
City of Harper Woods, Michigan

**Financial Report
with Supplemental Information
December 31, 2021**

City of Harper Woods, Michigan

Mayor and City Council

Mayor

Valerie Kindle

Mayor Pro-Tem
Council Member
Council Member
Council Member
Council Member
Council Member

Vivian M. Sawicki
Cheryl A. Costantino
Veronica Paiz
Tom Jenny
Regina Williams
Ivery Toussant, Jr.

City Administration

Acting City Manager

John Szymanski

City Clerk

Leslie M. Frank

Acting City Treasurer

Kim Keogh

Acting Finance Director

Maria Nawrocki

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.

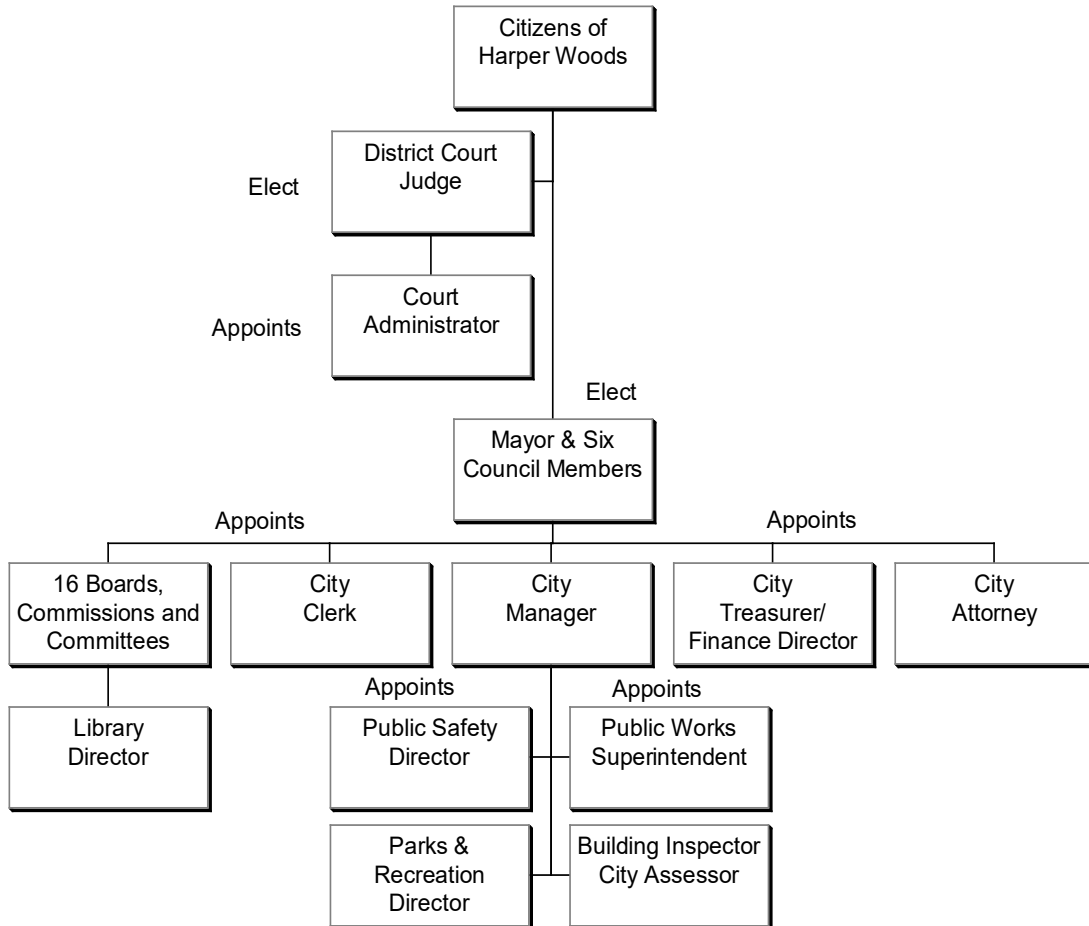
The elective officials of the City consist of seven council members and the mayor, all of whom are nominated and elected from the City at large. Three of its members are elected to the council every two years for four-year terms. The mayor is elected every two years for a two-year term.

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.

Administrative Organization Chart	1
Independent Auditor's Report	2-4
Management's Discussion and Analysis	5-8
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	9
Statement of Activities	10-11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of the Balance Sheet to the Statement of Net Position	13
Statement of Revenue, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances to the Statement of Activities	15
Proprietary Funds:	
Statement of Net Position	16
Statement of Revenue, Expenses, and Changes in Net Position	17
Statement of Cash Flows	18
Fiduciary Funds:	
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
Notes to Financial Statements	21-43
Required Supplemental Information	44
Budgetary Comparison Schedule - General Fund	45
Budgetary Comparison Schedule - Major Special Revenue Fund	46
Schedule of Changes in the Net Pension Liability and Related Ratios	47
Schedule of Pension Contributions	48
Schedule of Changes in the Total OPEB Liability and Related Ratios	49
Notes to Required Supplemental Information	50-51
Other Supplemental Information	52
Nonmajor Governmental Funds:	
Combining Balance Sheet	53-54
Combining Statement of Revenue, Expenditures, and Changes in Fund Balances	55-56
Combining Statement of Fiduciary Net Position	57
Combining Statement of Changes in Fiduciary Net Position	58

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

Opinions

We have audited the 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, 2021 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, as listed in the table of contents.

In our opinion, the accompanying 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 as of December 31, 2021 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the City and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for 12 months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 and related ratios and pension contributions, OPEB system schedule of changes in the total OPEB liability and related ratios; and the major fund budgetary comparison schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The other supplemental information, as identified in the table of contents, and Administrative Organization Chart are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such 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. The 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.

Other Information

Management is responsible for the other information included in the annual financial report. The other information comprises the Administrative Organization Chart but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements or whether the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Plante & Moran, PLLC

June 15, 2022

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, 2021. 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, 2021 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Assets						
Current assets	\$ 17,660	\$ 17,233	\$ 2,590	\$ 1,651	\$ 20,250	\$ 18,884
Noncurrent assets - Capital assets	30,014	30,698	4,895	4,981	34,909	35,679
Total assets	47,674	47,931	7,485	6,632	55,159	54,563
Deferred Outflows of Resources	4,503	9,088	705	1,158	5,208	10,246
Liabilities						
Current liabilities	5,391	3,211	637	456	6,028	3,667
Long-term liabilities	75,029	80,349	9,180	9,896	84,209	90,245
Total liabilities	80,420	83,560	9,817	10,352	90,237	93,912
Deferred Inflows of Resources	10,511	8,636	526	167	11,037	8,803
Net Position						
Net investment in capital assets	9,741	10,644	2,650	2,576	12,391	13,220
Restricted	3,611	5,406	-	-	3,611	5,406
Unrestricted	(52,106)	(51,227)	(4,803)	(5,305)	(56,909)	(56,532)
Total net position	<u>\$ (38,754)</u>	<u>\$ (35,177)</u>	<u>\$ (2,153)</u>	<u>\$ (2,729)</u>	<u>\$ (40,907)</u>	<u>\$ (37,906)</u>

In 2021, the City's combined net deficit increased by approximately 7.9 percent from a year ago - from \$37.9 million to \$40.9 million. The governmental activities net deficit increased from a net deficit of \$35.1 million to a deficit of \$38.7 million. This is primarily a result of the \$4.5 million decrease in deferred outflows, which was the result of changes in assumptions experienced by the Other Postemployment Benefits (OPEB) plan administered by the City in fiscal year 2020, which resulted in OPEB cost recoveries in 2020

Management's Discussion and Analysis

but OPEB expenses in 2021. Further, the change in governmental activities net position was affected by a significant increase in current liabilities, which was due to a \$2 million settlement reached in the stormwater litigation subsequent to year-end, and offset by significant decreases in the City's net OPEB liability. The business-type activities net deficit decreased from \$2.7 million to a \$2.1 million deficit as a result of OPEB cost recoveries resulting from the changes made to the OPEB plan.

The following table shows the change in net position for the year ended December 31, 2021 compared to the prior year (in thousands of dollars):

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Program revenue:						
Charges for services	\$ 3,611	\$ 3,520	\$ 5,189	\$ 5,600	\$ 8,800	\$ 9,120
Operating grants and contributions	656	883	-	-	656	883
Capital grants and contributions	86	481	387	200	473	681
General revenue:						
Property taxes	9,985	10,284	-	-	9,985	10,284
State-shared revenue	3,292	2,852	-	-	3,292	2,852
Interest	-	-	-	-	-	-
Miscellaneous	555	439	-	-	555	439
Total revenue	18,185	18,459	5,576	5,800	23,761	24,259
Program Expenses						
General government	8,596	7,484	-	-	8,596	7,484
District court	174	164	-	-	174	164
Public safety	5,569	4,592	-	-	5,569	4,592
Public works	6,005	4,235	-	-	6,005	4,235
Recreation and culture	923	801	-	-	923	801
Interest on long-term debt	495	467	-	-	495	467
Water and sewer	-	-	5,000	4,897	5,000	4,897
Total program expenses	21,762	17,743	5,000	4,897	26,762	22,640
Transfers	-	-	-	-	-	-
Change in Net Position	(3,577)	716	576	903	(3,001)	1,619
Net Position - Beginning of year	(35,177)	(35,893)	(2,729)	(3,632)	(37,906)	(39,525)
Net Position - End of year	<u>\$ (38,754)</u>	<u>\$ (35,177)</u>	<u>\$ (2,153)</u>	<u>\$ (2,729)</u>	<u>\$ (40,907)</u>	<u>\$ (37,906)</u>

Governmental Activities

Total revenue for the City's governmental activities was \$18.1 million for the year ended December 31, 2021. The City experienced a decrease in property tax revenue collections and grant revenue, while charges for services and state shared revenue increased slightly in 2021. The increase in state shared revenue was primarily the result of an underpayment of state shared revenues previously distributed.

