
City of Harper Woods, Michigan

**Financial Report
with Supplemental Information
December 31, 2017**

City of Harper Woods, Michigan

Mayor and City Council

Mayor	Kenneth A. Poynter
Council Member	Vivian M. Sawicki
Council Member	Hugh R. Marshall
Council Member	Valerie Kindle
Council Member	Cheryl A. Costantino
Council Member	Tom Jenny
Council Member	Veronica Paiz

City Administration

City Manager	Joseph Rheker
City Clerk	Leslie M. Frank
City Treasurer/Finance Director	John Szymanski

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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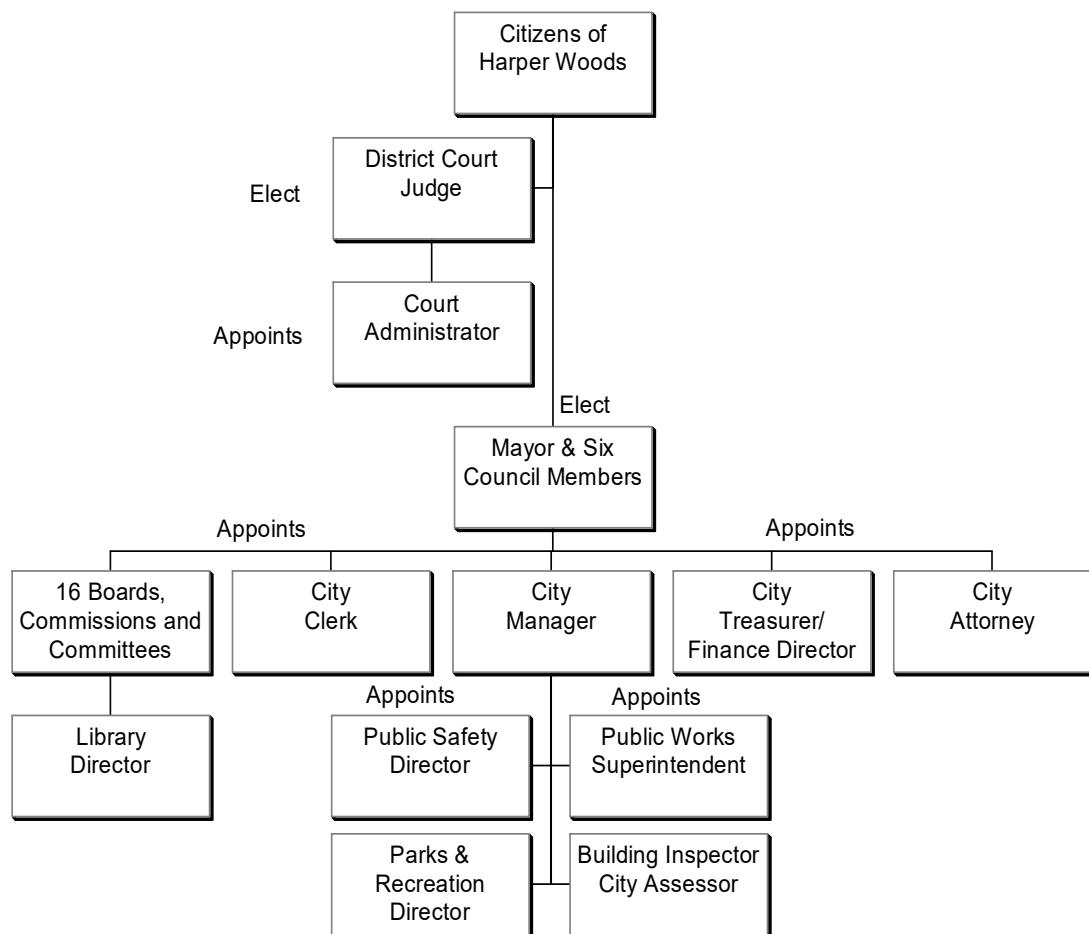
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Introductory Section

CITY OF HARPER WOODS ADMINISTRATIVE ORGANIZATION CHART



Independent Auditor's Report

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

Report on the Financial Statements

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, 2017 and the related notes to the financial statements, which collectively comprise the City of Harper Woods, Michigan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2017 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis; pension system schedules of changes in the net pension liability, pension contributions, and investment returns; OPEB system schedule of funding progress; and the major fund budgetary comparison schedules be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplemental information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplemental information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

June 22, 2018

Financial Section

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, 2017. 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 position 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, Michigan as a Whole

The following table shows, in a condensed format, the net position as of December 31, 2017 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Assets						
Current assets	\$ 12,641	\$ 12,632	\$ 947	\$ 1,145	\$ 13,588	\$ 13,777
Noncurrent assets - Capital assets	14,985	15,386	5,458	5,563	20,443	20,949
Total assets	27,626	28,018	6,405	6,708	34,031	34,726
Deferred Outflows of Resources						
	5,760	6,944	335	408	6,095	7,352
Liabilities						
Current liabilities	1,485	1,990	355	778	1,840	2,768
Long-term liabilities	45,775	44,017	5,234	4,922	51,009	48,939
Total liabilities	47,260	46,007	5,589	5,700	52,849	51,707
Deferred Inflows of Resources						
	8,792	9,034	98	114	8,890	9,148
Net Position						
Net investment in capital assets	13,037	13,284	2,603	2,725	15,640	16,009
Restricted	3,748	3,185	-	-	3,748	3,185
Unrestricted	(39,451)	(36,548)	(1,550)	(1,423)	(41,001)	(37,972)
Total net position	\$ (22,666)	\$ (20,079)	\$ 1,053	\$ 1,302	\$ (21,613)	\$ (18,778)

City of Harper Woods, Michigan

Management's Discussion and Analysis

In 2017, the City's combined net deficit increased by 15 percent from a year ago - from \$18.8 million to \$21.6 million. The governmental activities net deficit increased from net deficit of \$20.1 million to a deficit of \$22.7 million. This is a result of the prior year pension recovery in relation to the adjustments made on the net pension liability as required by GASB Statement No. 68 and decreased revenues from property taxes. The business-type activities net position decreased from \$1.30 million to \$1.05 million as a result of the operating loss in the Water and Sewer Fund.

The following table shows the change in net position for the year ended December 31, 2017 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenue						
Program revenue:						
Charges for services	\$ 4,434	\$ 4,322	\$ 4,263	\$ 4,026	\$ 8,697	\$ 8,348
Operating grants and contributions	292	306	-	73	292	379
Capital grants and contributions	98	111	-	-	98	111
General revenue:						
Property taxes	7,847	8,303	-	-	7,847	8,303
State-shared revenue	2,707	2,272	-	-	2,707	2,272
Interest	-	3	-	-	-	3
Miscellaneous	503	762	-	-	502	761
Total revenue	15,881	16,079	4,263	4,099	20,143	20,177
Program Expenses						
General government	8,283	7,507	\$ (1,936)	-	8,282	5,571
Public safety	5,518	4,955	(5,682)	-	5,518	(727)
Public works	3,320	4,457	-	-	3,320	4,457
Recreation and culture	977	950	-	-	977	950
Interest on long-term debt	101	18	-	-	101	18
Water and sewer	-	-	-	4,781	4,864	4,781
Total program expenses	18,199	17,887	(7,618)	4,781	4,864	22,979
Transfers	(269)	(711)		269	711	-
Change in Net Position	(2,587)	5,099	(249)	(54)	(2,836)	5,044
Net Position - Beginning of year	(20,079)	(25,178)	1,302	1,356	(18,777)	(23,822)
Net Position - End of year	\$ (22,666)	\$ (20,079)	\$ 1,053	\$ 1,302	\$ (21,613)	\$ (18,778)

Governmental Activities

Total revenue for the City's governmental activities was \$15.9 million for the year ended December 31, 2017. The City experienced a decrease in property tax revenue, while state revenue and charges for services increased in 2017.

City of Harper Woods, Michigan

Management's Discussion and Analysis

Expenses for the City's governmental activities totaled \$18.2 million for the year ended December 31, 2017, which was an increase of approximately 77.2 percent, with general government and public safety showing the largest increases as a result of the \$7.6 million pension recovery in the prior year. All other activities are showing slight increases or decreases over the last year.

The following represents the most significant financial highlights for the year ended December 31, 2017:

The City continued to review personnel levels to reduce expenses, along with continuing to curb spending. The City did not make reductions in city service areas, but maintained spending in the service areas. Capital outlays were reduced. The City had long-term employees retire, which reduces future payroll expense; however, those employees had vacation and sick leave payouts which resulted in higher wages reported than expected. The City incurred additional expenses from the unexpected breakdown of its 911 emergency call service system, final installment of an employee litigation matter, and the closure of Macy's department store and several unfavorable tax tribunal settlements.

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, Michigan for treatment and disposal. This year's operations were negative, in part due to rising operating costs. The outcome was again 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 10, 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, Storm Drain Fund, and Refuse 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 \$5.5 million in 2017. The General Fund is supported primarily by property taxes and state-shared revenue.

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 Refuse Fund manages the City's rubbish removal services. It is funded by a dedicated property tax millage and user fees.

