

City of Grosse Pointe Woods, Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2010

Prepared by the Office of the City's Finance Department

City of Grosse Pointe Woods, Michigan

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CITY OF GROSSE POINTE WOODS

20025 Mack Plaza Drive

Grosse Pointe Woods, Michigan 48236-2397

October 29, 2010

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

The Comprehensive Annual Financial Report (C.A.F.R.) of the City of Grosse Pointe Woods, Michigan for the fiscal year ended June 30, 2010 is submitted herewith, in accordance with provisions of Section 8.7 (Charter) of the City of Grosse Pointe Woods and the rules and regulations as put forward by the State of Michigan Department of Treasury. This report was prepared by and is the responsibility of the City's Finance Department. This document represents the official report of the City's financial operations to its residents, elected officials, employees, investment firms, banks and rating and regulatory agencies and other interested parties. The data as presented in the report is accurate in all material respects, and is shown in a manner designed to clearly and fairly set forth the financial activity of all the various funds established and utilized by the City and that all disclosures have been included to enable the reader to gain the maximum understanding of the City's financial operations. The independent auditing, firm of Plante & Moran, PLLC performed the annual audit of the City of Grosse Pointe Woods financial statements as required by the Michigan Department of Treasury and has issued its unqualified opinion here within.

Format

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. This narrative details the Financial Staff's letter of transmittal and introduces the reader to the City's financial background, the legal requirements expected and details of financial/economic events that occurred during the year and the impact that they had on the financial statements. It is important to note that this letter complements the Management's Discussion and Analysis (MD&A), which is found in the financial section. The introductory section also includes the municipality's organizational chart and a list of principal officials. The financial section includes the MD&A of the basic financial statements and the combining and individual fund statements, schedules and accompanying footnotes to the financial statements, and most importantly the auditor's opinion on the financial statements and supporting documentation. The statistical section, which is unaudited, includes selected financial and demographic information, where practical, presented on a multiyear basis. Also included in the statistical section is selected information required by the United States Securities and Exchange Commission depicting necessary disclosures in regard to the 2003 Water and Sewer Revenue Bonds.

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

This document consists of management's representations concerning the finances of the City of Grosse Pointe Woods. Consequently, Administration assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, City Administration has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To ensure that the City's system of internal controls is providing the security that is needed, the City's auditors are routinely consulted before any changes are made to the system and are requested to advise management of any improvements that would benefit operations. As Administration, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Reporting Entity

This report includes all funds for which the City's elected officials have operational and financial authority. This authority implies that the elected and administrative officials are legally responsible for establishing and implementing the fiscal policies and overseeing the financial management of the City. Where required, actual results of individual government funds are shown with its original/amended budgetary appropriations. This required disclosure allows the reader to compare the effectiveness of the administration to stay within the spending guidelines (budget) established by the City Council during the budget process and to disclose other variations that may occur during the course of the fiscal year.

Legal Requirement

This report has been prepared pursuant to and in compliance with Michigan Department of Treasury regulations, which, in part, require that an annual independent audit of the City's financial records of accounts and transactions be performed. The opinion by the City's independent auditor, Plante & Moran, PLLC dated October 29, 2010 on the basic financial statements, and individual fund statements, and schedules, is included in the Financial Section of this report. A separately issued Single Audit Report has been completed for the Federal Grant Fund under the A-133 Federal Single Audit Act. Total federal grant expenditures of \$1,596,681 were in excess of the \$500,000, which is the minimum expenditure limit, needed to be subject to the regulations of the Single Audit Act. Through the Wayne County Block Grant Program, the City is designated as a sub-grantee and coordinates its program.