Management's Discussion and Analysis

Expenses for the City's governmental activities totaled \$21.7 million for the year ended December 31, 2021, an increase of approximately 22.6 percent, which is primarily a result of significant Pension and OPEB costs recognized during 2021 based on changes made to the plans. The increase in public works expense can be attributed to the \$2 million stormwater litigation settlement reached subsequent to year-end.

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. The City decreased its revenue in 2021 by \$0.2 million from 2020 due to COVID related delinquencies and increased its expenses for 2021 by \$0.1 million as compared to 2020. There was an overall increase in net position of \$0.5 million for 2021.

The City's Funds

Our analysis of the City's major funds begins on page 12, 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 \$4.5 million in 2021. 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.

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 2021. Significant negative revenue budget variances were due to the decreased grant revenue from federal, state, and local sources and decreased revenue collections overall due to COVID related concerns. Significant unfavorable expenditure variances were due to fringe benefit costs, Police and Fire administration, and rubbish disposal costs.

Capital Asset and Debt Administration

At the end of fiscal year 2021, the City had \$34.9 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, Sewage Disposal System Revenue Bond, Milk River Drainage District Bonds, and a Capital Improvement Bond. The Library Bond has a maturity date in 2024, the Sewage Revenue Bond has a maturity date in 2033, the Milk River Drainage District Bonds have maturity dates in 2039 (2016 Series) and 2034 (2020 Series), and the Capital Improvement Bond has a maturity date in 2038.

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 Manquen Vance, Inc. and actively pursued changes in employee collective bargaining agreements. 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. The economic fallout due to COVID-19 continues to cause unanticipated expenses in the City's budget, which may be partially offset by future grant funding.

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.

December 31, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Cash and cash equivalents (Note 3)	\$ 10,418,032	\$ 875,515	\$ 11,293,547	\$ 19,967
Receivables:				
Property taxes	4,855,879	-	4,855,879	-
Customer receivables	-	1,669,656	1,669,656	-
Other receivables	443,993	-	443,993	-
Due from other governmental units	782,878	-	782,878	-
Service fee	993,538	-	993,538	-
Inventories and prepaid items	109,727	44,292	154,019	-
Restricted assets - Restricted cash and cash equivalents	11,383	-	11,383	-
Investment in joint ventures (Note 8)	44,404	-	44,404	-
Capital assets: (Note 4)				
Assets not subject to depreciation	1,989,020	-	1,989,020	-
Assets subject to depreciation - Net	28,025,487	4,895,053	32,920,540	-
Total assets	47,674,341	7,484,516	55,158,857	19,967
Deferred Outflows of Resources				
Deferred pension costs (Note 9)	4,050,633	645,297	4,695,930	-
Deferred OPEB costs (Note 10)	452,490	59,705	512,195	-
Total deferred outflows of resources	4,503,123	705,002	5,208,125	-
Liabilities				
Accounts payable	289,098	603,637	892,735	-
Customer deposits	-	4,200	4,200	-
Accrued liabilities and other	1,214,283	28,640	1,242,923	-
Unearned revenue - American Rescue Plan Act	414,240	-	414,240	-
Stormwater settlement liability (Note 7)	2,000,000	-	2,000,000	-
Rehabilitation escrow	4,563	-	4,563	-
Noncurrent liabilities:				
Due within one year:				
Current portion of compensated absences (Note 6)	200,000	3,676	203,676	-
Current portion of bonds and contracts payable (Note 6)	1,269,547	160,000	1,429,547	-
Due in more than one year:				
Compensated absences (Note 6)	805,190	-	805,190	-
Net pension liability (Note 9)	27,499,383	3,278,136	30,777,519	-
Total OPEB liability (Note 10)	27,686,998	3,653,347	31,340,345	-
Bonds and contracts payable - Net of current portion (Note 6)	19,015,195	2,085,000	21,100,195	-
Other	22,022	-	22,022	-
Total liabilities	80,420,519	9,816,636	90,237,155	-
Deferred Inflows of Resources				
Property taxes levied for the following year	7,636,445	-	7,636,445	19,967
Deferred pension cost reductions (Note 9)	1,229,240	308,962	1,538,202	-
Deferred OPEB cost reductions (Note 10)	1,645,330	217,101	1,862,431	-
Total deferred inflows of resources	10,511,015	526,063	11,037,078	19,967
Net Position (Deficit)				
Net investment in capital assets	9,741,148	2,650,053	12,391,201	-
Restricted:				
Roads	2,507,310	-	2,507,310	-
Drain maintenance and debt service	468,626	-	468,626	-
Library	306,514	-	306,514	-
Refuse	74,384	-	74,384	-
Drug enforcement	859	-	859	-
Grants	169,593	-	169,593	-
Public safety	83,220	-	83,220	-
Unrestricted	(52,105,724)	(4,803,234)	(56,908,958)	-
Total net position (deficit)	\$ (38,754,070)	\$ (2,153,181)	\$ (40,907,251)	\$ -

City of Harper Woods, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 8,596,300	\$ 1,163,271	\$ 223,032	\$ -
District court	173,874	-	116,808	-
Public safety	5,568,844	42,518	316,611	57,539
Public works	6,004,971	2,068,720	-	26,564
Recreation and culture	923,295	336,746	-	1,690
Interest on long-term debt	495,325	-	-	-
Total governmental activities	21,762,609	3,611,255	656,451	85,793
Business-type activities - Water and Sewer Fund	5,000,845	5,189,130	-	387,061
Total primary government	\$ 26,763,454	\$ 8,800,385	\$ 656,451	\$ 472,854
Component units - Brownfield Redevelopment Authority	\$ 21,578	\$ -	\$ -	\$ -
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Loss from joint venture				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position (Deficit) - Beginning of year				
Net Position (Deficit) - End of year				

Statement of Activities

Year Ended December 31, 2021

Net (Expense) Revenue and Changes in Net Position			
Primary Government			
Governmental Activities	Business-type Activities	Total	Component Units
\$ (7,209,997)	\$ -	\$ (7,209,997)	\$ -
(57,066)	-	(57,066)	-
(5,152,176)	-	(5,152,176)	-
(3,909,687)	-	(3,909,687)	-
(584,859)	-	(584,859)	-
(495,325)	-	(495,325)	-
(17,409,110)	-	(17,409,110)	-
-	575,346	575,346	-
(17,409,110)	575,346	(16,833,764)	-
-	-	-	(21,578)
9,984,943	-	9,984,943	21,578
3,292,222	-	3,292,222	-
(10,972)	-	(10,972)	-
565,851	-	565,851	-
13,832,044	-	13,832,044	21,578
(3,577,066)	575,346	(3,001,720)	-
(35,177,004)	(2,728,527)	(37,905,531)	-
<u>\$ (38,754,070)</u>	<u>\$ (2,153,181)</u>	<u>\$ (40,907,251)</u>	<u>\$ -</u>

Governmental Funds
Balance Sheet

December 31, 2021

	General Fund	Debt Service Fund		Special Revenue Fund		Total Governmental Funds
		Storm Drain Fund	Refuse Fund	Nonmajor Funds		
Assets						
Cash and cash equivalents (Note 3)	\$ 3,594,511	\$ 2,739,605	\$ 287,255	\$ 3,547,091	\$ 10,168,462	
Receivables:						
Property taxes	4,181,634	-	322,295	351,950	4,855,879	
Other receivables	162,871	165,194	95,783	20,145	443,993	
Due from other governmental units	447,188	-	-	335,690	782,878	
Service fee	-	993,538	-	-	993,538	
Due from other funds (Note 5)	288	-	-	-	288	
Inventories and prepaid items	105,369	-	-	4,358	109,727	
Restricted assets	-	-	-	11,383	11,383	
Total assets	\$ 8,491,861	\$ 3,898,337	\$ 705,333	\$ 4,270,617	\$ 17,366,148	
Liabilities						
Accounts payable	\$ 188,173	\$ 11,448	\$ 27,116	\$ 50,517	\$ 277,254	
Due to other funds	-	-	-	288	288	
Accrued liabilities and other	1,012,324	13,533	23,619	32,713	1,082,189	
Unearned revenue - American Rescue Plan Act	414,240	-	-	-	414,240	
Rehabilitation escrow	-	-	-	4,563	4,563	
Deferred Inflows of Resources						
Unavailable revenue	164,065	-	-	58,967	223,032	
Property taxes levied for the following year	4,547,844	1,837,190	580,214	671,197	7,636,445	
Total deferred inflows of resources	4,711,909	1,837,190	580,214	730,164	7,859,477	
Total liabilities and deferred inflows of resources	6,326,646	1,862,171	630,949	818,245	9,638,011	
Fund Balances						
Nonspendable:						
Inventory	36,290	-	-	4,358	40,648	
Prepays	69,079	-	-	-	69,079	
Restricted:						
Roads	-	-	-	2,502,952	2,502,952	
Drain maintenance and debt service	-	2,036,166	-	432,460	2,468,626	
Grants	-	-	-	110,626	110,626	
Capital projects	-	-	-	11,383	11,383	
Library	-	-	-	306,514	306,514	
Drug enforcement	-	-	-	859	859	
Public safety	-	-	-	83,220	83,220	
Refuse	-	-	74,384	-	74,384	
Unassigned	2,059,846	-	-	-	2,059,846	
Total fund balances	2,165,215	2,036,166	74,384	3,452,372	7,728,137	
Total liabilities, deferred inflows of resources, and fund balances	\$ 8,491,861	\$ 3,898,337	\$ 705,333	\$ 4,270,617	\$ 17,366,148	