City of Harper Woods, Michigan

Management's Discussion and Analysis

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 amendments made in 2017. Significant revenue budget variances were due to the increased revenue from fines and forfeitures and decreased property tax revenue due to decreases in property tax values, adjustments for delinquent taxes, and tax tribunal settlements. Significant expenditure variances were due to the cost of health care as well as involuntary terminations of several long-standing employees with sizable vacation and sick leave bank balances.

Capital Asset and Debt Administration

At the end of fiscal year 2017, the City had \$20.4 million invested in capital assets (land, buildings, equipment, vehicles, and water, sewer, and storm lines).

Debt reported in these financial statements is related to a Library Bond and Sewage Disposal System Revenue Bond. The Library Bond has a maturity date in 2024 and the Sewage Revenue Bond has a maturity date in 2021.

Economic Factors and Next Year's Budgets and Rates

The City will continue to face challenges with 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 concern. The City has made changes to both active and retiree plans, which was possible once we contracted with Cornerstone Municipal. Water rates are analyzed each year and increased as necessary to fund operations. 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, Michigan's finance department.

City of Harper Woods, Michigan

Statement of Net Position

December 31, 2017

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and investments (Note 3)	\$ 5,947,486	\$ 91,771	\$ 6,039,257	\$ 33,409
Receivables:				
Property taxes	4,400,477	-	4,400,477	-
Customers	-	839,759	839,759	-
Other receivables	466,734	-	466,734	-
Due from other governmental units	492,081	-	492,081	-
Service fee	1,052,349	-	1,052,349	-
Inventories and prepaid items	239,594	15,510	255,104	-
Investment in joint venture (Note 8)	42,557	-	42,557	-
Capital assets: (Note 4)				
Assets not subject to depreciation	788,502	-	788,502	-
Assets subject to depreciation - Net	14,196,720	5,457,778	19,654,498	-
Total assets	27,626,500	6,404,818	34,031,318	33,409
Deferred Outflows of Resources - Deferred outflows related to pensions (Note 9)				
	5,205,995	302,993	5,508,988	-
Liabilities				
Accounts payable	276,188	324,925	601,113	-
Accrued liabilities and other	883,322	30,251	913,573	-
Rehabilitation escrow	325,936	-	325,936	-
Noncurrent liabilities:				
Due within one year (Note 6)	686,646	166,483	853,129	-
Due in more than one year:				
Accumulated employee benefits	514,249	-	514,249	-
Net pension liability (Note 9)	26,081,973	1,517,998	27,599,971	-
Net OPEB obligation (Note 10)	16,849,322	839,632	17,688,954	-
Long-term debt - Net of current portion (Note 6)	1,642,813	2,710,000	4,352,813	-
Total liabilities	47,260,449	5,589,289	52,849,738	-
Deferred Inflows of Resources				
Property taxes levied for the following year	7,116,688	-	7,116,688	\$ 33,409
Deferred inflows related to pensions (Note 9)	1,121,142	65,251	1,186,393	-
Total deferred inflows of resources	8,237,830	65,251	8,303,081	\$ 33,409
Net Position				
Net investment in capital assets	13,036,763	2,602,778	15,639,541	-
Restricted:				
Streets and highways	95,035	-	95,035	-
Debt service	3,488,407	-	3,488,407	-
Library	61,973	-	61,973	-
Drug enforcement	12,039	-	12,039	-
Grants	13,908	-	13,908	-
Public safety	77,532	-	77,532	-
Unrestricted	(39,451,441)	(1,549,507)	(41,000,948)	-
Total net position	\$ (22,665,784)	\$ 1,053,271	\$ (21,612,513)	\$ -

City of Harper Woods, Michigan

Functions/Programs

Primary government:

Governmental activities:

	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Program Revenue
General government	\$ 8,282,961	\$ 1,776,206	\$ -	\$ -	\$ -
Public safety	5,518,417	66,776	292,193	72,137	
Public works	3,320,131	2,258,616	-	26,135	
Recreation and culture	977,112	333,287	-	-	
Interest on long-term debt	100,553	-	-	-	

Total governmental activities 18,199,174 4,434,885 292,193 98,272

Business-type activities - Water and
Sewer Fund

4,780,714 4,263,113 - -

Total primary government \$ 22,979,888 \$ 8,697,998 \$ 292,193 \$ 98,272

Component units - Brownfield
Redevelopment Center

\$ 43,840 \$ - \$ - \$ -

General revenue:

- Property taxes
- State-shared revenue
- Loss from joint venture
- Other miscellaneous income

Total general revenue

Transfers

Change in Net Position

Net Position - Beginning of year

Net Position - End of year

Statement of Activities

Year Ended December 31, 2017

<u>Net (Expense) Revenue and Changes in Net Position</u>			
<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>	<u>Component Units</u>
\$ (6,506,755)	-	\$ (6,506,755)	\$ -
(5,087,311)	-	(5,087,311)	-
(1,035,380)	-	(1,035,380)	-
(643,825)	-	(643,825)	-
<u>(100,553)</u>	<u>-</u>	<u>(100,553)</u>	<u>-</u>
(13,373,824)	-	(13,373,824)	-
<u>-</u>	<u>(517,601)</u>	<u>(517,601)</u>	<u>-</u>
(13,373,824)	(517,601)	(13,891,425)	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>(43,840)</u>
7,847,017	-	7,847,017	43,840
2,707,174	-	2,707,174	-
(12,941)	-	(12,941)	-
<u>515,661</u>	<u>-</u>	<u>515,661</u>	<u>-</u>
11,056,911	-	11,056,911	43,840
<u>(269,285)</u>	<u>269,285</u>	<u>-</u>	<u>-</u>
(2,586,198)	(248,316)	(2,834,514)	-
<u>(20,079,586)</u>	<u>1,301,587</u>	<u>(18,777,999)</u>	<u>-</u>
<u>\$ (22,665,784)</u>	<u>\$ 1,053,271</u>	<u>\$ (21,612,513)</u>	<u>\$ -</u>

City of Harper Woods, Michigan

Governmental Funds Balance Sheet

December 31, 2017

	General Fund	Storm Drain Fund	Refuse Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 775,810	\$ 3,848,253	\$ 151,230	\$ 1,127,193	\$ 5,902,486
Receivables:					
Property taxes	3,687,412	-	311,970	401,095	4,400,477
Other receivables	330,014	88,375	48,345	-	466,734
Due from other governmental units	307,419	-	-	184,662	492,081
Service fee	-	1,052,349	-	-	1,052,349
Due from other funds (Note 5)	76,256	-	-	39,452	115,708
Inventories and prepaid items	221,368	-	-	18,226	239,594
Total assets	\$ 5,398,279	\$ 4,988,977	\$ 511,545	\$ 1,770,628	\$ 12,669,429
Liabilities					
Accounts payable	\$ 227,019	\$ -	\$ 24,519	\$ 20,421	\$ 271,959
Due to other funds	-	-	-	106,265	106,265
Accrued liabilities and other	793,776	15,809	28,118	31,428	869,131
Rehabilitation escrow	-	-	-	325,936	325,936
Total liabilities	1,020,795	15,809	52,637	484,050	1,573,291
Deferred Inflows of Resources - Property taxes levied for the following year	4,084,283	1,833,144	521,553	677,708	7,116,688
Fund Balances					
Nonspendable:					
Inventory	28,390	-	-	18,226	46,616
Prepays	192,978	-	-	-	192,978
Restricted:					
Roads	-	-	-	76,809	76,809
Drain maintenance and debt service	-	3,140,024	-	348,383	3,488,407
Grants	-	-	-	13,908	13,908
Library	-	-	-	61,973	61,973
Drug enforcement	-	-	-	12,039	12,039
Public safety	-	-	-	77,532	77,532
Unassigned	71,833	-	(62,645)	-	9,188
Total fund balances	293,201	3,140,024	(62,645)	608,870	3,979,450
Total liabilities, deferred inflows of resources, and fund balances	\$ 5,398,279	\$ 4,988,977	\$ 511,545	\$ 1,770,628	\$ 12,669,429

City of Harper Woods, Michigan

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2017

Fund Balances Reported in Governmental Funds	\$	3,979,450
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and are not reported in the funds		14,791,822
Investments in joint ventures are not financial resources and are not reported in the funds		42,557
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds		(1,948,459)
Accrued interest is not due and payable in the current period and is not reported in the funds		(12,263)
Some employee fringe benefits 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:		
Employee compensated absences		(814,249)
Pension benefits		(21,997,120)
Retiree healthcare benefits		(16,849,322)
Other long-term liabilities, such as claims and judgments, landfill closure and postclosure costs, and net pension obligations, do not present a claim on current financial resources and are not reported as fund liabilities		(81,000)
Internal service funds are included as part of governmental activities		222,800
Net Position of Governmental Activities	\$	(22,665,784)