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

Consistent with previous years, the intent and responsibility of Administration is to effectively adhere to the fiscal policies and initiatives established by the City Council while remaining cost-efficient and responsive to the needs of the residents. Many of the financial policies and procedures established by the City Council are detailed in the City's annual budget. In accordance with the City Charter, the City Administrator and the Treasurer/Comptroller will have presented their budgetary estimates of revenue and expenditures of all the City's funds (excluding Trust & Agency Funds and selected Special Revenue Funds) to the Mayor and City Council no later than the first meeting in April. These estimates are then forwarded to the City's Finance Committee, which performs a thorough review of the operational, financial and capital components of the budget. Upon completing this budget review along with recommendations, the budget is presented back to the Mayor and City Council for additional review and comments. The proposed budget document is formally approved by the Mayor and City Council no later than the third Monday in May. Throughout the course of the fiscal year the Finance Committee may review any significant changes to the original budget document as recommended by the City Administrator and/or the Treasurer/Comptroller. Per the City Charter, the Mayor and City Council must formally approve any proposed adjustments to the budget. This process allows the City to remain flexible to changes in the revenue and expenditure patterns that occur throughout the year as well as keeping the elected officials updated on the financial condition of the City. Following the passage of the budget, a summary of the completed document is made available to all residents, published in the local newspaper and annual City calendar.

The City's long-term financial stability is the result of a strong and continuous commitment to fundamental principles of fiscal integrity accomplished by the following: (1) periodic reviews of budgetary and financial controls/policies by Administration and as well as by the City's Finance Committee members; (2) long-term financial and capital planning with bench marks for optimal fund balance levels; (3) continued excellence in financial reporting; (4) adherence to the annual review of its capital projects program; and (5) ongoing examination of the City's tax base both residential and commercial to ensure a continual focus on future projects and developments which strengthen and enhance the tax base. The City must remain committed to its principles of financial integrity during this difficult period of economic downturn. Continuous review of revenue sources and a reduction in expenditures is essential.

The City's financial staff undertakes an annual review of its operating, technical and reporting systems. Whenever possible, progressive steps are continually taken to strengthen the City's set of internal controls to ensure that its assets are properly accounted for. Presently all of the principal functions of the City Treasurer/Comptroller's office are automated with members of the staff crossed-trained to operate the various operating systems of the department.

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

In developing and/or changing the accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable assurance regarding:

1. The safeguarding of assets against loss from unauthorized use or disposition
2. The reliability of financial records for preparing financial statements and maintaining accountability for assets and liabilities

The concept of reasonable assurance recognizes that the cost of implementing a control should not exceed the benefits likely to be derived, and the evaluation of costs and benefits requires estimates and judgments by management. As demonstrated by the statements and schedules included in the financial section of this report, as well as the information provided with the management's discussion and analysis section, the City continues to meet responsibilities for sound financial management.

Concurrent with the budget process, the City also prepares an annual infrastructure improvement program, which details major expenditures for the City buildings, equipment, and infrastructure needs. The City's infrastructure inventory is divided into eight (8) neighborhood maintenance districts. Due to budget constraints, the infrastructure repair program has been scaled back, in comparison to other years. The FY 09/10 Sidewalk Repair Program and the Miscellaneous Street Repair Program continued in District 5 as well as the Joint Sealing Program in District 6. The City repaired the truck well at City Hall.

The City received low-cost financing from the State of Michigan Drinking Water Revolving Fund to construct a 500,000 gallon water storage tank constructed at the Department of Public Works complex on Parkway Drive. The construction of the water tank will reduce the peak hour and maximum day demands, which will translate into more stable usage rates.

Economic Condition (Property Tax Base)

The financial statements, as presented in this report, demonstrate the ability of the City Administration to effectively stay within the fiscal guidelines and policies as adopted by the City Council. One measure of the City Administration's effectiveness to deliver public services, while remaining cost-effective and responsive to current economic conditions, is to examine the relationship of taxable values to the adopted millage rates. The taxable value for fiscal year 2009-2010 shows an \$82 million decrease from the previous year. This equates to a decrease of approximately 10.46 percent. Since 2007 the City has experienced a decrease of \$168 million or 19.38 percent. This is a result of the Michigan economy being affected by automotive bankruptcy and continual decline in the financial industry and housing market.