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

December 31, 2021

Fund Balances Reported in Governmental Funds	\$ 7,728,137
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	29,952,677
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	223,032
Investments in joint ventures are not financial resources and are not reported in the funds	44,404
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(20,284,742)
Accrued interest is not due and payable in the current period and is not reported in the funds	(129,106)
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	(54,563,018)
Accrued liabilities are not due and payable in the current period and are not reported in the funds	(2,022,022)
Internal service funds are included as part of governmental activities	<u>296,568</u>
Net Position (Deficit) of Governmental Activities	<u>\$ (38,754,070)</u>

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended December 31, 2021

	General Fund	Debt Service Fund	Storm Drain Fund	Special Revenue Fund	Refuse Fund	Nonmajor Funds	Total Governmental Funds
Revenue							
Property taxes	\$ 8,647,164	\$ 6,990		\$ 580,422		\$ 750,367	\$ 9,984,943
Intergovernmental:							
Federal grants	397,876	-		-		-	397,876
State sources	1,864,403	-		-		1,628,730	3,493,133
Charges for services	363,135	-		403,370		-	766,505
Fines and forfeitures	439,651	-		-		-	439,651
Licenses and permits	406,353	-		-		-	406,353
Service fees	310,712		1,740,350	-		-	2,051,062
Other revenue	245,806	-		9,654		346,229	601,689
Total revenue	12,675,100		1,747,340		993,446	2,725,326	18,141,212
Expenditures							
Current services:							
General government	7,191,524	-		7,000		108,555	7,307,079
District court	-	-		-		173,874	173,874
Public safety	4,482,998	-		-		8,986	4,491,984
Public works	497,358		1,091,731	1,087,432		902,707	3,579,228
Recreation and culture	252,501	-		-		546,092	798,593
Capital outlay	47,060		1,270,781	-		204,043	1,521,884
Debt service:							
Principal	-	661,955		-		295,000	956,955
Interest and fiscal charges	-	392,491		-		91,512	484,003
Total expenditures	12,471,441		3,416,958		1,094,432	2,330,769	19,313,600
Excess of Revenue Over (Under) Expenditures	203,659		(1,669,618)		(100,986)	394,557	(1,172,388)
Other Financing Sources (Uses) (Note 5)							
Transfers in	-	-		100,000		535,714	635,714
Transfers out	(203,659)	-		-		(432,055)	(635,714)
New debt issued	-		1,270,781	-		-	1,270,781
Total other financing (uses) sources	(203,659)		1,270,781		100,000	103,659	1,270,781
Net Change in Fund Balances	-		(398,837)		(986)	498,216	98,393
Fund Balances - Beginning of year	2,165,215		2,435,003		75,370	2,954,156	7,629,744
Fund Balances - End of year	\$ 2,165,215		\$ 2,036,166		\$ 74,384	\$ 3,452,372	\$ 7,728,137

Governmental Funds

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

Year Ended December 31, 2021

Net Change in Fund Balances Reported in Governmental Funds	\$ 98,393
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	(1,798,343)
Capital outlay	1,146,324
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	130,303
Loss from joint ventures does not represent current resources and is not reported in the funds	(10,972)
Capital lease and bond proceeds provide current financial resources to governmental funds but increase long-term liabilities in the statement of net position	(1,270,781)
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)	1,097,940
Changes in some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported in the governmental funds	(1,422,360)
Claims and similar costs that do not use current financial resources are not reported as expenditures in the governmental funds	(1,555,237)
Internal service funds are included as part of governmental activities	7,667
Change in Net Position of Governmental Activities	<u>\$ (3,577,066)</u>

Proprietary Funds
Statement of Net Position

December 31, 2021

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Fund - Equipment Fund
Assets		
Current assets:		
Cash and cash equivalents (Note 3)	\$ 875,515	\$ 249,570
Receivables - Customer receivables	1,669,656	-
Inventories and prepaid items	44,292	-
Total current assets	2,589,463	249,570
Noncurrent assets - Capital assets - Assets subject to depreciation - Net (Note 4)	4,895,053	61,830
Total assets	7,484,516	311,400
Deferred Outflows of Resources		
Deferred pension costs (Note 9)	645,297	-
Deferred OPEB costs (Note 10)	59,705	-
Total deferred outflows of resources	705,002	-
Liabilities		
Current liabilities:		
Accounts payable	603,637	11,844
Customer deposits	4,200	-
Accrued liabilities and other	28,640	2,988
Current portion of compensated absences (Note 6)	3,676	-
Current portion of bonds and contracts payable (Note 6)	160,000	-
Total current liabilities	800,153	14,832
Noncurrent liabilities:		
Net pension liability (Note 9)	3,278,136	-
Total OPEB liability (Note 10)	3,653,347	-
Bonds and contracts payable - Net of current portion (Note 6)	2,085,000	-
Total noncurrent liabilities	9,016,483	-
Deferred Inflows of Resources		
Deferred pension cost reductions (Note 9)	308,962	-
Deferred OPEB cost reductions (Note 10)	217,101	-
Total deferred inflows of resources	526,063	-
Net Position (Deficit)		
Net investment in capital assets	2,650,053	61,830
Unrestricted	(4,803,234)	234,738
Total net position (deficit)	\$ (2,153,181)	\$ 296,568

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

Year Ended December 31, 2021

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Fund - Equipment Fund
Operating Revenue		
Customer billings	\$ 5,189,130	\$ -
Billings to other funds	-	334,694
Total operating revenue	5,189,130	334,694
Operating Expenses		
Cost of materials	-	70,171
Water supply and sewage disposal	2,608,839	-
Operating and maintenance costs	1,174,238	165,436
General and administrative	986,474	60,500
Depreciation	175,138	30,920
Total operating expenses	4,944,689	327,027
Operating Income	244,441	7,667
Nonoperating Expense - Interest expense	(56,156)	-
Income - Before capital contributions	188,285	7,667
Capital Contributions - Capital grants	387,061	-
Change in Net Position	575,346	7,667
Net Position (Deficit) - Beginning of year	(2,728,527)	288,901
Net Position (Deficit) - End of year	\$ (2,153,181)	\$ 296,568

Proprietary Funds
Statement of Cash Flows

Year Ended December 31, 2021

	Business-type Activities	Governmental Activities
	Enterprise - Water and Sewer Fund	Internal Service Fund - Equipment Fund
Cash Flows from Operating Activities		
Receipts from customers	\$ 4,929,916	\$ (5,769)
Receipts from interfund services and reimbursements	(306)	340,463
Payments to suppliers	(3,166,302)	(109,983)
Payments to employees and fringes	(1,081,039)	(139,447)
Payments to other funds	(19,000)	(35,000)
Claims paid	(44,000)	-
	<u>619,269</u>	<u>50,264</u>
Net cash and cash equivalents provided by operating activities	619,269	50,264
Cash Flows from Capital and Related Financing Activities		
Receipt of capital grants	387,061	-
Purchase of capital assets	(89,141)	-
Principal and interest paid on capital debt	(218,125)	-
	<u>79,795</u>	<u>-</u>
Net cash and cash equivalents provided by capital and related financing activities	79,795	-
Net Increase in Cash and Cash Equivalents	699,064	50,264
Cash and Cash Equivalents - Beginning of year	176,451	199,306
Cash and Cash Equivalents - End of year	\$ 875,515	\$ 249,570
Reconciliation of Operating Income to Net Cash from Operating Activities		
Operating income	\$ 244,441	\$ 7,667
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	175,138	30,920
Changes in assets and liabilities:		
Receivables	(259,214)	-
Due to and from other funds	(306)	-
Prepaid and other assets	20,401	-
Net pension or OPEB liability	94,226	-
Accounts payable	388,583	10,346
Estimated claims liability	(44,000)	-
Accrued and other liabilities	-	1,331
	<u>374,828</u>	<u>42,597</u>
Total adjustments	374,828	42,597
Net cash and cash equivalents provided by operating activities	\$ 619,269	\$ 50,264

Fiduciary Funds
Statement of Fiduciary Net Position

December 31, 2021

	<u>Custodial Funds</u>
Assets	
Cash and investments	\$ 1,330,165
Receivables - Property taxes	<u>2,333,636</u>
Total assets	3,663,801
Liabilities	
Accounts payable	2,805
Due to other governmental units	12,777
Customer deposits	4,400
Stormwater settlement liability	<u>1,310,183</u>
Total liabilities	1,330,165
Deferred Inflows of Resources - Taxes levied for subsequent year	<u>2,333,636</u>
Net Position	<u><u>\$ -</u></u>

City of Harper Woods, Michigan

Fiduciary Funds
Statement of Changes in Fiduciary Net Position

Year Ended December 31, 2021

	<u>Custodial Funds</u>
Additions	
Property tax collections for other governments	\$ 9,329,675
Court collections	<u>210,888</u>
Total additions	9,540,563
Deductions	
Disbursements to Wayne County, Michigan	5,163,796
Disbursements to Harper Woods Schools	2,671,736
Disbursements to Grosse Pointe Schools	1,271,615
Disbursements to Grosse Pointe Library	203,739
Disbursements to Wayne County Land Bank	24,462
Disbursements to State of Michigan	171,923
Bond disbursements	<u>33,292</u>
Total deductions	<u>9,540,563</u>
Net Change in Fiduciary Net Position	-
Net Position - Beginning of year	<u>-</u>
Net Position - End of year	<u><u>\$ -</u></u>

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. The accompanying financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units are, in substance, part of the City's operations, even though they are separate legal entities. Thus, blended component units are appropriately presented as funds of the City. 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).