City of Harper Woods, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2017

	General Fund	Storm Drain Fund	Refuse Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes	\$ 6,606,525	\$ 9,738	\$ 534,669	\$ 696,085	\$ 7,847,017
Intergovernmental:					
Federal sources	280,183	-	-	-	280,183
State sources	1,651,368	-	-	1,232,391	2,883,759
Charges for services	517,946	-	498,580	-	1,016,526
Fines and forfeitures	852,390	-	-	-	852,390
Licenses and permits	429,851	-	-	-	429,851
Service fees	301,614	1,835,034	-	-	2,136,648
Other revenue	419,797	-	13,307	90,724	523,828
Total revenue	11,059,674	1,844,772	1,046,556	2,019,200	15,970,202
Expenditures					
Current services:					
General government	5,885,609	-	7,000	197,188	6,089,797
Public safety	4,722,879	-	-	43,916	4,766,795
Public works	529,316	1,038,267	850,025	1,282,162	3,699,770
Recreation and culture	403,067	-	-	438,986	842,053
Capital outlay	263,992	-	-	17,217	281,209
Debt service:					
Principal	-	-	-	175,000	175,000
Interest and fiscal charges	-	12,616	-	81,925	94,541
Total expenditures	11,804,863	1,050,883	857,025	2,236,394	15,949,165
Excess of Revenue (Under) Over Expenditures					
	(745,189)	793,889	189,531	(217,194)	21,037
Other Financing Sources (Uses) (Note 5)					
Transfers in	-	-	-	378,579	378,579
Transfers out	-	-	-	(378,579)	(378,579)
Proceeds from capital lease obligation	128,562	-	-	-	128,562
Total other financing sources	128,562	-	-	-	128,562
Net Change in Fund Balances					
	(616,627)	793,889	189,531	(217,194)	149,599
Fund Balances - Beginning of year	909,828	2,346,135	(252,176)	826,064	3,829,851
Fund Balances - End of year	\$ 293,201	\$ 3,140,024	\$ (62,645)	\$ 608,870	\$ 3,979,450

City of Harper Woods, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities

Year Ended December 31, 2017

Net Change in Fund Balances Reported in Governmental Funds	\$	149,599
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:		
Depreciation expense		(1,235,870)
Capital outlay		878,954
Income (loss) from joint ventures does not represent current resources and is not reported in the funds		(12,941)
Capital lease proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position		(128,562)
Capital lease payments and repayment of bond principal are expenditures in the governmental funds, but not in the statement of activities (where they reduce long-term debt)		281,696
Interest expense is recognized in the government-wide statements as it accrues		1,266
Some employee costs (pension, OPEB, compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds		(2,207,800)
Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds		(81,000)
Internal service funds are included as part of governmental activities		<u>(231,540)</u>
Change in Net Position of Governmental Activities	\$	<u>(2,586,198)</u>

City of Harper Woods, Michigan

Proprietary Funds Statement of Net Position

December 31, 2017

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Funds
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 91,771	\$ 45,000
Receivables - Customer receivables	839,759	-
Inventories and prepaid items	15,510	-
Total current assets	947,040	45,000
Noncurrent assets - Capital assets - Assets subject to depreciation - Net (Note 4)	5,457,778	193,400
Total assets	6,404,818	238,400
Deferred Outflows of Resources - Deferred outflows related to pensions	302,993	-
Liabilities		
Current liabilities:		
Accounts payable	324,925	4,229
Due to other funds (Note 5)	-	9,443
Accrued liabilities and other	30,251	1,928
Current portion of compensated absences (Note 6)	21,483	-
Current portion of long-term debt (Note 6)	145,000	-
Total current liabilities	521,659	15,600
Noncurrent liabilities:		
Net pension liability (Note 9)	1,517,998	-
Net OPEB obligation (Note 10)	839,632	-
Long-term debt - Net of current portion (Note 6)	2,710,000	-
Total noncurrent liabilities	5,067,630	-
Total liabilities	5,589,289	15,600
Deferred Inflows of Resources - Deferred inflows related to pensions	65,251	-
Net Position		
Net investment in capital assets	2,602,778	193,400
Unrestricted (deficit)	(1,549,507)	29,400
Total net position	\$ 1,053,271	\$ 222,800

City of Harper Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position

Year Ended December 31, 2017

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Funds
Operating Revenue		
Customer billings	\$ 4,158,655	-
Other operating revenue	104,458	-
Billings to other funds	-	289,685
	4,263,113	289,685
Total operating revenue		
Operating Expenses		
Cost of materials	-	43,755
Water supply and sewage disposal	2,779,825	-
Operating and maintenance costs	768,649	104,385
General and administrative	979,598	60,500
Depreciation	183,515	43,300
	4,711,587	251,940
Total operating expenses		
Operating (Loss) Income		(448,474) 37,745
Nonoperating Expense - Interest expense	(69,127)	-
Transfers In (Note 5)	269,285	-
Transfers Out (Note 5)	-	(269,285)
Change in Net Position	(248,316)	(231,540)
Net Position - Beginning of year	1,301,587	454,340
Net Position - End of year	\$ 1,053,271	\$ 222,800

City of Harper Woods, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended December 31, 2017

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Funds
Cash Flows from Operating Activities		
Receipts from customers	\$ 4,816,950	\$ -
(Payments to) receipts from interfund services and reimbursements	(269,383)	169,049
Payments to suppliers	(3,713,195)	(83,566)
Payments to employees and fringes	(862,610)	(89,078)
Payments to other funds	<u>(19,000)</u>	<u>(35,000)</u>
Net cash and cash equivalents used in operating activities	(47,238)	(38,595)
Cash Flows from Noncapital Financing Activities		
Transfers from other funds	269,285	-
Transfers to other funds	<u>-</u>	<u>(269,285)</u>
Net cash and cash equivalents provided by (used in) noncapital financing activities	269,285	(269,285)
Cash Flows from Capital and Related Financing Activities		
Purchase of capital assets	(78,621)	-
Principal and interest paid on capital debt	<u>(51,655)</u>	<u>-</u>
Net cash and cash equivalents used in capital and related financing activities	(130,276)	-
Net Increase (Decrease) in Cash and Cash Equivalents	91,771	(307,880)
Cash and Cash Equivalents - Beginning of year	<u>-</u>	<u>352,880</u>
Cash and Cash Equivalents - End of year	\$ 91,771	\$ 45,000
Classification of Cash and Cash Equivalents - Cash and investments	\$ 91,771	\$ -
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities		
Operating (loss) income	\$ (448,474)	\$ 37,745
Adjustments to reconcile operating (loss) income to net cash from operating activities:		
Depreciation	183,515	43,300
Changes in assets and liabilities:		
Receivables	553,837	-
Due to and from other funds	(269,383)	(120,636)
Prepaid and other assets	5,437	-
Net pension or OPEB asset	188,412	-
Accounts payable	(260,582)	393
Accrued and other liabilities	<u>-</u>	<u>603</u>
Total adjustments	401,236	(76,340)
Net cash and cash equivalents used in operating activities	\$ (47,238)	\$ (38,595)

City of Harper Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

December 31, 2017

	<u>Agency</u>
Assets - Cash	<u>\$ 1,243,444</u>
Liabilities	
Due to other governmental units	\$ 73,747
Refundable deposits, bonds, etc.	13,720
Tax collections distributable	<u>1,155,977</u>
Total liabilities	<u>\$ 1,243,444</u>

December 31, 2017

Note 1 - Significant Accounting Policies

Accounting and Reporting Principles

The City of Harper Woods, Michigan (the "City") follows accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. Accounting and financial reporting pronouncements are promulgated by the Governmental Accounting Standards Board (GASB). The following is a summary of the significant accounting policies used by the City:

Reporting Entity

The City of Harper Woods, Michigan is governed by an elected seven-member council (board). The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Discretely presented component units are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City (see discussion below for description).

Discretely Presented Component Units

Brownfield Redevelopment Authority

The Brownfield Redevelopment Authority (the "Authority") 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. The Authority's governing body, which consists of five individuals, is selected by the City's Council. In addition, the Authority's budget is subject to approval by the City's Council. Complete financial reports can be obtained from the City of Harper Woods, Michigan at 19617 Harper Avenue, Harper Woods, MI 48225.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The statements also present a schedule reconciling these amounts to the modified accrual-based presentation found in the fund-based statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenue are reported instead as general revenue.

For the most part, the effect of interfund activity has been removed from these 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 revenue reported for the various functions concerned.

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.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

The governmental funds use the current financial resources measurement focus and the modified accrual basis of accounting. This basis of accounting is intended to better demonstrate accountability for how the government has spent its resources.

Expenditures are reported when the goods are received or the services are rendered. Capital outlays are reported as expenditures (rather than as capital assets) because they reduce the ability to spend resources in the future; conversely, employee benefit costs that will be funded in the future (such as pension and retiree healthcare-related costs or sick and vacation pay) are not counted until they come due for payment. In addition, debt service expenditures, claims, and judgments are recorded only when payment is due.

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: property taxes, intergovernmental sources, and interest associated with the current fiscal period. Conversely, special assessments and federal grant reimbursements will be collected after the period of availability; receivables have been recorded for these, along with a "deferred inflow".