For several years, the most challenging issue facing all communities in the state of Michigan is the discrepancy that has arisen between the actual value of houses, State Equalized Value (S.E.V.) versus the taxable value on which millage is applied. Since the passage of Proposal A, the 2009-2010 fiscal year marks the thirteenth consecutive year the actual market values on property (state equalized value) were reduced for taxation purposes due to the limitations placed on property values by Proposal A. The voters of the state of Michigan in an effort to curb rising property taxes approved Proposal A on March 15, 1994. The proposal capped market value increases to the lesser of (1) change in the Consumer Price Index or (2) 5 percent if the C.P.I. increases over that percent. During the past year, the fair market values/state equalized values of property within the City, excluding increases in new construction or home improvements, decreased by 10.3 percent, making it necessary for the City to tighten its budget and implement cost containment measures for a fourth year.

Aside from reducing the market value on property that a community may levy a millage upon, many communities are also facing the problem of being near or at their maximum charter millage amount. Due to another State Act (Headlee 1979), which in general impacts the available amount of millage a City may have available, many communities are now in difficult financial positions due to compounding effects of both Proposal A and no longer having the ability to increase millage to original charter limits without first going to a vote of the residents. The City, realizing the negative impact that the Headlee Act may place on the budget status of a community, has been pro-active in structuring a budget to conserve remaining tax mills.

For a third year the City experienced a decline in taxable value. This downturn in Michigan's economy is likely to continue for another year or two. The decision to increase the City's millage rate in FY 2008-09 demonstrates the City Council's commitment to maintain the high quality of services and sense of community that our residents expect. During fiscal year 2009-10, approximately \$440,000 in tax revenue and \$510,000 in reduced expenditures will be added back into the General Fund fund balance. This addition to fund balance is essential to continue City services and offset the anticipated \$1.5 million in revenue shortfall in each of the next three fiscal years. Without significant cuts to expenditures, the City's fund balance will be exhausted by 2013.

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

Fiscal Years Ended June 30	Taxable Value	Millage Rate
2010	\$ 699,266,846	14.7397
2009	780,980,472	14.7397
2008	847,756,558	12.9897
2007	867,467,911	12.9897
2006	813,191,810	12.9897
2005	778,924,550	13.0300
	Fiscal Year 2008-2009	Fiscal Year 2009-2010
General Fund:		
Total revenue and transfers in	\$ 12,086,336	\$ 13,234,442
Total expenditures and transfers out	<u>(12,778,830)</u>	<u>(12,277,540)</u>
Excess of revenue (under) over expenditures	(692,494)	956,902
Fund balance:		
Beginning of year	<u>3,041,334</u>	<u>2,348,840</u>
End of year	<u>\$ 2,348,840</u>	<u>\$ 3,305,742</u>

Property tax revenue for fiscal year 2009-2010 represented approximately 72.6 percent of the total amount of General Fund operating revenue of \$12,927,442. The increased revenue is related to the millage rate increase and increase in court fines and fees. Total General Fund revenue increased 9.4 percent when compared with the previous year. With the taxable value of the City's tax base being 89.0 percent residential, Mayor/Council and Administration, in order to reduce the impact taxes have on the residents, must continue to (1) re-examine the promise of the City's Post Retirement Health Care package, (2) review the cost of providing services to the residents, (3) evaluate staffing needs and make changes through attrition, (4) prioritize services and programs currently being rendered to the residents, (5) continue to explore opportunities to combine joint public services/capital purchases with the neighboring communities, and (6) reconsider and prioritize capital equipment purchases and infrastructure improvements.

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

In accordance with the City Charter, the City may levy up to 20 mills. As discussed earlier, the Headlee Act, which amended the State Constitution in regard to property tax relief, has forced the City to roll back its 20 mills to 14.0492 mills. As of June 30, 2010 the City has approximately 0.5000 of unused millage to finance future operations and infrastructure improvements. Recent tax legislation, which has been approved in both the Michigan House of Representatives and Senate, could further impact the City's millage levy. This legislation, in part, would result in immediate or phased-in tax exemption of all or a portion of the personal property located within the City. Also, with economic concerns regarding the State's financial position, the City is once again facing a possible reduction in its state-shared revenue. With the state's economy still facing severe financial problems, the City will have to further tighten its General Fund budget to stay within its revenue base. The City Council has chosen a balanced approach to budget development by cutting what could be eliminated, without seriously affecting services and using portions of undesignated fund balance.