The City is a member of the Milk River Drainage District, administered by Wayne County, Michigan. The drainage district serves Wayne County, Michigan; the State of Michigan; and the cities of Grosse Pointe Woods, Harper Woods, and St. Clair Shores, Michigan. As of December 31, 2021, the drainage district had issued \$36,170,000 of debt to make improvements to the system. The City of Harper Woods, Michigan is responsible for 45.81 percent of the project. During 2020, the drainage district issued an additional \$6,385,000 of bonds to pay for the remainder of its improvement project. The City is responsible for 64.11 percent of the bond issuance, as a contributing entity prepaid its share of the assessment in full. As of December 31, 2021, the City has recorded \$18,140,141 for its share of the outstanding debt and \$19,470,039 for its share of the completed capital improvements. In addition to the debt, the City has recorded a liability of \$22,022 due to cost overruns as of December 31, 2021. The City records the activity in the Storm Drain Fund. The drainage district does not issue separate financial statements.

Blended Component Unit

The 32A District Court (the "Court") is a fiduciary component unit governed by a three-member board appointed by the City's governing body. Although it is legally separate from the City, the District Court is reported as if it were part of the primary government because the governing bodies of the Court and the City are substantially the same. In addition, the City has a financial burden related to the Court. The Court does not issue separate financial statements.

Discretely Presented Component Unit

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 Council. In addition, the Authority's budget is subject to approval by the City Council. Complete financial reports can be obtained from the City of Harper Woods, Michigan at 19617 Harper Avenue, Harper Woods, MI 48225.

Note 1 - Significant Accounting Policies (Continued)

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.

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 health care-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.

Note 1 - Significant Accounting Policies (Continued)

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.

The City's internal service funds are used to allocate 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:

- Custodial funds account for assets held by the City in a trustee capacity or as an agent for individuals, organizations, or other governments.

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.

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.

Note 1 - Significant Accounting Policies (Continued)

Specific Balances and Transactions

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and demand deposits.

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.

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

	<u>Depreciable Life - Years</u>
Infrastructure (roads, sidewalks, storm drains)	20-40
Water and sewer system	50-60
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 other financing sources, 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 two items that qualify for reporting in this category. (1) The City has deferred outflows of resources related to the defined benefit pension plan, which are reported in the government-wide and enterprise fund financial statements. (2) The City has deferred outflows of resources related to the other postemployment benefit plan, which are reported in the government-wide and enterprise fund financial statements.

Note 1 - Significant Accounting Policies (Continued)

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 three 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 the governmental funds balance sheet and 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. (3) The City has deferred inflows of resources related to the other postemployment benefit plan, which are reported in the government-wide and enterprise fund financial statements.

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 exist only 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.

Note 1 - Significant Accounting Policies (Continued)

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 2020 property tax revenue was levied and collectible on December 31, 2020 and is recognized as revenue in the year ended December 31, 2021 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2020 taxable valuation of the City totaled \$223,749,312, on which taxes levied consisted of 19.8661 mills for operating purposes, 1.375 mills for debt service, 1.9039 mills for the library, and 2.5345 mills for rubbish removal. This resulted in approximately \$4,331,000 for operating, \$309,000 for debt service, \$418,000 for the library, and \$559,000 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, 2021 and 16.000 mills on December 31, 2021 for the payment of public safety expenditures. The taxes levied during 2021 as a result of the Public Act 33 millage resulted in approximately \$4,288,000 recognized in the General Fund as tax revenue for the year ended December 31, 2021.

Property taxes billed during the month of December 2021, with the exception of the Public Act 33 millage, will be used to finance 2022 operations. As such, these taxes are unavailable and are recorded as deferred inflows of resources in the respective funds at December 31, 2021.

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 health care benefits to retirees. The City records the total OPEB liability calculated by the actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

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.

Note 1 - Significant Accounting Policies (Continued)

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.

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 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement were originally effective for the City's financial statements for the year ended December 31, 2020 but were extended to December 31, 2022 with the issuance of GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*.

In March 2020, the GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, to bring a uniform guidance on how to report public-private and public-public partnership arrangements. As a result, transferors in public-private or public-public arrangements will recognize receivables for installment payments; deferred inflows of resources; and, when applicable, capital assets. Operators will recognize liabilities for installment payments and intangible right-to-use assets and, when applicable, deferred outflows of resources and liabilities for assets being transferred. This statement also provides guidance for accounting and financial reporting for availability payment arrangements, in which a government compensates an operator for services such as designing, constructing, financing, maintaining, or operating an underlying asset for a period of time in an exchange or exchange-like transaction. The provisions of this statement are effective for the City's financial statements for the year ending December 31, 2023.

In May 2020, the Governmental Accounting Standards Board issued Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*, which defines SBITAs and provides accounting and financial reporting for SBITAs by governments. This statement requires a government to recognize a subscription liability and an intangible right-to-use subscription asset for SBITAs. 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, 2023.

December 31, 2021

Note 1 - Significant Accounting Policies (Continued)

In June 2020, the Governmental Accounting Standards Board issued Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. While this standard had certain aspects impacting defined contribution pension and OPEB plans and other employee benefit plans that were effective immediately, it also clarifies when a 457 should be considered a pension plan or an other employee benefit plan to assist in the application of GASB Statement No. 84 to these types of plans. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement related to 457 plans are effective for the City's financial statements for the year ending December 31, 2022.

Note 2 - Stewardship, Compliance, and Accountability

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:

Cumulative shortfall at January 1, 2021		\$	(491,929)
Current year permit revenue			310,920
Related expenses:			
Direct costs	\$	445,130	
Estimated indirect costs		44,513	489,643
			<u> </u>
Current year shortfall			<u>(178,723)</u>
Cumulative shortfall at December 31, 2021		\$	<u><u>(670,652)</u></u>

Note 3 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The 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 that matures no more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions that 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.

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 \$12.6 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 Federal Deposit Insurance Corporation (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.

December 31, 2021

Note 4 - Capital Assets

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

Governmental Activities

	Balance January 1, 2021	Reclassifications	Additions	Disposals	Balance December 31, 2021
Capital assets not being depreciated:					
Land	\$ 737,949	\$ -	\$ -	\$ -	\$ 737,949
Construction in progress	2,327,733	(1,902,681)	826,019	-	1,251,071
Subtotal	3,065,682	(1,902,681)	826,019	-	1,989,020
Capital assets being depreciated:					
Roads	16,561,485	-	220,372	-	16,781,857
Sidewalks	1,119,044	-	-	-	1,119,044
Stormwater drains	27,207,225	1,902,681	-	-	29,109,906
Buildings and improvements	4,614,270	-	47,227	-	4,661,497
Machinery and equipment	4,428,965	-	13,717	-	4,442,682
Vehicles	4,876,543	-	38,989	-	4,915,532
Office furnishings	277,979	-	-	-	277,979
Land improvements	553,194	-	-	-	553,194
Subtotal	59,638,705	1,902,681	320,305	-	61,861,691
Accumulated depreciation:					
Roads	13,367,381	-	666,867	-	14,034,248
Sidewalks	1,119,044	-	-	-	1,119,044
Stormwater drains	8,257,389	-	703,963	-	8,961,352
Buildings and improvements	1,793,394	-	96,541	-	1,889,935
Machinery and equipment	2,822,243	-	117,962	-	2,940,205
Vehicles	4,091,821	-	206,063	-	4,297,884
Office furnishings	208,363	-	12,765	-	221,128
Land improvements	347,306	-	25,102	-	372,408
Subtotal	32,006,941	-	1,829,263	-	33,836,204
Net capital assets being depreciated	27,631,764	1,902,681	(1,508,958)	-	28,025,487
Net governmental activities capital assets	\$ 30,697,446	\$ -	\$ (682,939)	\$ -	\$ 30,014,507

December 31, 2021

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance January 1, 2021	Additions	Disposals	Balance December 31, 2021
Capital assets being depreciated:				
Water system	\$ 7,992,532	\$ 89,141	\$ -	\$ 8,081,673
Sewer system	2,030,235	-	-	2,030,235
Machinery and equipment	199,020	-	-	199,020
Subtotal	10,221,787	89,141	-	10,310,928
Accumulated depreciation:				
Water system	3,771,730	140,077	-	3,911,807
Sewer system	1,291,894	13,154	-	1,305,048
Machinery and equipment	177,113	21,907	-	199,020
Subtotal	5,240,737	175,138	-	5,415,875
Net business-type activities capital assets	<u>\$ 4,981,050</u>	<u>\$ (85,997)</u>	<u>\$ -</u>	<u>\$ 4,895,053</u>

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

Governmental activities:	
General government	\$ 35,630
Public safety	230,767
Public works	1,414,863
Recreation and culture	117,083
Internal service fund depreciation is charged to the various functions based on their usage of the asset	<u>30,920</u>
Total governmental activities	<u>\$ 1,829,263</u>
Business-type activities - Water and sewer	\$ 175,138

Construction Commitments

The City has pending road and parking lot resurfacing projects and a park reconstruction project at year end. The City has committed approximately \$696,000 to these projects.

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances at December 31, 2021 is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Adult Drug Court Grant Fund	\$ 288

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.