Proprietary funds and fiduciary funds use the economic resources measurement focus and the full accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Fund Accounting

The City accounts for its various activities in several different funds in order to demonstrate accountability for how we have spent certain resources; separate funds allow us to show the particular expenditures for which specific revenue was used. The various funds are aggregated into three broad fund types:

Governmental Funds

Governmental funds include all activities that provide general governmental services that are not business-type activities. This includes the General Fund, special revenue funds, debt service funds, capital project funds, and permanent funds. The City reports the following funds as "major" governmental funds:

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The Storm Drain Fund accounts for the annual payment of principal and interest on the City's share of Wayne County, Michigan 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 Refuse Fund accounts for the resources from a dedicated property tax millage to fund rubbish disposal activities.

Proprietary Funds

Proprietary funds include enterprise funds (which provide goods or services to users in exchange for charges or fees) and internal service funds (which provide goods or services to other funds of the City). The City reports the following fund as a "major" enterprise fund:

- The Water and Sewer Fund records maintenance and operations for the water and sewer provided to city residents and businesses that are financed primarily through user charges.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

The City's internal service funds are used to allocate insurance costs and machinery and equipment purchases and maintenance to the various funds on a full accrual basis so that the full costs are recognized and allocated to the various funds in the year that the costs are incurred.

Fiduciary Funds

Fiduciary funds include amounts held in a fiduciary capacity for others. These amounts will not be used to operate our government's programs. Activities that are reported as fiduciary include the following:

- 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.

Interfund Activity

During the course of operations, the City has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Furthermore, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

Specific Balances and Transactions

Cash, Cash Equivalents, 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.

Inventories and Prepaid Items

Inventories are valued at cost, on a first-in, first-out basis. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors 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, intangible assets, 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 acquisition value at the date of donation.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current year, \$71,435 of interest expense was capitalized as part of the cost of assets under construction.

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

	Depreciable Life - Years
Infrastructure (roads, sidewalks, storm drains)	20-40
Water and sewer system	50-60
Buildings and improvements	25-50
Machinery and equipment	5-20
Vehicles	5-15
Office furnishings	10-20
Land improvements	15-20

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 position. Bond premiums and discounts 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 expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts. The General Fund and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has one item that qualifies for reporting in this category, which is the deferred outflows of resources related to the defined benefit pension plan. The deferred outflows of resources related to the defined benefit plan are reported in the government-wide and enterprise fund financial statements. The deferred outflows of resources result from variances between the plan's actual investment earnings compared to the plan's assumed investment earnings, changes in plan assumptions, and contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

The City has two items that qualify for reporting in this category. (1) The City has property taxes levied before the period budgeted. These property taxes are shown as deferred inflows of resources on both the governmental funds balance sheet as well as the statement of net position. Those property taxes will be recognized as revenue next year, as those amounts were levied for the subsequent year's budgeted operations. (2) The City has deferred inflows of resources related to the defined benefit pension plan, which are reported in the government-wide and enterprise fund financial statements. The deferred inflows of resources result from differences in assumed and actual plan experience.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Net Position Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumption

The City will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The City Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as committed. The City Council may assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Property Tax Revenue

Property taxes are levied on each December 1 and become an enforceable lien at that time; the tax is based on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The City's 2016 property tax revenue was levied and collectible on December 1, 2016 and is recognized as revenue in the year ended December 31, 2017 when the proceeds of the levy are budgeted and available for the financing of operations.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

The 2016 taxable valuation of the City totaled \$204,491,189, on which taxes levied consisted of 20.000 mills for operating purposes, 1.500 mills for debt service, 1.9168 mills for the library, and 2.5517 mills for rubbish removal. This resulted in approximately \$4,046,000 for operating, \$303,000 for debt service, \$388,000 for the library, and \$516,000 for rubbish removal. These amounts are recognized in their respective funds as tax revenue. Pursuant to Public Act 33 of 1951, the City levied 4.000 mills on July 1, 2017 and 11.000 mills on December 1, 2017 for the payment of public safety expenditures. The taxes levied during 2017 as a result of the Public Act 33 millage resulted in approximately \$2,865,000 recognized in the General Fund as tax revenue for the year ended December 31, 2017.

Property taxes billed during the month of December 2017, with the exception of the Public Act 33 millage, will be used to finance 2018 operations. As such, these taxes are unavailable and are recorded as deferred inflows of resources in the respective funds at December 31, 2017.

Pension

The City offers a defined benefit pension plan to its employees. The City records a net pension liability for the difference between the total pension liability calculated by the actuary and the pension plan's fiduciary net position. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plan and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Other Postemployment Benefit Costs

The City offers 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, 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. The net OPEB obligation has generally been liquidated from the General Fund and Water and Sewer Fund.

Compensated Absences (Vacation and Sick Leave)

It is the City's policy to permit 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 becomes due for payment, generally when time is taken off or employees terminate their employment.

Proprietary Funds Operating Classification

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of the Water and Sewer Fund and internal service funds is charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

December 31, 2017

Note 1 - Significant Accounting Policies (Continued)

Use of Estimates

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

Upcoming Accounting Pronouncements

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which addresses reporting by governments that provide postemployment benefits other than pensions (OPEB) to their employees and for governments that finance OPEB for employees of other governments. This OPEB standard will require the City to recognize on the face of the financial statements its net OPEB liability related to its participation in the OPEB plan. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2018.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2019.

Note 2 - Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles and state law for the General Fund and all special revenue funds. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, activity, and line item. The legal level of budgetary control adopted by the governing body (i.e., the level at which expenditures may not legally exceed appropriations) is the activity level. State law requires the City to have its budget in place by July 1. Expenditures in excess of amounts budgeted are a violation of Michigan law. State law permits cities to amend their budgets during the year. During the year, the budget was amended in a legally permissible manner. There were no significant amendments during the year.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders, contracts) are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City incurred expenditures in the General Fund and Refuse Fund, which were in excess of the amounts budgeted, as follows:

- *City Manager* - City manager expenditures in the General Fund were approximately \$30,000 higher than budgeted.
- *Clerk/Elections* - Clerk/Elections expenditures in the General Fund were approximately \$38,000 higher than budgeted.
- *District Court* - District court expenditures in the General Fund were approximately \$14,000 higher than budgeted.

City of Harper Woods, Michigan

Notes to Financial Statements

December 31, 2017

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

- *Dial-A-Ride/PAATS* - Dial-A-Ride/PAATs expenditures in the General Fund were approximately \$11,000 higher than budgeted.
- *Insurance and Other Functions* - Insurance and other functions expenditures in the General Fund were approximately \$139,000 higher than budgeted.
- *Law Enforcement* - Law enforcement expenditures in the General Fund were approximately \$149,000 higher than budgeted.
- *Other Public Safety* - Other public safety expenditures in the General Fund were approximately \$17,000 higher than budgeted.
- *Capital Outlay* - Capital outlay expenditures in the General Fund were approximately \$171,000 higher than budgeted.
- *Public Works (Rubbish Disposal)* - Rubbish disposal expenditures in the Refuse Fund were approximately \$56,000 higher than budgeted.

The budget overruns relate primarily to unanticipated professional service fees related to capital projects and other repairs and maintenance, cost of health care, employee wages, and retiree payouts.

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:

Surplus at January 1, 2017	\$ 23,307
Current year permit revenue	403,976
Related expenses:	
Direct costs	\$ 507,332
Estimated indirect costs	50,733
	<hr/>
Current year shortfall	(154,089)
Cumulative shortfall December 31, 2017	<hr/> \$ (130,782)

Fund Deficits

The City has accumulated a deficit of unassigned fund balance in the Refuse Fund. A plan to eliminate the deficit will be filed with the State of Michigan Local Audit Finance Division.

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 law also allows investments outside the state of Michigan when fully insured. 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.

December 31, 2017

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

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 \$7.5 million of bank deposits (checking and savings accounts) that were uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets not being depreciated:				
Land	\$ 737,949	\$ -	\$ -	\$ 737,949
Construction in progress	-	50,553	-	50,553
Subtotal	737,949	50,553	-	788,502
Capital assets being depreciated:				
Roads	15,993,495	567,990	-	16,561,485
Sidewalks	1,119,044	-	-	1,119,044
Storm drains	10,890,938	-	-	10,890,938
Buildings and improvements	4,307,994	-	-	4,307,994
Machinery and equipment	3,602,609	124,296	-	3,726,905
Vehicles	4,252,514	136,115	-	4,388,629
Office furnishings	277,979	-	-	277,979
Land improvements	553,194	-	-	553,194
Subtotal	40,997,767	828,401	-	41,826,168
Accumulated depreciation:				
Roads	10,728,903	651,100	-	11,380,003
Sidewalks	1,118,321	546	-	1,118,867
Storm drains	6,743,379	272,273	-	7,015,652
Buildings and improvements	1,456,823	83,880	-	1,540,703
Machinery and equipment	2,414,201	91,757	-	2,505,958
Vehicles	3,486,965	140,738	-	3,627,703
Office furnishings	155,067	13,495	-	168,562
Land improvements	246,619	25,381	-	272,000
Subtotal	26,350,278	1,279,170	-	27,629,448
Net capital assets being depreciated	14,647,489	(450,769)	-	14,196,720
Net governmental activities capital assets	\$ 15,385,438	\$ (400,216)	\$ -	\$ 14,985,222