The Administration is deeply concerned with the impact that the depressed housing market will have on real/personal property assessments within the community and the compounding effect it will have on tax revenue to finance City operations. With the voter's approval of Proposal A, market/inflationary assessment increases have been capped and property taxes held in check on residential properties. The formula used to compute state sales tax monies distributed back to the municipalities was amended by the legislature in 1998. The law now categorizes sales tax distributions as either statutory or constitutional distributions. The constitutional portion of the distribution can only be amended by a general vote of the people. However, the statutory portion can be reduced by the State's legislature. With the state's economy still being severely impacted by the downturn in the automobile manufacturing sector, local governments will have to continue to lobby their State Representatives that any further reduction in the statutory distribution of revenue sharing dollars will have a drastic impact on their operating budgets.

Administrative Summary/Major Initiatives

During the preparation of the 2010-2011 annual budget, the Mayor and City Council emphasized several areas for the Administrative Officials to concentrate their cost containment efforts on, as shown below:

1. Provide more efficient day-to-day operations, without a loss in services
2. Reduction in staff through attrition
3. Implementation of a restructured healthcare plan for both union and non-union employees, as well as retirees where possible
4. Review of the capital equipment purchases
5. Review of Infrastructure Improvement Program

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

After many years of providing a standard healthcare plan for all full-time and retired employees, the City Administration, in response to G.A.S.B. mandates in accounting for these benefits, continues to review and restructure these healthcare plans. An important concern for the City is to have an attractive health plan while being cognizant of current costs and the future liability impact on the financial statements. The City is in active negotiations with all four (4) labor unions.

The City's full-time labor force as of June 30, 2010 remains at 99 full-time employees; however, permanent part-time employees were reduced to 10. Parks and Recreation seasonal employees remain at 160. The City has been diligent in its efforts to provide outstanding service, even with fewer employees. For example, the City's staff included 105 full-time and 15 part-time employees in 2006.

Several years ago the Administration developed a comprehensive listing of all infrastructure within the City. In doing so, the City was able to determine the financial resources required to maintain this infrastructure on an annual basis. Previously the Elected Officials dedicated several million dollars annually to maintain the City's infrastructure, without the necessity of having to issue additional debt or increase millage. However, with the decrease in state-shared revenue and the fiscal impact that Proposition A and the Headlee Act have had on property taxes, these improvements have been scaled back dramatically.

As always, the City's top priority is to continue to provide residents the highest level of public services while operating within approved budget parameters. As expected, the operational costs of many of these services and programs have increased; however, the City has, whenever possible, managed to keep such increases to a minimum. The hiring freeze was a useful tool in determining staffing needs. Several retirements made it possible for the City to realize cost savings through attrition. Once again, the City realized a cost reduction in its general liability and property insurance. The City Council authorized the construction of a water reservoir to minimize the effect of future water and sewer rate increases. The replacement schedules for capital equipment purchases and computer technology have been extended.