December 31, 2021

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Refuse Fund	\$ 100,000
	MIDC - Grant Fund - Courts Fund	12,648
	General Obligation Bonds Fund	89,700
	Mental Health Fund - 32A District Court Fund	1,311
	Total General Fund	203,659
Major Streets Fund	Local Streets Fund	400,000
Loan Revolving Fund	Community Development Block Grant Fund	32,055
	Total	<u>\$ 635,714</u>

The transfer from the General Fund to the General Obligation Bonds Fund represents a transfer of discretionary funds for debt service requirements. The transfers from the General Fund to the MIDC - Grant Fund - Courts Fund, Mental Health Fund, and Refuse Fund represent transfers of discretionary funds for operations of the receiving funds. 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. The transfer from the Loan Revolving Fund to the Community Development Block Grant Fund, both of which are nonmajor governmental funds, represents the transfer of program income for grant operations of the receiving fund.

Note 6 - Long-term Debt

Long-term debt activity for the year ended December 31, 2021 can be summarized as follows:

Governmental Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable:					
Direct borrowings and direct placements:					
Capital lease obligations	\$ 290,650	\$ -	\$ (140,986)	\$ 149,664	\$ 149,664
Milk River Intercounty Drain bond - 2016 series	15,923,556	-	(661,954)	15,261,602	680,279
Milk River Intercounty Drain bond - 2020 series	1,607,758	1,270,781	-	2,878,539	118,604
Total direct borrowings and direct placements principal outstanding	17,821,964	1,270,781	(802,940)	18,289,805	948,547
Other debt:					
Unlimited tax general obligation bonds	1,150,000	-	(250,000)	900,000	275,000
Capital Improvement Bond	1,139,937	-	(45,000)	1,094,937	46,000
Total other debt principal outstanding	2,289,937	-	(295,000)	1,994,937	321,000
Accumulated compensated absences	1,020,268	451,620	(466,698)	1,005,190	200,000
Total governmental activities long-term debt	<u>\$ 21,132,169</u>	<u>\$ 1,722,401</u>	<u>\$ (1,564,638)</u>	<u>\$ 21,289,932</u>	<u>\$ 1,469,547</u>

December 31, 2021

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds payable - Direct borrowings - Limited tax general obligation bonds	\$ 2,405,000	\$ -	\$ (160,000)	\$ 2,245,000	\$ 160,000
Accrued compensated absences	361	4,151	(836)	3,676	3,676
Claims and judgments	44,000	-	(44,000)	-	-
Total business-type activities long-term debt	<u>\$ 2,449,361</u>	<u>\$ 4,151</u>	<u>\$ (204,836)</u>	<u>\$ 2,248,676</u>	<u>\$ 163,676</u>

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, 2021 are as follows:

Purpose	Year Issued	Interest Rates	Maturing	Outstanding
Governmental Activities				
Other debt - Unlimited tax general obligation bonds:				
General Obligation Library Bonds, \$3,100,000 original issue	2004	3.30 to 5.00%	2024	\$ 900,000
Capital Improvements Bonds, \$1,183,000 original issue	2018	4.00%	2038	1,094,937
Direct borrowings and direct placements:				
State Revolving Fund - Milk River Intercounty Drain Bonds	2016	2.50%	2039	15,261,602
State Revolving Fund - Milk River Intercounty Drain Bonds	2020	1.86%	2034	2,878,539
Capital lease obligations	2020	5.90 to 6.65%	2022	149,664
Business-type Activities				
Direct borrowings and direct placements - State Revolving Loan Fund - Sewage Disposal System Revenue Bonds, used to improve sewer system	2015	2.50%	2033	2,245,000

December 31, 2021

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

Total interest expense for the year was \$558,518. 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		
	Direct Borrowings and Direct Placements		Other Debt		Total	Direct Borrowings and Direct Placements		Total
	Principal	Interest	Principal	Interest		Principal	Interest	
2022	\$ 948,546	\$ 434,100	\$ 321,000	\$ 76,836	\$ 1,780,482	\$ 160,000	\$ 54,125	\$ 214,125
2023	818,121	406,436	348,000	62,300	1,634,857	165,000	50,063	215,063
2024	839,651	386,485	375,000	46,353	1,647,489	170,000	45,875	215,875
2025	861,180	366,016	52,000	37,000	1,316,196	175,000	41,563	216,563
2026	879,504	345,059	54,000	34,880	1,313,443	180,000	37,125	217,125
2027-2031	4,666,666	1,372,357	373,000	159,700	6,571,723	975,000	114,687	1,089,687
2032-2036	5,330,745	800,921	385,000	57,100	6,573,766	420,000	10,500	430,500
2037-2041	3,945,392	159,414	86,937	1,740	4,193,483	-	-	-
Total	\$ 18,289,805	\$ 4,270,788	\$ 1,994,937	\$ 475,909	\$ 25,031,439	\$ 2,245,000	\$ 353,938	\$ 2,598,938

Bond Issuance

During 2012, the City issued \$3,410,000 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, 2021, \$2,245,000 of the bond proceeds is outstanding and is recorded as long-term debt 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 \$2,598,938. During the current year, net revenue of the system totaled \$419,579 compared to annual debt requirements of \$214,125.

During 2016, the City became a part of the Milk River Drainage District (MRDD) to acquire, operate, and maintain the Milk River Drain. The MRDD apportioned responsibility to the City to pay 45.81 percent of the state revolving bonds debt. As of December 31, 2021, the City is responsible for \$15,261,602 in bond proceeds still outstanding, which have been distributed for allowable construction costs and are recorded as long-term debt within governmental activities.

During 2018, the City issued \$1,183,000 in capital improvement bonds with an interest rate of 4.0 percent. The proceeds of these bonds were received to fund capital improvements throughout the City. As of December 31, 2021, the City is responsible for \$1,094,937 in outstanding bond proceeds that are recorded as long-term debt within governmental activities.

During 2020, the MRDD took on additional debt. The City is responsible for 64.11 percent of the state revolving bond. As of December 31, 2021, the City is responsible for \$2,878,539 in bond proceeds, which have been distributed for allowable construction costs and are recorded as long-term debt within governmental activities.

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.

December 31, 2021

Note 7 - Risk Management (Continued)

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.

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.

In September 2017, the City became a defendant to a class action claim challenging the legality of its stormwater service charge. As of the date these financial statements were available to be issued, the City had reached a preliminary settlement agreement. Accordingly, a liability of \$2,000,000 has been recorded as of December 31, 2021.

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 \$44,404 at December 31, 2021 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.

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.

Note 9 - Pension Plan (Continued)

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.

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, 2020 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	10
Active plan members	61
Total employees covered by the plan	186

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, 2021, 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 73.0 percent of annual payroll.

Net Pension Liability

The net pension liability reported at December 31, 2021 was determined using a measure of the total pension liability and the pension net position as of the December 31, 2020 measurement date. The December 31, 2020 total pension liability was determined by an actuarial valuation performed as of that date.

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, 2019	\$ 53,716,883	\$ 21,917,756	\$ 31,799,127
Changes for the year:			
Service cost	449,470	-	449,470
Interest	3,936,260	-	3,936,260
Differences between expected and actual experience	(967,056)	-	(967,056)
Changes in assumptions	1,309,004	-	1,309,004
Contributions - Employer	-	2,626,288	(2,626,288)
Contributions - Employee	-	251,214	(251,214)
Net investment income	-	2,914,730	(2,914,730)
Benefit payments, including refunds	(4,297,483)	(4,297,483)	-
Administrative expenses	-	(42,946)	42,946
Net changes	430,195	1,451,803	(1,021,608)
Balance at December 31, 2020	\$ 54,147,078	\$ 23,369,559	\$ 30,777,519

The plan's fiduciary net position represents 43.2 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, 2021, the City recognized pension expense of \$3,776,570.

At December 31, 2021, 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	\$ 70,134	\$ (644,704)
Changes in assumptions	1,505,183	-
Net difference between projected and actual earnings on pension plan investments	-	(893,498)
Employer contributions to the plan subsequent to the measurement date	3,120,613	-
Total	\$ 4,695,930	\$ (1,538,202)

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
2022	\$ 631,007
2023	156,462
2024	(489,440)
2025	(260,914)

Note 9 - Pension Plan (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2020 actuarial valuation was determined using an inflation assumption of 2.5 percent, assumed salary increases of 3.00 to 9.70 percent, an investment rate of return (net of pension plan investment expenses, gross of administrative expenses) of 7.6 percent, and the Pub-2010 mortality tables with scale MP-2019. These assumptions were applied to all periods included in the measurement and are based on an experience study conducted in 2020 for the period from January 1, 2014 through December 31, 2018.

Discount Rate

The discount rate used to measure the total pension liability was 7.60 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, 2020 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	60.00 %	5.25 %
Global fixed income	20.00	1.25
Private investments	20.00	7.25

The following presents the net pension liability of the City, calculated using the discount rate of 7.60 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 (6.60 percent) or 1 percentage point higher (8.60 percent) than the current rate:

	1 Percentage Point Decrease (6.60%)	Current Discount Rate (7.60%)	1 Percentage Point Increase (8.60%)
Net pension liability of the City	\$ 36,261,692	\$ 30,777,519	\$ 26,110,529

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.

Assumption Changes

From the time of the last measurement date at December 31, 2020 to December 31, 2021, the following significant assumptions were modified in order to perform the measurement of the total pension liability:

The mortality table was updated to the Pub-2010 table with MP-2019 scale from the RP-2014 table. The FAC load assumption increased to reflect FAC loads of 1 percent to 15 percent, up from 0 percent to 12 percent. Assumed salary increases were decreased from a range of 3.00 - 14.00 percent to a range of 3.00 - 9.70 percent. Withdrawal rates and retirement rates were updated to incorporate public safety and general withdrawal rates.