City of Harper Woods, Michigan

Notes to Financial Statements

December 31, 2017

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2017	Additions	Disposals	Balance December 31, 2017
Capital assets being depreciated:				
Water system	\$ 7,962,509	\$ 30,023	-	\$ 7,992,532
Sewer system	1,953,991	7,506	-	1,961,497
Machinery and equipment	<u>157,928</u>	<u>41,092</u>	<u>-</u>	<u>199,020</u>
Subtotal	10,074,428	78,621	-	10,153,049
Accumulated depreciation:				
Water system	3,225,654	136,519	-	3,362,173
Sewer system	1,204,810	33,307	-	1,238,117
Machinery and equipment	<u>81,292</u>	<u>13,689</u>	<u>-</u>	<u>94,981</u>
Subtotal	4,511,756	183,515	-	4,695,271
Net capital assets being depreciated	<u>5,562,672</u>	<u>(104,894)</u>	<u>-</u>	<u>5,457,778</u>
Net business-type activity capital assets	<u>\$ 5,562,672</u>	<u>\$ (104,894)</u>	<u>-</u>	<u>\$ 5,457,778</u>

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

Governmental activities:			
General government		\$ 17,166	
Public safety		151,364	
Public works		927,446	
Recreation and culture		139,894	
Internal Service Fund depreciation is charged to the various functions based on their usage of the asset		<u>43,300</u>	
Total governmental activities		<u>\$ 1,279,170</u>	
Business-type activities - Water and sewer		\$ 183,515	

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances at December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Nonmajor governmental funds Internal Service Fund	\$ 66,813 <u>9,443</u>
	Total General Fund	76,256
Major Streets Fund	Local Streets Fund	39,452
	Total	<u>\$ 115,708</u>

City of Harper Woods, Michigan

Notes to Financial Statements

December 31, 2017

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 composed of the following:

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
Internal Service Fund	Water and Sewer Fund	\$ 269,285
Major Streets Fund	Local Streets Fund	378,579

The transfer from the Internal Service Fund to the Water and Sewer Fund represents the transfer of funds for water and sewer services and construction. The transfer from the Major Streets Fund to the Local Streets Fund, both of which are nonmajor governmental funds, represents the transfer of discretionary funds for local street construction.

Note 6 - Long-term Debt

Long-term debt activity for the year ended December 31, 2017 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable:					
Unlimited tax general obligation bonds	\$ 1,975,000	\$ -	\$ (175,000)	\$ 1,800,000	\$ 200,000
Capital lease obligations	126,592	128,562	(106,695)	148,459	105,646
Total bonds payable:	2,101,592	128,562	(281,695)	1,948,459	305,646
Accumulated compensated absences					
Claims and judgments	770,600	43,649	-	814,249	300,000
	-	81,000	-	81,000	81,000
Total governmental activities long-term debt	<u>\$ 2,872,192</u>	<u>\$ 253,211</u>	<u>\$ (281,695)</u>	<u>\$ 2,843,708</u>	<u>\$ 686,646</u>

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Bonds payable - Limited tax general obligation bonds					
Accumulated compensated absences	\$ 2,837,528	\$ 162,472	\$ (145,000)	\$ 2,855,000	\$ 145,000
	20,860	623	-	21,483	21,483
Total business-type activities long-term debt	<u>\$ 2,858,388</u>	<u>\$ 163,095</u>	<u>\$ (145,000)</u>	<u>\$ 2,876,483</u>	<u>\$ 166,483</u>

City of Harper Woods, Michigan

Notes to Financial Statements

December 31, 2017

Note 6 - Long-term Debt (Continued)

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the acquisition and construction of major capital facilities. General obligations have been issued for both governmental and business-type activities. 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 City. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service. Long-term obligations outstanding at December 31, 2017 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Unlimited tax general obligation bonds - General Obligation Library Bonds, \$3,100,000 original issue	2004	3.30 to 5.00%	2024	\$ 1,800,000
Business-type Activities				
State Revolving Loan Fund - Sewage Disposal System Revenue Bonds, used to improve sewer system	2013	2.50%	2033	\$ 2,855,000

Debt Service Requirements to Maturity

Total interest expense for the year was \$169,681. Annual debt service requirements to maturity for the above bonds and note obligations are as follows:

Years Ending December 31	Governmental Activities			Business-type Activities			
	Principal	Interest	Total	Principal	Interest	Total	
2018	\$ 305,646	\$ 81,903	\$ 387,549	\$ 145,000	\$ 69,563	\$ 214,563	
2019	267,813	67,161	334,974	150,000	65,875	215,875	
2020	225,000	55,413	280,413	155,000	62,062	217,062	
2021	250,000	45,313	295,313	160,000	58,125	218,125	
2022	275,000	33,956	308,956	160,000	54,125	214,125	
2023-2027	625,000	28,612	653,612	875,000	207,188	1,082,188	
2028-2032	-	-	-	1,000,000	90,000	1,090,000	
2033	-	-	-	210,000	2,625	212,625	
Total	<u>\$ 1,948,459</u>	<u>\$ 312,358</u>	<u>\$ 2,260,817</u>	<u>\$ 2,855,000</u>	<u>\$ 609,563</u>	<u>\$ 3,464,563</u>	

Bond Issuance

During 2012, the City issued \$3,410,000 million in revenue bonds with an average interest rate of 2.5 percent. The proceeds of these bonds are received on a reimbursement basis to fund sewer improvements throughout the City. As of December 31, 2017, \$2,855,000 in bond proceeds had been received as reimbursement for allowable construction costs and is recorded as long-term debt at December 31, 2017 within the Water and Sewer Fund. The bonds are payable solely from the net revenue of the sewer system. The remaining principal and interest to be paid on the bonds is \$3,464,563. During the current year, net revenue of the system totaled (\$264,959) compared to annual debt requirements of \$216,326.

December 31, 2017

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 workers' compensation. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

The 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 purchased commercial insurance to cover such claims.

In September 2017, the City became a defendant to a class action claim challenging the legality of its stormwater service charge. Subsequent to year end, the City received an unfavorable ruling in the litigation. As of the date these financial statements were available to be issued, the City has determined that its obligations cannot be reasonably estimated. The City also has not made a final determination as to whether it will appeal the ruling. Accordingly, no provision of liability has been recorded as of December 31, 2017.

Note 8 - 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, and Grosse Pointe Woods, Michigan. 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 position of the Authority totaled \$42,557 at December 31, 2017 and is reported as part of the governmental activities in the statement of net position. 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 9 - Pension Plan

Plan Description

The City of Harper Woods, Michigan provides a monthly retirement benefit (with alternative lump-sum payment options) to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the Municipal Employees' Retirement System (MERS), an agent multiple-employer plan, administered by a nine-member retirement board..

The MERS plan issues a publicly available financial report, which includes the financial statements and required supplemental information of this defined benefit plan. This report can be obtained at www.mersofmich.com or in writing to MERS at 1134 Municipal Way, Lansing, MI 48917.

December 31, 2017

Note 9 - Pension Plan (Continued)

Benefits Provided

MERS provides certain retirement, nonduty and duty disability, and survivor benefits to plan members and beneficiaries. The MERS plan covers all full-time employees of the City.

Retirement benefits for general clerical including dispatcher employees are calculated as follows: for prior service earned, a 2.25 percent multiplier will be used. Benefit will be frozen as of December 1, 2015 (the "MERS effective date"). Future service shall be earned at a 2.00 percent multiplier after the MERS effective date. For members hired after the MERS effective date, the multiplier shall be 1.50 percent. Final average compensation shall be calculated based on the highest consecutive 36 months of wages using base pay plus up to 240 hours of vacation and/or compensatory time. Normal retirement age is 60 with 10 or more years of service or age 55 with 25 or more years of service. The vesting period is 10 years. Duty disability does not require vesting. Benefits are determined by MERS rules. Nonduty disability requires vesting and the benefit is equal to the MERS defined benefit formula. Survivor benefits are selected by employees at the time of retirement eligibility according to options provided by MERS rules. Duty death benefits do not require vesting. Benefits are determined according to MERS rules. Nonduty death benefits require vesting and benefit levels are determined by MERS rules. An employee who leaves service may withdraw his or her contributions plus any accumulated interest in accordance with MERS rules.

Retirement benefits for DPW employees and general administrators are calculated as follows: for prior service earned, a 2.25 percent multiplier will be used. Benefit will be frozen as of the MERS effective date. Future service shall be earned at a 2.00 percent multiplier after the MERS effective date. For members hired after the MERS effective date, the multiplier shall be 1.50 percent. Final average compensation shall be calculated based on the highest consecutive 36 months of wages using base pay plus up to 240 hours of vacation and/or compensatory time. Normal retirement age is 60 with 10 or more years of service or age 55 with 25 or more years of service. The vesting period is 10 years. Duty disability does not require vesting. Benefits are determined by MERS rules. Nonduty disability requires vesting and the benefit is equal to the MERS defined benefit formula. Survivor benefits are selected by employees at the time of retirement eligibility according to options provided by MERS rules. Duty death benefits do not require vesting. Benefits are determined according to MERS rules. Nonduty death benefits require vesting and benefit levels are determined by MERS rules. An employee who leaves service may withdraw his or her contributions plus any accumulated interest in accordance with MERS rules.