To the Honorable Mayor
and City Council
City of Grosse Pointe Woods, Michigan

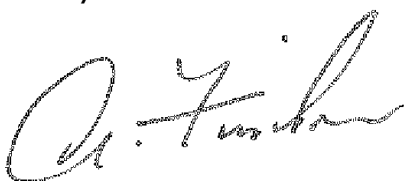
October 29, 2010

Future Outlook

The City continues to retain its status as both a well-respected and one of the most desired areas to live in Southeast Michigan. Elected Officials, Administration and the members of the various committees and commissions are always looking at innovative and productive ways to maintain the viability of the commercial district, repair and update infrastructure, retain residential home values, and still attract younger families to reside in the community. The challenge to the City is to continue to provide a multitude of public services, while complying with increased federal and state regulations, financing an operating budget with both property tax dollar restrictions (Proposal A, Headlee), and a state economy that has yet to recover from prior years' recession. Over the past several years, the City has placed an emphasis on the planning, re-zoning and re-assessment of both its residential and commercial properties. To assist the administration in this endeavor, the City has utilized the services of a professional planner as well as providing its assessor G.I.S. capabilities. Interaction and greater long-term planning with the various proprietors in the commercial district will have to increase if the existing establishments are to retain a viable resource and vacant properties are to remain attractive to potential entrepreneurs. For many years the City has worked with other surrounding communities under a mutual aid agreement to provide police, fire and emergency ambulance services. Additionally, rubbish removal, health insurance, recreational activities and police communication/dispatch are areas under consideration for shared services. As the availability of the property tax dollar erodes, the City will need to continue attempts to increase its interaction with neighboring communities to seek alternative solutions to such issues as infrastructure replacement, equipment purchases, labor agreements and the staffing of day-to-day operations.

The City, with various neighboring communities, is undertaking a Citizen's Survey to assist in future budget planning.

Sincerely,



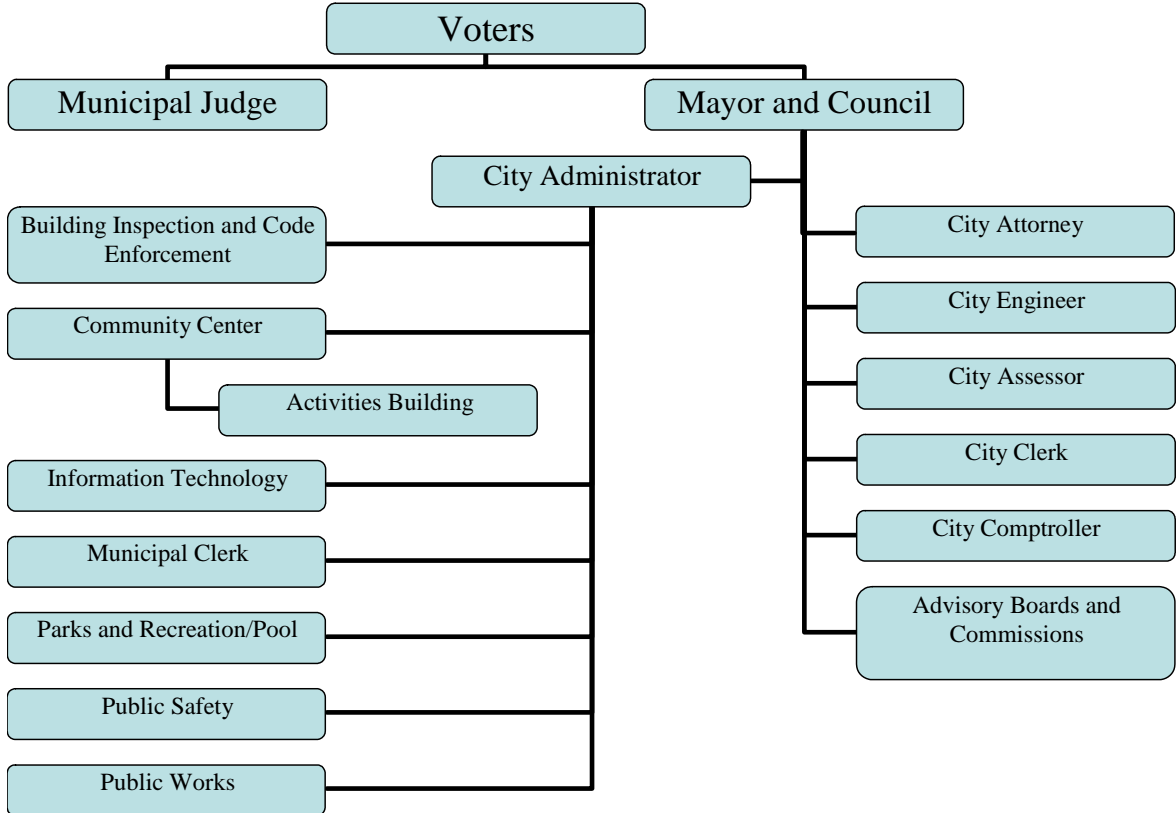
Alfred John Fincham, III
City Administrator



Dee Ann Irby
City Treasurer/Comptroller

City of Grosse Pointe Woods, Michigan

Organizational Chart



Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grosse Pointe Woods
Michigan

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2009

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



A stylized handwritten signature in black ink.