Note 10 - Other Postemployment Benefit Plan

Plan Description

The City provides OPEB for all employees who meet eligibility requirements. The benefits are provided through the City of Harper Woods Retiree Healthcare Benefit Plan, a single-employer defined benefit OPEB plan administered by the City of Harper Woods, Michigan. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Benefits Provided

The City of Harper Woods Retiree Healthcare Benefit Plan provides health care benefits to all general, DPW, police, and fire retirees and their spouses and dependents hired prior to January 1, 2015. The plan has been closed to employees hired on or after January 1, 2015. Benefits are provided through a third-party insurer. The full cost of the benefits is covered by the plan for participants who retired prior to January 1, 2019. For participants retiring on or after January 1, 2019, monthly stipends are provided in lieu of traditional retiree health care. 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.

December 31, 2021

Note 10 - Other Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	City of Harper Woods Retiree Healthcare Benefit Plan
Date of member count	December 31, 2020
Inactive plan members or beneficiaries currently receiving benefits	169
Inactive plan members entitled to but not yet receiving benefits	11
Active plan members	<u>34</u>
Total plan members	<u><u>214</u></u>

Contributions

The actuarially determined contribution for the year ended December 31, 2021 was \$2,027,212. Retiree health care costs are 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. For the fiscal year ended December 31, 2021, the City made payments for postemployment health benefit premiums of \$1,328,761.

Total OPEB Liability

The City's total OPEB liability of \$31,340,345 was measured as of December 31, 2021 and was determined by an actuarial valuation performed as of December 31, 2020, which used update procedures to roll forward the estimated liability to December 31, 2021.

Changes in the total OPEB liability during the measurement year were as follows:

Changes in Total OPEB Liability	Total OPEB Liability
Balance at December 31, 2020	\$ 35,873,380
Changes for the year:	
Service cost	256,977
Interest	682,013
Differences between expected and actual experience	179,201
Changes in assumptions	(4,322,465)
Benefit payments, including refunds	<u>(1,328,761)</u>
Net changes	<u>(4,533,035)</u>
Balance at December 31, 2021	<u><u>\$ 31,340,345</u></u>

December 31, 2021

Note 10 - Other Postemployment Benefit Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2021, the City recognized OPEB expense of \$2,203,311.

At December 31, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 76,800	\$ 9,946
Changes in assumptions	435,395	1,852,485
Total	<u>\$ 512,195</u>	<u>\$ 1,862,431</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	Amount
2022	\$ (1,350,236)

Actuarial Assumptions

The total OPEB liability in the December 31, 2021 actuarial valuation was determined using an inflation assumption of 2.50 percent; assumed salary increases (including inflation) of 3.00 percent; an investment rate of return (net of investment expenses) of 0 percent; a health care cost trend rate ranging from 6.50 to 8.25 percent for 2021, decreasing each year to an ultimate rate of 4.50 percent for 2034 and later years; and the Pub-2010 mortality tables and the entry age actuarial cost method. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll on an open basis. The remaining amortization period at December 31, 2021 was 25 years. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.25 percent. The discount rate was based on the 20-year general obligation tax-exempt municipal bond yield.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 2.25 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (1.25%)	Current Discount Rate (2.25%)	1 Percentage Point Increase (3.25%)
Total OPEB liability of the City of Harper Woods Retiree Healthcare Benefit Plan	\$ 36,566,122	\$ 31,340,345	\$ 27,187,530

Note 10 - Other Postemployment Benefit Plan (Continued)

Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rate

The following presents the total OPEB liability of the City, calculated using the health care cost trend rate of 6.5 to 8.25 percent, as well as what the City's total OPEB liability would be if it were calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percentage Point Decrease (5.5 to 7.25%)	Current Health Care Cost Trend Rate (6.5 to 8.25%)	1 Percentage Point Increase (7.5 to 9.25%)
Total OPEB liability of the City of Harper Woods Retiree Healthcare Benefit Plan	\$ 27,057,664	\$ 31,340,345	\$ 36,681,632

Assumption Changes

The discount rate increased from 1.93 percent to 2.25 percent, the immediate medical trend was decreased from 8.00 percent to 7.50 percent pre-65, and from 6.25 percent to 5.75 percent post-65, and the mortality improvement scale was increased from scale MP-2019 to MP-2021. There were no other assumption changes for the year ended December 31, 2021.

Note 11 - 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, 2021, the City abated \$21,578 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

Required Supplemental Information
Budgetary Comparison Schedule
General Fund

Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,669,246	\$ 9,162,039	\$ 8,647,164	\$ (514,875)
Intergovernmental:				
Federal grants	590,000	92,729	397,876	305,147
State sources	990,179	1,971,075	1,864,403	(106,672)
Charges for services	323,970	328,106	363,135	35,029
Fines and forfeitures	710,000	649,325	439,651	(209,674)
Licenses and permits	359,770	382,150	406,353	24,203
Service fees	318,102	293,428	310,712	17,284
Other revenue	143,724	226,772	245,806	19,034
Total revenue	12,104,991	13,105,624	12,675,100	(430,524)
Expenditures				
Current services:				
General government:				
City Council	31,899	28,568	28,195	373
City manager	144,298	212,194	224,118	(11,924)
General services administration	1,069,468	1,023,501	1,152,553	(129,052)
Clerk/Elections	123,485	179,647	181,199	(1,552)
District court	41,842	44,550	44,711	(161)
Dial-A-Ride/PAATS	59,005	53,540	51,060	2,480
Insurance and other functions	5,204,761	5,508,893	5,509,688	(795)
Public safety:				
Law enforcement	3,493,385	3,420,473	3,304,655	115,818
Fire and EMS	585,914	609,312	728,567	(119,255)
Other	500,047	499,627	449,776	49,851
Public works	367,935	458,915	497,358	(38,443)
Recreation and culture	189,867	207,389	252,501	(45,112)
Capital outlay	53,295	61,357	47,060	14,297
Total expenditures	11,865,201	12,307,966	12,471,441	(163,475)
Excess of Revenue Over Expenditures	239,790	797,658	203,659	(593,999)
Other Financing Uses - Transfers out	(97,200)	(189,700)	(203,659)	(13,959)
Net Change in Fund Balance	142,590	607,958	-	(607,958)
Fund Balance - Beginning of year	2,165,215	2,165,215	2,165,215	-
Fund Balance - End of year	\$ 2,307,805	\$ 2,773,173	\$ 2,165,215	\$ (607,958)

City of Harper Woods, Michigan

**Required Supplemental Information
Budgetary Comparison Schedule - Major Special Revenue Fund
Refuse Fund**

Year Ended December 31, 2021

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 583,715	\$ 594,956	\$ 580,422	\$ (14,534)
Charges for services	358,815	395,304	403,370	8,066
Other revenue	12,591	9,493	9,654	161
Total revenue	955,121	999,753	993,446	(6,307)
Expenditures - Current services	903,810	1,099,679	1,094,432	5,247
Other Financing Sources - Transfers in	-	100,000	100,000	-
Net Change in Fund Balance	51,311	74	(986)	(1,060)
Fund Balance - Beginning of year	75,370	75,370	75,370	-
Fund Balance - End of year	<u>\$ 126,681</u>	<u>\$ 75,444</u>	<u>\$ 74,384</u>	<u>\$ (1,060)</u>

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

Last Seven Fiscal Years

	2021 (December 31, 2020 Measurement Date)	2020 (December 31, 2019 Measurement Date)	2019 (December 31, 2018 Measurement Date)	2018 (December 31, 2017 Measurement Date)	2017 (December 31, 2016 Measurement Date)	2016 (December 31, 2015 Measurement Date)	2015 (December 31, 2014 Measurement Date)
Total Pension Liability							
Service cost	\$ 449,470	\$ 436,682	\$ 444,595	\$ 451,509	\$ 442,165	\$ 447,927	\$ 847,028
Interest	3,936,260	3,964,290	3,929,729	3,863,384	3,835,112	4,644,147	4,116,587
Changes in benefit terms	-	-	-	-	-	(8,564,790)	-
Differences between expected and actual experience	(967,056)	210,401	320,634	719,026	192,145	(2,931,089)	-
Changes in assumptions	1,309,004	1,897,540	-	-	-	938,326	4,325,983
Benefit payments, including refunds	(4,297,483)	(4,254,621)	(4,263,376)	(4,138,907)	(4,102,443)	(4,689,984)	(4,117,700)
Net Change in Total Pension Liability	430,195	2,254,292	431,582	895,012	366,979	(10,155,463)	5,171,898
Total Pension Liability - Beginning of year	53,716,883	51,462,591	51,031,009	50,135,997	49,769,018	59,924,481	54,752,583
Total Pension Liability - End of year	\$ 54,147,078	\$ 53,716,883	\$ 51,462,591	\$ 51,031,009	\$ 50,135,997	\$ 49,769,018	\$ 59,924,481
Plan Fiduciary Net Position							
Contributions - Employer	\$ 2,626,288	\$ 2,463,260	\$ 2,307,256	\$ 1,901,927	\$ 1,897,426	\$ 1,416,670	\$ 1,500,000
Contributions - Member	251,214	245,225	261,726	252,891	275,417	204,517	279,160
Net investment income (loss)	2,914,730	2,740,536	(859,644)	2,862,210	2,421,348	1,168,106	362,145
Administrative expenses	(42,946)	(47,173)	(44,067)	(45,513)	(47,748)	(13,106)	(11,000)
Benefit payments, including refunds	(4,297,483)	(4,254,621)	(4,263,376)	(4,138,907)	(4,102,443)	(4,689,984)	(4,117,700)
Other	-	-	-	-	-	356,032	(3,461)
Net Change in Plan Fiduciary Net Position	1,451,803	1,147,227	(2,598,105)	832,608	444,000	(1,557,765)	(1,990,856)
Plan Fiduciary Net Position - Beginning of year	21,917,756	20,770,529	23,368,634	22,536,026	22,092,026	23,649,791	25,640,647
Plan Fiduciary Net Position - End of year	\$ 23,369,559	\$ 21,917,756	\$ 20,770,529	\$ 23,368,634	\$ 22,536,026	\$ 22,092,026	\$ 23,649,791
City's Net Pension Liability - Ending	\$ 30,777,519	\$ 31,799,127	\$ 30,692,062	\$ 27,662,375	\$ 27,599,971	\$ 27,676,992	\$ 36,274,690
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	43.16 %	40.80 %	40.36 %	45.79 %	44.95 %	44.39 %	39.47 %
Covered Payroll	\$ 3,598,707	\$ 3,530,179	\$ 3,491,428	\$ 3,514,933	\$ 3,315,282	\$ 315,021	\$ 4,799,027
City's Net Pension Liability as a Percentage of Covered Payroll	855.24 %	900.78 %	879.07 %	787.00 %	832.51 %	8,785.76 %	755.88 %

