (145,759)	\$ -	\$ (145,759)
Noncash Transactions - Internal activity - Transfers to other funds	\$ -	\$ 175,000	\$ 175,000

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds December 31, 2008

	<u>Tax Collection</u>	<u>District Court</u>	<u>Total Agency Funds</u>
Assets - Cash	\$ 2,287,163	\$ 67,264	\$ 2,354,427
Liabilities			
Due to other governmental units	\$ -	\$ 35,074	\$ 35,074
Bond deposits	-	32,190	32,190
Tax collections distributable	<u>2,287,163</u>	<u>-</u>	<u>2,287,163</u>
Total liabilities	\$ 2,287,163	\$ 67,264	\$ 2,354,427