President

A handwritten signature in black ink that reads "Jeffrey R. Emer".

Executive Director

City of Grosse Pointe Woods, Michigan

List of Principal Officers Year Ended June 30, 2010

Elected Officials

Mayor	Robert E. Novitke
Council Member	Gabriela L. Boddy
Council Member	Victoria A. Granger
Council Member	Arthur W. Bryant
Council Member	Joseph E. Sucher
Council Member	Lisa Pinkos Howle
Council Member	Todd A. McConaghy

Administrator's Office

Administrator	Al Fincham
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Clerk's Office

Clerk	Lisa K. Hathaway
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City Comptroller/Treasurer's Office

Treasurer	DeeAnn Irby
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Assessor's Office

Deputy Assessor	Judy Harrington
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City Attorney

City Attorney	Don R. Berschback
City Attorney	Chip Berschback

Municipal Judge

Municipal Judge	Theodore Metry
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City of Grosse Pointe Woods, Michigan

Fund Organization Chart Year Ended June 30, 2010

<u>Fund Name</u>	<u>Fund Number</u>
<u>GOVERNMENTAL FUNDS</u>	
General Fund	101
Special Revenue Funds	
Major Street Fund	202
Local Street Fund	203
Ambulance Fund	210
Act 302 Training Fund	211
Solid Waste Disposal	226
Grants Fund	245
911 Emergency Service	261
Drug Enforcement	265
Parkway Beautification Fund	205
Cable Franchise Fund	206
Debt Service Funds	
Grosse-Gratiot Drain Fund	365
2005 Park Refunding Bond	303
Capital Projects Funds	
Municipal Improvement Fund	401
2006 Park Bond	405
<u>PROPRIETARY FUNDS</u>	
Enterprise Funds	
Water and Sewer Utility Fund	592
Parking Utility Fund	585
Boat Dock Rental Fund	594
Commodity Sales Fund	598
Internal Service Funds	
Motor Vehicle Fund	640
Workers' Compensation Fund	632
Management Information System	650
<u>FIDUCIARY FUNDS</u>	
Trust and Agency Funds	
Pension Fund	731
Supplementary Annuity Fund	732
Wayne County Tax Fund	703
Cash Bond Escrow Fund	702

Independent Auditor's Report

To the City Council
City of Grosse Pointe Woods
Wayne County, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe Woods, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

To the City Council
City of Grosse Pointe Woods
Wayne County, Michigan

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Woods, Michigan's basic financial statements. The management's discussion and analysis, pension system schedule of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. The introductory section, other supplemental information, and statistical and continuing disclosure sections, as identified in the table of contents, are presented for the purpose of additional analysis and are not required parts of the basic financial statements. The budgetary comparison schedules and other supplemental information have been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. We have applied certain limited procedures to the management's discussion and analysis and pension systems schedule of funding progress, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it. The introductory section and statistical and continuing disclosure sections have not been subjected to the auditing procedures applied by us in the audit of the basic financial statements and, accordingly, we express no opinion on them. In accordance with *Government Auditing Standards*, we have also issued our report dated October 29, 2010 on our consideration of the City of Grosse Pointe Woods, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of the audit.