Notes to Schedule

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

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

**Last Ten Fiscal Years
Years Ended December 31**

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Statutorily required contribution	\$ 3,120,613	\$ 2,626,343	\$ 2,366,370	\$ 2,307,258	\$ 1,901,927	\$ 1,932,282	\$ 2,387,419	\$ 1,917,203	\$ 1,858,968	\$ 1,447,960
Contributions in relation to the statutorily required contribution	3,120,613	2,626,343	2,366,370	2,307,258	1,901,927	1,932,282	1,716,561	1,500,000	-	1,390,661
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (670,858)	\$ (417,203)	\$ (1,858,968)	\$ (57,299)
City's Covered Payroll	\$ 3,598,707	\$ 3,530,179	\$ 3,491,428	\$ 3,420,092	\$ 3,514,933	\$ 3,315,282	\$ 3,105,021	\$ 4,799,027	\$ 4,719,273	\$ 5,389,968
Contributions as a Percentage of Covered Payroll	86.71 %	74.40 %	67.78 %	67.46 %	54.11 %	58.28 %	55.28 %	31.26 %	- %	25.80 %

Notes to Schedule of Pension Contributions

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	18 years
Asset valuation method	5-year smoothed market
Inflation	2.50 percent
Salary increase	3.00 percent to 9.70 percent, including inflation
Investment rate of return	7.60 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	For preretirement participants, Pub-2010 Juvenile Mortality Tables for ages 0-17, PubG-2010 Employee Mortality Tables for ages 18-80, and PubG-2010 Healthy Retiree Tables for ages 81-120. For nondisabled retirees and beneficiaries, Pub-2010 Juvenile Mortality Tables for ages 0-17, PubG-2010 Employee Mortality Tables for ages 18-49, and PubG-2010 Healthy Retiree Tables for ages 50-120, each multiplied by 106 percent. For disabled retirees, Pub-2010 Juvenile Mortality Tables for ages 0-17 and PubNS-2010 Disabled Retiree Tables for ages 18-120.

City of Harper Woods, Michigan

Required Supplemental Information Schedule of Changes in the Total OPEB Liability and Related Ratios

	Last Four Fiscal Years			
	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability				
Service cost	\$ 256,977	\$ 182,665	\$ 159,223	\$ 1,109,099
Interest	682,013	838,773	896,630	1,620,733
Changes in benefit terms	-	-	(10,723,396)	-
Differences between expected and actual experience	179,201	(230,934)	3,182,671	-
Changes in assumptions	(4,322,465)	10,110,835	(14,724,046)	(3,861,936)
Benefit payments, including refunds	<u>(1,328,761)</u>	<u>(1,331,729)</u>	<u>(1,409,761)</u>	<u>(1,359,774)</u>
Net Change in Total OPEB Liability	(4,533,035)	9,569,610	(22,618,679)	(2,491,878)
Total OPEB Liability - Beginning of year	<u>35,873,380</u>	<u>26,303,770</u>	<u>48,922,449</u>	<u>51,414,327</u>
Total OPEB Liability - End of year	<u>\$ 31,340,345</u>	<u>\$ 35,873,380</u>	<u>\$ 26,303,770</u>	<u>\$ 48,922,449</u>
Covered-employee Payroll	\$ 3,864,733	\$ 2,359,766	\$ 2,435,782	\$ 4,425,575
Total OPEB Liability as a Percentage of Covered-employee Payroll	810.93 %	1,520.21 %	1,079.89 %	1,105.45 %

Note to Schedule

There are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75 to pay related benefits.

December 31, 2021

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. 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.

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

During the year, the City of Harper Woods, Michigan incurred significant expenditures that were in excess of the amounts budgeted, as follows:

- *City Manager* - City manager expenditures in the General Fund were approximately \$12,000 higher than budgeted.
- *General Services Administration* - General services administration expenditures in the General Fund were approximately \$129,000 higher than budgeted.
- *Clerk/Elections* - Clerk/Elections expenditures in the General Fund were approximately \$2,000 higher than budgeted.
- *District Court* - District Court expenditures in the General Fund were approximately \$200 higher than budgeted.
- *Insurance and Other Functions* - Insurance and other functions expenditures in the General Fund were approximately \$800 higher than budgeted.
- *Fire and EMS* - Fire and EMS expenditures in the General Fund were approximately \$119,000 higher than budgeted.
- *Public Works* - Public works expenditures in the General Fund were approximately \$38,000 higher than budgeted.
- *Recreation and Culture* - Recreation and culture expenditures in the General Fund were approximately \$45,000 higher than budgeted.
- *Transfers Out* - Transfers out of the General Fund were approximately \$14,000 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.

Pension Information

Changes in Assumptions

Changes in assumptions in 2015 reflect the effect of changes in the mortality assumptions used. In 2015, the valuation changed from using the 1984 Group Annuity Mortality Table to using the RP-2000 Combined Healthy Life Mortality Table adjusted for mortality improvements.

Changes in assumptions in 2016 reflect the effects of the following changes in assumptions from fiscal year 2015 to fiscal year 2016: (a) inflation decreased from 3.00 percent to 2.50 percent; (b) salary increase ranges changed from 4.50 - 8.30 percent to 3.75 - 14.75 percent, including inflation; and (c) mortality rates were updated from the RP-2000 Combined Healthy Life Mortality Table to various RP-2014 mortality tables.

December 31, 2021

Changes in assumptions in 2020 reflect the effects of the following changes in assumptions from fiscal year 2019 to fiscal year 2020: (a) assumed annual rate of return and discount rate were updated from 8.00 percent down to 7.60 percent; (b) assumed salary increases were decreased from a range of 3.75 - 14.75 percent to a range of 3.00 - 14.00 percent; and (c) the assumed rate of wage inflation decreased from 3.75 to 3.00 percent.

Changes in assumptions in 2021 reflect the effects of the following changes in assumptions from fiscal year 2020 to fiscal year 2021: (a) assumed salary increases were decreased from a range of 3.00 - 14.00 percent to a range of 3.00 - 9.70 percent; (b) the mortality rates were updated from various RP-2014 mortality tables to various Pub-2010 mortality tables; (c) the FAC load assumption increased to reflect FAC loads of 1 to 15 percent, up from 0 to 12 percent, and (d) withdrawal rates and retirement rates were updated to incorporate separate public safety and general withdrawal rates.

OPEB Information

Benefit Changes

Changes in benefit terms in 2019 reflect the effects of changes in the plan's expected future benefit payments resulting from the plan amendment that was effective January 1, 2019. The plan has been closed to employees hired on or after January 1, 2015. For participants hired prior to January 1, 2015 and retiring on or after January 1, 2019, monthly stipends are provided in lieu of traditional retiree health care. Premium contributions from the City changed from being 100 percent up to PA 152 hard caps for pre-65 retirees and 100 percent for post-65 retirees to monthly stipends ranging from \$300 to \$900 for pre-65 retirees and \$225 per person for post-65 retirees.

Changes in Assumptions

Changes in assumptions in 2018 reflect the effects of changes in the discount rate each period. The discount rate increased from 3.16 to 3.64 percent from 2017 to 2018.

Changes in assumptions in 2019 reflect the effects of changes in the discount rate, health care cost trend rate, and vision cost trend rate, as well as the effects of certain plan changes resulting from the plan amendment. The discount rate decreased from 3.64 to 3.26 percent, the health care cost trend rate changed from 8.00 percent to a range between 7.00 and 8.50 percent, and the vision cost trend rates were increased from 4.00 to 4.50 percent.

Change in assumptions in 2020 reflect the effects of the following changes in assumptions from 2019 to 2020: (a) the discount rate was decreased from 3.26 to 1.93 percent, (b) the health care cost trend rate changed from a range of 7.0 to 8.5 percent to a range of 6.5 to 8.25 percent, and (c) mortality rates were updated from the RP-2014 mortality tables to the Pub-2010 mortality tables.

Change in assumptions in 2021 reflect the effects of the following changes in assumptions from 2020 to 2021: (a) the discount rate increased from 1.93 percent to 2.25 percent; (b) the immediate medical trend was decreased from 8.00 percent to 7.50 percent pre-65 and from 6.25 percent to 5.75 percent post-65, and (c) the mortality improvement scale was updated from scale MP-2019 to MP-2021.