Retirement benefits for police patrol and command employees are calculated as follows: for prior service earned, a 2.75 percent multiplier will be used not to exceed 80 percent of final average compensation. Benefit will be frozen as of the MERS effective date. Future service shall be earned at a 2.50 percent multiplier after the MERS effective date. For members hired after January 1, 2013 (Tier 2), the multiplier shall be 1.50 percent. Final average compensation for command shall be calculated based on the highest consecutive 36 months of wages using base pay plus up to 400 hours of overtime earned within a 12-month period within the 36-month final average compensation period. Final average compensation for police officers shall be calculated based on the highest consecutive 36 months of wages using base pay plus up to 240 hours of vacation pay. Normal retirement age is 55 with 10 or more years of service or age 50 with 25 or more years of service. The vesting period is 10 years. Duty disability does not require vesting. Benefits are determined by MERS rules. Nonduty disability requires vesting and the benefit is equal to the MERS defined benefit formula. Survivor benefits are selected by employees at the time of retirement eligibility according to options provided by MERS rules. Duty death benefits do not require vesting. Benefits are determined according to MERS rules. Nonduty death benefits require vesting and benefit levels are determined by MERS rules. An employee who leaves service may withdraw his or her contributions plus any accumulated interest in accordance with MERS rules.

December 31, 2017**Note 9 - Pension Plan (Continued)**

Retirement benefits for fire employees are calculated as follows: for prior service earned, a 2.75 percent multiplier will be used not to exceed 80 percent of final average compensation. Benefit will be frozen as of the MERS effective date. Future service shall be earned at a 2.50 percent multiplier after the MERS effective date. Final average compensation for fire employees shall be calculated based on the highest consecutive 36 months of wages using base pay plus up to 400 hours of overtime earned within a 12-month period within the 36-month final average compensation period. Normal retirement age is 55 with 10 or more years of service or age 50 with 25 or more years of service. The vesting period is 10 years. Duty disability does not require vesting. Benefits are determined by MERS rules. Nonduty disability requires vesting and the benefit is equal to the MERS defined benefit formula. Survivor benefits are selected by employees at the time of retirement eligibility according to options provided by MERS rules. Duty death benefits do not require vesting. Benefits are determined according to MERS rules. Nonduty death benefits require vesting and benefit levels are determined by MERS rules. An employee who leaves service may withdraw his or her contributions plus any accumulated interest in accordance with MERS rules.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance subsequent to the employee's retirement date. The annual adjustments are one-half of the change in the Consumer Price Index, limited to a maximum increase in retirement allowance of 2 percent for general employees and 3 percent for public safety employees.

Benefit terms, within the parameters established by MERS, are generally established and amended by authority of the City Council, generally after negotiations of these terms with the affected unions. Police and fire employees' benefit terms may be subject to binding arbitration in certain circumstances.

Employees Covered by Benefit Terms

At the December 31, 2016 measurement date, the following members were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefits	115
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<hr/> 57
Total employees covered by the plan	<hr/> 174

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. Accordingly, MERS retains an independent actuary for this purpose, and the City annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees may be required to make pension contributions based on the amounts agreed upon in union contracts. The City's required contribution is determined after consideration of the required contribution rate of employees.

For the year ended December 31, 2017, the average active employee contribution rate was 6.00 percent to 8.00 percent of annual pay for the various employee groups, and the City's average contribution rate was 57.2 percent of annual payroll.

Net Pension Liability

The net pension liability reported at December 31, 2017 was determined using a measure of the total pension liability and the pension net position as of the December 31, 2016 measurement date. The December 31, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

City of Harper Woods, Michigan

Notes to Financial Statements

December 31, 2017

Note 9 - Pension Plan (Continued)

Changes in the net pension liability during the measurement year were as follows:

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at December 31, 2015	\$ 49,769,018	\$ 22,092,026	\$ 27,676,992
Changes for the year:			
Service cost	442,165	-	442,165
Interest	3,835,112	-	3,835,112
Differences between expected and actual experience	192,145	-	192,145
Contributions - Employer	-	1,897,426	(1,897,426)
Contributions - Employee	-	275,417	(275,417)
Net investment income	-	2,421,348	(2,421,348)
Benefit payments, including refunds	(4,102,443)	(4,102,443)	-
Administrative expenses	-	(47,748)	47,748
Net changes	366,979	444,000	(77,021)
Balance at December 31, 2016	\$ 50,135,997	\$ 22,536,026	\$ 27,599,971

The plan's fiduciary net position represents 44.9 percent of the total pension liability.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended December 31, 2017, the City recognized pension expense of \$2,795,159.

At December 31, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 128,097	\$ 1,186,393
Changes in assumptions	2,851,789	-
Net difference between projected and actual earnings on pension plan investments	627,175	-
Employer contributions to the plan subsequent to the measurement date	1,901,927	-
Total	\$ 5,508,988	\$ 1,186,393

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (note that employer contributions subsequent to the measurement date will reduce the net pension liability and, therefore, will not be included in future pension expense):

Years Ending December 31	Amount
2018	\$ 398,964
2019	778,538
2020	771,784
2021	471,382

December 31, 2017**Note 9 - Pension Plan (Continued)*****Actuarial Assumptions***

The total pension liability in the December 31, 2016 actuarial valuation was determined using an inflation assumption of 2.5 percent; assumed salary increases of 3.75 to 14.75 percent; an investment rate of return (net of pension plan investment expenses, gross of administrative expenses) of 8.00 percent; and using the RP-2014 mortality tables. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total pension liability was 8.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Investment Rate of Return

The long-term expected rate of return on pension plan investments was determined using a model in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense, and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return as of the December 31, 2016 measurement date, for each major asset class included in the pension plan's target asset allocation, are summarized in the following tables:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Global equity	58.00 %	6.65 %
Global fixed income	20.00	1.76
Real assets	12.00	7.72
Diversifying strategies	10.00	5.50

The preceding target allocation was amended as of January 1, 2017 to reduce the previous allocation to global equity and global fixed income and to increase the allocation of real assets and diversifying strategies. The target allocation as of January 1, 2017 will be 55.5 percent global equity, 18.5 percent global fixed income, 13.5 percent real assets, and 12.5 percent diversifying strategies.

The following presents the net pension liability of the City, calculated using the discount rate of 8.00 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.00 percent) or 1 percentage point higher (9.00 percent) than the current rate:

	1 Percent Decrease (7.00%)	Current Discount Rate (8.00%)	1 Percent Increase (9.00%)
Net pension liability of the City	\$ 32,540,949	\$ 27,599,970	\$ 23,372,276

December 31, 2017**Note 9 - Pension Plan (Continued)*****Pension Plan Fiduciary Net Position***

Detailed information about the plan's fiduciary net position is not available in the separately issued financial report. For the purpose of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, and pension expense, information about the plan's fiduciary net position and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due, pursuant to legal requirements. Benefit payments and refunds of employee contributions are recognized as expense when due and payable in accordance with the benefit terms.

Note 10 - 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 with 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 dependents. At December 31, 2016, membership consisted of 105 retirees currently receiving benefits, seven terminated employees entitled to benefits but not yet receiving them, and 56 current active employees. At December 31, 2017, 121 participants were eligible.

Funding Policy

Retiree healthcare costs are recognized when paid by the City on a "pay-as-you-go" basis. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment. As shown below, the City has made no contributions to advance fund these benefits as of December 31, 2017.

Funding Progress

For the year ended December 31, 2017, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of December 31, 2016. 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 costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 2,894,807
Interest on the prior year's net OPEB obligation	600,646
Less adjustment to the annual required contribution	<u>(697,548)</u>
Annual OPEB cost	2,797,905
Amounts contributed - Payments of current premiums	<u>(1,342,621)</u>
Increase in net OPEB obligation	1,455,284
OPEB obligation - Beginning of year	<u>16,233,670</u>
OPEB obligation - End of year	\$ 17,688,954

City of Harper Woods, Michigan

Notes to Financial Statements

December 31, 2017

Note 10 - Other Postemployment Benefits (Continued)

Employer contributions and annual OPEB cost data for the current and two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Costs	Percentage Contributed	Net OPEB Obligation
December 31, 2017	\$ 2,797,905	48.00 %	\$ 17,688,954
December 31, 2016	3,184,296	39.80	16,233,670
December 31, 2015	3,106,008	35.00	14,315,680

The funding progress of the plan 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
December 31, 2016	\$ -	\$ 45,615,204	\$ 45,615,204	- %	\$ 4,111,436	1,109.47 %
December 31, 2013	-	47,780,322	47,780,322	-	3,929,586	1,215.91
December 31, 2010	-	54,633,594	54,633,594	-	6,229,056	877.08

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. The schedule of funding progress, presented above, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2016 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.70 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date and an annual healthcare cost trend rate of 8.50 percent initially reduced by decrements to an ultimate rate of 4.00 percent after year nine. Both rates included a 2.50 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2016 was 24 years.