Other Supplemental Information

City of Harper Woods, Michigan

	Special Revenue Funds					
	Library Fund	Drug Law Enforcement Fund	Police Forfeiture, Canine, and Special Projects Fund	Community Development Block Grant Fund	Loan Revolving Fund	Local Streets Fund
Assets						
Cash	\$ 537,741	\$ 859	\$ 83,552	\$ 45	\$ 16,308	\$ 1,051,969
Receivables:						
Property taxes	228,079	-	-	-	-	-
Other receivables	-	-	-	-	12,055	-
Due from other governmental units	-	-	-	58,967	-	80,928
Inventories and prepaid items	-	-	-	-	-	-
Restricted assets - Restricted cash and cash equivalents	-	-	-	-	-	-
Total assets	\$ 765,820	\$ 859	\$ 83,552	\$ 59,012	\$ 28,363	\$ 1,132,897
Liabilities						
Accounts payable	\$ 1,661	\$ -	\$ 332	\$ -	\$ -	\$ 5,308
Due to other funds	-	-	-	-	-	-
Accrued liabilities and other	23,263	-	-	-	-	4,822
Rehabilitation escrow	-	-	-	-	4,563	-
Total liabilities	24,924	-	332	-	4,563	10,130
Deferred Inflows of Resources						
Unavailable revenue	-	-	-	58,967	-	-
Property taxes levied for the following year	434,382	-	-	-	-	-
Total deferred inflows of resources	434,382	-	-	58,967	-	-
Total liabilities and deferred inflows of resources	459,306	-	332	58,967	4,563	10,130
Fund Balances						
Nonspendable	-	-	-	-	-	-
Restricted:						
Roads	-	-	-	-	-	1,122,767
Drain maintenance and debt service	-	-	-	-	-	-
Grants	-	-	-	45	23,800	-
Capital projects	-	-	-	-	-	-
Library	306,514	-	-	-	-	-
Drug enforcement	-	859	-	-	-	-
Public safety	-	-	83,220	-	-	-
Total fund balances	306,514	859	83,220	45	23,800	1,122,767
Total liabilities, deferred inflows of resources, and fund balances	\$ 765,820	\$ 859	\$ 83,552	\$ 59,012	\$ 28,363	\$ 1,132,897

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

December 31, 2021

Special Revenue Funds					Debt Service Fund	Capital Project Fund	
Major Streets Fund	Mental Health - 32A District Court Fund	MIDC - Grant Fund - Courts Fund	Adult Drug Court Grant Fund	Coronavirus State Fund - Grant Fund	General Obligation Bonds Fund	Municipal Improvements Fund	Total
\$ 1,225,681	\$ 80	\$ 85,452	\$ -	\$ -	\$ 545,404	\$ -	\$ 3,547,091
-	-	-	-	-	123,871	-	351,950
-	4,897	-	297	2,896	-	-	20,145
195,795	-	-	-	-	-	-	335,690
4,358	-	-	-	-	-	-	4,358
-	-	-	-	-	-	11,383	11,383
\$ 1,425,834	\$ 4,977	\$ 85,452	\$ 297	\$ 2,896	\$ 669,275	\$ 11,383	\$ 4,270,617
\$ 37,041	\$ -	\$ 6,175	\$ -	\$ -	\$ -	\$ -	\$ 50,517
-	-	-	288	-	-	-	288
4,250	378	-	-	-	-	-	32,713
-	-	-	-	-	-	-	4,563
41,291	378	6,175	288	-	-	-	88,081
-	-	-	-	-	-	-	58,967
-	-	-	-	-	236,815	-	671,197
-	-	-	-	-	236,815	-	730,164
41,291	378	6,175	288	-	236,815	-	818,245
4,358	-	-	-	-	-	-	4,358
1,380,185	-	-	-	-	-	-	2,502,952
-	-	-	-	-	432,460	-	432,460
-	4,599	79,277	9	2,896	-	-	110,626
-	-	-	-	-	-	11,383	11,383
-	-	-	-	-	-	-	306,514
-	-	-	-	-	-	-	859
-	-	-	-	-	-	-	83,220
1,384,543	4,599	79,277	9	2,896	432,460	11,383	3,452,372
\$ 1,425,834	\$ 4,977	\$ 85,452	\$ 297	\$ 2,896	\$ 669,275	\$ 11,383	\$ 4,270,617

City of Harper Woods, Michigan

	Special Revenue Funds						
	Library Fund	Drug Law Enforcement Fund	Police Forfeiture, Canine, and Special Projects Fund	Community Development Block Grant Fund	Loan Revolving Fund	Local Streets Fund	Major Streets Fund
Revenue							
Property taxes	\$ 419,596	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental - State sources	12,347	-	-	-	-	441,742	1,057,833
Other revenue	273,822	756	11,464	-	12,070	14,202	33,618
Total revenue	705,765	756	11,464	-	12,070	455,944	1,091,451
Expenditures							
Current services:							
General government	-	-	-	32,055	-	28,500	48,000
District court	-	-	-	-	-	-	-
Public safety	-	-	8,986	-	-	-	-
Public works	-	-	-	-	-	455,928	446,779
Recreation and culture	546,092	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	156,816	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and fiscal charges	-	-	-	-	-	-	-
Total expenditures	546,092	-	8,986	32,055	-	641,244	494,779
Excess of Revenue Over (Under) Expenditures	159,673	756	2,478	(32,055)	12,070	(185,300)	596,672
Other Financing Sources (Uses)							
Transfers in	-	-	-	32,055	-	400,000	-
Transfers out	-	-	-	-	(32,055)	-	(400,000)
Total other financing sources (uses)	-	-	-	32,055	(32,055)	400,000	(400,000)
Net Change in Fund Balances	159,673	756	2,478	-	(19,985)	214,700	196,672
Fund Balances - Beginning of year	146,841	103	80,742	45	43,785	908,067	1,187,871
Fund Balances - End of year	\$ 306,514	\$ 859	\$ 83,220	\$ 45	\$ 23,800	\$ 1,122,767	\$ 1,384,543

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

Year Ended December 31, 2021

Special Revenue Funds				Debt Service Fund	Capital Project Fund	
Mental Health - 32A District Court Fund	MIDC - Grant Fund - Courts Fund	Adult Drug Court Grant Fund	Coronavirus State Fund - Grant Fund	General Obligation Bonds Fund	Municipal Improvements Fund	Total
\$ -	\$ -	\$ -	\$ -	\$ 330,771	\$ -	\$ 750,367
29,410	84,502	-	2,896	-	-	1,628,730
-	-	297	-	-	-	346,229
<u>29,410</u>	<u>84,502</u>	<u>297</u>	<u>2,896</u>	<u>330,771</u>	<u>-</u>	<u>2,725,326</u>
-	-	-	-	-	-	108,555
28,163	145,423	288	-	-	-	173,874
-	-	-	-	-	-	8,986
-	-	-	-	-	-	902,707
-	-	-	-	-	-	546,092
-	-	-	-	-	47,227	204,043
-	-	-	-	295,000	-	295,000
-	-	-	-	91,512	-	91,512
<u>28,163</u>	<u>145,423</u>	<u>288</u>	<u>-</u>	<u>386,512</u>	<u>47,227</u>	<u>2,330,769</u>
1,247	(60,921)	9	2,896	(55,741)	(47,227)	394,557
1,311	12,648	-	-	89,700	-	535,714
-	-	-	-	-	-	(432,055)
<u>1,311</u>	<u>12,648</u>	<u>-</u>	<u>-</u>	<u>89,700</u>	<u>-</u>	<u>103,659</u>
2,558	(48,273)	9	2,896	33,959	(47,227)	498,216
2,041	127,550	-	-	398,501	58,610	2,954,156
<u>\$ 4,599</u>	<u>\$ 79,277</u>	<u>\$ 9</u>	<u>\$ 2,896</u>	<u>\$ 432,460</u>	<u>\$ 11,383</u>	<u>\$ 3,452,372</u>

City of Harper Woods, Michigan

**Other Supplemental Information
Combining Statement of Fiduciary Net Position
Custodial Funds**

December 31, 2021

	<u>Tax Collection</u>	<u>District Court</u>	<u>Total</u>
Assets			
Cash	\$ 1,312,988	\$ 17,177	\$ 1,330,165
Receivables - Property taxes	2,333,636	-	2,333,636
Total assets	3,646,624	17,177	3,663,801
Liabilities			
Accounts payable	2,805	-	2,805
Due to other governmental units	-	12,777	12,777
Customer deposits	-	4,400	4,400
Stormwater settlement liability	1,310,183	-	1,310,183
Total liabilities	1,312,988	17,177	1,330,165
Deferred Inflows of Resources - Taxes levied in subsequent year	2,333,636	-	2,333,636
Total liabilities and deferred inflows of resources	3,646,624	17,177	3,663,801
Net Position	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Harper Woods, Michigan

**Other Supplemental Information
Combining Statement of Changes in Fiduciary Net Position
Custodial Funds**

Year Ended December 31, 2021

	<u>Tax Collection</u>	<u>District Court</u>	<u>Total</u>
Additions			
Property tax collections for other governments	\$ 9,329,675	\$ -	\$ 9,329,675
Court collections	-	210,888	210,888
Total additions	9,329,675	210,888	9,540,563
Deductions			
Disbursements to Wayne County, Michigan	5,158,123	5,673	5,163,796
Disbursements to Harper Woods Schools	2,671,736	-	2,671,736
Disbursements to Grosse Pointe Schools	1,271,615	-	1,271,615
Disbursements to Grosse Pointe Library	203,739	-	203,739
Disbursements to Wayne County Land Bank	24,462	-	24,462
Disbursements to State of Michigan	-	171,923	171,923
Bond disbursements	-	33,292	33,292
Total deductions	9,329,675	210,888	9,540,563
Net Change in Fiduciary Net Position	-	-	-
Net Position - Beginning of year	-	-	-
Net Position - End of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>