Note 11 - Contingent Liabilities

The City is subject to various legal proceedings and claims that arise in the ordinary course of its 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.

December 31, 2017

Note 12 - Tax Abatements

The Brownfield Redevelopment Authority, a discretely presented component unit, uses Brownfield Redevelopment Agreements under PA 381 of 1996 to reimburse taxpayers that remediate environmental contamination on their properties. As a result of these agreements, the City's tax revenue is reduced. For the fiscal year ended December 31, 2017, the City abated \$43,840 of taxes under this program. There are no provisions to recapture taxes.

There are no significant abatements made by other governments that reduce the City's tax revenue.

Required Supplemental Information

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 7,087,110	\$ 7,968,770	\$ 6,606,525	\$ (1,362,245)
Intergovernmental:				
Federal sources	264,524	259,330	280,183	20,853
State sources	1,423,691	1,545,404	1,651,368	105,964
Charges for services	1,735,813	431,489	517,946	86,457
Fines and forfeitures	-	543,227	852,390	309,163
Licenses and permits	375,807	449,420	429,851	(19,569)
Service fees	-	268,886	301,614	32,728
Other revenue	31,670	369,587	419,797	50,210
Total revenue	10,918,615	11,836,113	11,059,674	(776,439)
Expenditures				
Current services:				
General government:				
City council	32,632	36,300	34,762	1,538
City manager	85,792	155,590	185,320	(29,730)
General services administration	823,151	542,595	535,404	7,191
Clerk/Elections	130,752	144,104	182,263	(38,159)
District court	487,954	501,612	515,162	(13,550)
Dial-A-Ride/PAATS	16,000	65,373	76,336	(10,963)
Insurance and other functions	4,353,805	4,217,457	4,356,362	(138,905)
Public safety:				
Law enforcement	3,052,827	3,282,296	3,430,803	(148,507)
Fire and EMS	802,676	789,888	775,343	14,545
Other	429,000	500,156	516,733	(16,577)
Public works	457,074	536,350	529,316	7,034
Recreation and culture	255,850	408,560	403,067	5,493
Capital outlay	-	93,347	263,992	(170,645)
Total expenditures	10,927,513	11,273,628	11,804,863	(531,235)
Excess of Revenue (Under) Over Expenditures	(8,898)	562,485	(745,189)	(1,307,674)
Other Financing Sources (Uses)				
Transfers in	75,000	-	-	-
Transfers out	-	(275,000)	-	275,000
Proceeds from capital lease obligation	-	-	128,562	128,562
Total other financing sources (uses)	75,000	(275,000)	128,562	403,562
Net Change in Fund Balance	66,102	287,485	(616,627)	(904,112)
Fund Balance - Beginning of year	909,828	909,828	909,828	-
Fund Balance - End of year	\$ 975,930	\$ 1,197,313	\$ 293,201	\$ (904,112)

See note to required supplemental information -
schedule of pension contributions.

City of Harper Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Refuse

Year Ended December 31, 2017

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 509,900	\$ 509,900	\$ 534,669	\$ 24,769
Charges for services	384,085	384,085	498,580	114,495
Other revenue	8,000	8,000	13,307	5,307
Total revenue	901,985	901,985	1,046,556	144,571
Expenditures				
Current services:				
General government	7,000	7,000	7,000	-
Public works - Rubbish disposal	793,885	793,885	850,025	(56,140)
Total expenditures	800,885	800,885	857,025	(56,140)
Net Change in Fund Balance	101,100	101,100	189,531	88,431
Fund Balance - Beginning of year	(252,176)	(252,176)	(252,176)	-
Fund Balance - End of year	\$ (151,076)	\$ (151,076)	\$ (62,645)	\$ 88,431

City of Harper Woods, Michigan

Required Supplemental Information Schedule of Changes in the Net Pension Liability and Related Ratios

	Last Three Fiscal Years		
	2017 (12/31/16 Measurement Date)	2016 (12/31/15 Measurement Date)	2015 (12/31/14 Measurement Date)
Total Pension Liability			
Service cost	\$ 442,165	\$ 447,927	\$ 847,028
Interest	3,835,112	4,644,147	4,116,587
Changes in benefit terms	-	(8,564,790)	-
Differences between expected and actual experience	192,145	(2,931,089)	-
Changes in assumptions	-	938,326	4,325,983
Benefit payments, including refunds	<u>(4,102,443)</u>	<u>(4,689,984)</u>	<u>(4,117,700)</u>
Net Change in Total Pension Liability	366,979	(10,155,463)	5,171,898
Total Pension Liability - Beginning of year	<u>49,769,018</u>	<u>59,924,481</u>	<u>54,752,583</u>
Total Pension Liability - End of year	\$ 50,135,997	\$ 49,769,018	\$ 59,924,481
Plan Fiduciary Net Position			
Contributions - Employer	\$ 1,897,426	\$ 1,416,670	\$ 1,500,000
Contributions - Member	275,417	204,517	279,160
Net investment income	2,421,348	1,168,106	362,145
Administrative expenses	(47,748)	(13,106)	(11,000)
Benefit payments, including refunds	<u>(4,102,443)</u>	<u>(4,689,984)</u>	<u>(4,117,700)</u>
Other	-	356,032	(3,461)
Net Change in Plan Fiduciary Net Position	444,000	(1,557,765)	(1,990,856)
Plan Fiduciary Net Position - Beginning of year	<u>22,092,026</u>	<u>23,649,791</u>	<u>25,640,647</u>
Plan Fiduciary Net Position - End of year	\$ 22,536,026	\$ 22,092,026	\$ 23,649,791
City's Net Pension Liability - Ending	\$ 27,599,971	\$ 27,676,992	\$ 36,274,690
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	44.95 %	44.39 %	39.47 %
Covered Employee Payroll	\$ 3,315,282	\$ 3,105,021	\$ 4,799,027
City's Net Pension Liability as a Percentage of Covered Employee Payroll	832.51 %	891.36 %	755.88 %

*Note: Governmental Accounting Standards Board Statement No. 68 was implemented beginning with fiscal year 2015. Therefore, 10-year trend information is not yet available.

City of Harper Woods, Michigan

Required Supplemental Information
 Schedule of Pension Contributions
 Municipal Employees' Retirement System

	Last Ten Fiscal Years Years Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Actuarially determined contribution	\$ 1,901,927	\$ 1,932,282	\$ 2,387,419	\$ 1,917,203	\$ 1,858,968	\$ 1,447,960	\$ 1,139,769	\$ 902,340	\$ 669,704	\$ 652,491
Contributions in relation to the actuarially determined contribution	<u>1,901,927</u>	<u>1,932,282</u>	<u>1,716,561</u>	<u>1,500,000</u>	<u>-</u>	<u>1,390,661</u>	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>500,000</u>
Contribution Excess	\$ -	\$ -	\$ 670,858	\$ 417,203	\$ 1,858,968	\$ 57,299	\$ 989,769	\$ 902,340	\$ 669,704	\$ 152,491
City's Covered Employee Payroll	\$ 3,514,933	\$ 3,315,282	\$ 3,105,021	\$ 4,799,027	\$ 4,719,273	\$ 5,389,968	\$ 6,229,056	\$ 6,733,424	\$ 6,251,118	\$ 6,270,323
Contributions as a Percentage of Covered Employee Payroll	54.11 %	58.28 %	55.28 %	31.26 %	- %	25.80 %	2.41 %	- %	- %	7.97 %

See note to required supplemental information - schedule of pension contributions.

City of Harper Woods, Michigan

Required Supplemental Information Schedule of Pension Investment Returns

	Last Ten Fiscal Years Years Ended December 31									
	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Annual money-weighted rate of return - Net of investment expense	5.38 %	2.50 %	0.50 %	1.40 %	- %	- %	- %	- %	- %	- %

See note to required supplemental information - schedule of pension contributions.

City of Harper Woods, Michigan

Required Supplemental Information Schedule of OPEB Funding Progress

Years Ended December 31

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
December 31, 2016	\$ -	\$ 45,615,204	\$ 45,615,204	-	\$ 4,111,436	1,109.47
December 31, 2013	-	47,780,322	47,780,322	-	3,929,586	1,215.91
December 31, 2010	-	54,633,594	54,633,594	-	6,229,056	877.08
December 31, 2008	-	35,500,009	35,500,009	-	6,521,118	544.39

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of December 31, 2016, the latest actuarial valuation, follows:

Amortization method	Level percent
Amortization period (perpetual)	24-year closed
Asset valuation method	Five-year smoothed market
Actuarial assumptions:	
Investment rate of return	3.70 percent
Projected salary increases	3.75 percent
*Includes inflation at	2.50 percent
Cost-of-living adjustments	None

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

City of Harper Woods, Michigan

Note to Required Supplemental Information Schedule of Pension Contributions

December 31, 2017

Pension Information

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31, one year prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry-age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 years
Asset valuation method	Five-year smoothed market
Inflation	2.50 percent
Salary increase	3.75 percent to 14.75 percent, including inflation
Investment rate of return	8.00 percent, net of pension plan investment and gross of administrative expenses
Retirement age	Age-based table of rates that are specific to the type of eligibility condition.
Mortality	50 percent female/50 percent male RP-2014 Healthy Annuity Mortality Table (rates multiplied by 105 percent), RP-2014 Employee Mortality Table, and RP-2014 Juvenile Mortality Table. For disabled retirees, RP-2014 Disabled Retiree Mortality Table, 50 percent male and 50 percent female blend.

Other Supplemental Information

City of Harper Woods, Michigan

	Special Revenue Funds			
	Library Fund	Drug Law Enforcement	Police Forfeiture, Canine, and Special Projects Fund	Community Development Block Grant
Assets				
Cash and investments	\$ 249,248	\$ 12,039	\$ 77,685	\$ 937
Receivables:				
Property taxes	230,357	-	-	-
Due from other governmental units	-	-	-	-
Due from other funds	-	-	-	-
Inventories and prepaid items	-	-	-	-
Total assets	\$ 479,605	\$ 12,039	\$ 77,685	\$ 937
Liabilities				
Accounts payable	\$ 1,947	\$ -	\$ 153	\$ -
Due to other funds	-	-	-	-
Accrued liabilities and other	25,373	-	-	-
Rehabilitation escrow	-	-	-	-
Total liabilities	27,320	-	153	-
Deferred Inflows of Resources - Property taxes levied for the following year	390,312	-	-	-
Total liabilities and deferred inflows of resources	417,632	-	153	-
Fund Balances				
Nonspendable - Inventory	-	-	-	-
Restricted:				
Roads	-	-	-	-
Debt service	-	-	-	-
Grants	-	-	-	937
Library	61,973	-	-	-
Drug enforcement	-	12,039	-	-
Public safety	-	-	77,532	-
Total fund balances	61,973	12,039	77,532	937
Total liabilities, deferred inflows of resources, and fund balances	\$ 479,605	\$ 12,039	\$ 77,685	\$ 937

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds**

December 31, 2017

Special Revenue Funds			Debt Service Fund		Total Nonmajor Governmental Funds
Loan Revolving	Local Streets Fund	Major Streets Fund	General Obligation Bonds Fund		
\$ 322,219	\$ 24	\$ -	\$ 465,041	\$ 1,127,193	
-	-	-	170,738	401,095	
16,688	49,635	118,339	-	184,662	
-	-	39,452	-	39,452	
-	-	18,226	-	18,226	
\$ 338,907	\$ 49,659	\$ 176,017	\$ 635,779	\$ 1,770,628	
\$ -	\$ 5,820	\$ 12,501	\$ -	\$ 20,421	
-	39,452	66,813	-	106,265	
-	2,000	4,055	-	31,428	
325,936	-	-	-	325,936	
325,936	47,272	83,369	-	484,050	
-	-	-	287,396	677,708	
325,936	47,272	83,369	287,396	1,161,758	
-	-	18,226	-	18,226	
-	2,387	74,422	-	76,809	
-	-	-	348,383	348,383	
12,971	-	-	-	13,908	
-	-	-	-	61,973	
-	-	-	-	12,039	
-	-	-	-	77,532	
12,971	2,387	92,648	348,383	608,870	
\$ 338,907	\$ 49,659	\$ 176,017	\$ 635,779	\$ 1,770,628	

City of Harper Woods, Michigan

	Special Revenue Funds			
	Library Fund	Drug Law Enforcement	Police Forfeiture, Canine, and Special Projects Fund	Community Development Block Grant
Revenue				
Property taxes	\$ 396,133	\$ -	\$ -	\$ -
Intergovernmental - State sources	10,912	-	-	120,636
Other revenue	37,119	808	12,010	-
Total revenue	444,164	808	12,010	120,636
Expenditures				
Current services:				
General government	-	-	-	119,762
Public safety	-	24,287	19,629	-
Public works	-	-	-	-
Recreation and culture	438,986	-	-	-
Capital outlay	-	17,217	-	-
Debt service	-	-	-	-
Total expenditures	438,986	41,504	19,629	119,762
Excess of Revenue Over (Under) Expenditures	5,178	(40,696)	(7,619)	874
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in Fund Balances	5,178	(40,696)	(7,619)	874
Fund Balances - Beginning of year	56,795	52,735	85,151	63
Fund Balances - End of year	\$ 61,973	\$ 12,039	\$ 77,532	\$ 937

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in Fund
Balances
Nonmajor Governmental Funds

Year Ended December 31, 2017

Special Revenue Funds			Debt Service Fund		Total Nonmajor Governmental Funds
Loan Revolving	Local Streets Fund	Major Streets Fund	General Obligation Bonds Fund		
\$ -	\$ -	\$ -	\$ 299,952	\$ 696,085	
-	325,272	775,571	-	1,232,391	
-	12,236	28,551	-	90,724	
					2,019,200
926	20,000	56,500	-	197,188	
-	-	-	-	43,916	
-	879,030	403,132	-	1,282,162	
-	-	-	-	438,986	
-	-	-	-	17,217	
-	-	-	256,925	256,925	
					2,236,394
(926)	(561,522)	344,490	43,027	(217,194)	
-	378,579	-	-	378,579	
-	-	(378,579)	-	(378,579)	
-	378,579	(378,579)	-	-	
(926)	(182,943)	(34,089)	43,027	(217,194)	
13,897	185,330	126,737	305,356	826,064	
\$ 12,971	\$ 2,387	\$ 92,648	\$ 348,383	\$ 608,870	

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds

December 31, 2017

	<u>Equipment Fund</u>	<u>Self-insurance Fund</u>	<u>Total Internal Service Funds</u>
Assets			
Current assets - Cash and investments	\$ 45,000	\$ -	\$ 45,000
Noncurrent assets - Capital assets	<u>193,400</u>	<u>-</u>	<u>193,400</u>
Total assets	238,400	-	238,400
Liabilities			
Current liabilities:			
Accounts payable	4,229	-	4,229
Due to other funds	9,443	-	9,443
Accrued liabilities and other	<u>1,928</u>	<u>-</u>	<u>1,928</u>
Total liabilities	<u>15,600</u>	<u>-</u>	<u>15,600</u>
Net Position			
Net investment in capital assets	193,400	-	193,400
Unrestricted (deficit)	<u>29,400</u>	<u>-</u>	<u>29,400</u>
Total net position	<u>\$ 222,800</u>	<u>\$ -</u>	<u>\$ 222,800</u>

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Internal Service Funds

Year Ended December 31, 2017

	Equipment Fund	Self-insurance Fund	Total Internal Service Funds
Operating Revenue - Billings to other funds	\$ 289,685	\$ -	\$ 289,685
Operating Expenses			
Cost of materials	43,755	-	43,755
Operating and maintenance costs	104,385	-	104,385
General and administrative	60,500	-	60,500
Depreciation	43,300	-	43,300
Total operating expenses	251,940	-	251,940
Operating Income	37,745	-	37,745
Transfers Out	-	(269,285)	(269,285)
Change in Net Position	37,745	(269,285)	(231,540)
Net Position - Beginning of year	185,055	269,285	454,340
Net Position - End of year	<u>\$ 222,800</u>	<u>\$ -</u>	<u>\$ 222,800</u>

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds

Year Ended December 31, 2017

	<u>Equipment Fund</u>	<u>Self-insurance Fund</u>	<u>Total Internal Service Funds</u>
Cash Flows from Operating Activities			
Receipts from interfund services and reimbursements	\$ 169,049	\$ -	\$ 169,049
Payments to suppliers	(83,566)	-	(83,566)
Payments to employees and fringes	(89,078)	-	(89,078)
Payments to other funds	(35,000)	-	(35,000)
Net cash and cash equivalents used in operating activities	(38,595)	-	(38,595)
Cash Flows Used in Noncapital Financing Activities -			
Transfers to other funds	-	(269,285)	(269,285)
Net Decrease in Cash and Cash Equivalents			
	(38,595)	(269,285)	(307,880)
Cash and Cash Equivalents - Beginning of year	<u>83,595</u>	<u>269,285</u>	<u>352,880</u>
Cash and Cash Equivalents - End of year	<u>\$ 45,000</u>	<u>\$ -</u>	<u>\$ 45,000</u>
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 37,745	\$ -	\$ 37,745
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	43,300	-	43,300
Changes in assets and liabilities:			
Due to and from other funds	(120,636)	-	(120,636)
Accounts payable	393	-	393
Accrued and other liabilities	603	-	603
Total adjustments	(76,340)	-	(76,340)
Net cash and cash equivalents used in operating activities	<u>\$ (38,595)</u>	<u>\$ -</u>	<u>\$ (38,595)</u>

City of Harper Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds

December 31, 2017

	<u>Tax Collection</u>	<u>District Court</u>	<u>Total Agency Funds</u>
Assets - Cash and cash equivalents	\$ 1,155,977	\$ 87,467	\$ 1,243,444
Liabilities			
Due to other governmental units	\$ -	\$ 73,747	\$ 73,747
Refundable deposits, bonds, etc.	-	13,720	13,720
Tax collections distributable	1,155,977	-	1,155,977
Total liabilities	\$ 1,155,977	\$ 87,467	\$ 1,243,444