Plante & Moran, PLLC

October 29, 2010

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2010:

- Total FY 2009-2010 General Fund revenue increased approximately \$1.11 million over FY 2008-2009 revenue. Property taxes are the City's largest source of revenue. Like most communities in Michigan, the taxable value of property has been declining since 2007. In an effort to maintain a premier City with more than basic services, the Council believes it is fiscally responsible to increase the millage rate. Thus, the \$842,000 increase in General Fund revenue is related to the increase in property taxes. The City experienced slight increases in collection fees and miscellaneous revenue, which offset the reduction in investment income.
- State-shared revenue, despite dramatic cuts over the past several years, remains our second largest revenue source. During the City's FY 2009-2010 fiscal year, state-shared revenue decreased \$254,000 when compared to FY 2008-2009.
- Licenses/permits revenue decreased \$21,250. The direct cost of operating the building department decreased \$27,000 over the previous year, due to the loss of one inspector.
- Revenue from District Court fees and fines is stable. We experienced a \$64,600 increase in Court revenue due to an increase in violations as well as its strict adherence to the collection policy.
- General Fund expenditures for FY 2009-2010 were down approximately \$167,350 from the previous year. The majority of the decrease is attributable to reduction in municipal building and grounds improvements. To combat the negative pressure on revenue and with the continued uncertainty of state funding levels, the City continues a hiring freeze and has continued cost-containment measures to add efficiencies to departmental operations.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

The fund financial statements present a short-term view; they tell the reader how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the City's operations in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside of the government.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The City as a Whole

The following table shows, in a condensed format, the net assets as of the current date and compared to the prior year (in millions of dollars):

Summary Condensed Statement of Net Assets:

	Governmental Activities		Business-type Activities		Total	
	2009	2010	2009	2010	2009	2010
Assets						
Current assets	\$ 7.3	\$ 8.6	\$ 2.1	\$ 3.4	\$ 9.4	\$ 12.0
Noncurrent assets:						
Restricted assets	0.1	0.1	0.5	0.5	0.6	0.6
Capital assets	<u>30.9</u>	<u>30.3</u>	<u>23.7</u>	<u>25.1</u>	<u>54.6</u>	<u>55.4</u>
Total assets	38.3	39.0	26.3	29.0	64.6	68.0
Liabilities						
Current liabilities	2.5	1.4	0.9	1.0	3.4	2.4
Long-term liabilities	<u>7.6</u>	<u>10.1</u>	<u>4.8</u>	<u>7.1</u>	<u>12.4</u>	<u>17.2</u>
Total liabilities	<u>10.1</u>	<u>11.5</u>	<u>5.7</u>	<u>8.1</u>	<u>15.8</u>	<u>19.6</u>
Net Assets						
Invested in capital assets -						
Net of related debt	25.8	26.7	18.9	18.6	44.7	45.3
Restricted	0.8	0.7	0.5	0.5	1.3	1.2
Unrestricted	<u>1.6</u>	<u>0.1</u>	<u>1.2</u>	<u>1.8</u>	<u>2.8</u>	<u>1.9</u>
Total net assets	<u>\$ 28.2</u>	<u>\$ 27.5</u>	<u>\$ 20.6</u>	<u>\$ 20.9</u>	<u>\$ 48.8</u>	<u>\$ 48.4</u>

The City's combined net assets decreased \$0.4 million from the prior year. Increased assets within the governmental activities are due primarily to an increase in property tax revenue. An increase in long-term liabilities is consistent with the increase in liabilities for recording of the GASB 45 OPEB liability. A decrease in current liabilities is a result of principal payments on long-term debt and payment of compensated absences due to numerous retirements.

Total liabilities in the business-type activities increased about \$2.4 million in FY 2009-2010. The City constructed a water reservoir which will result in future rate savings. The City received low-cost financing for the reservoir from the State of Michigan Drinking Water Revolving Fund. The increase in business-type assets relates to the reservoir as well.

Overall, City debt remains low. The City utilizes just 0.54 percent of the allowable legal debt margin subject to limit.

The following table shows the City's major revenue and expenses as a whole for both the governmental and business-type activities (in millions of dollars). The bottom of the table shows the changes in net assets during the current year in comparison to the prior year.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Summary Condensed Statement of Changes in Net Assets (presented in millions of dollars):

	Governmental		Business-type		Total	
	Activities		Activities			
	2009	2010	2009	2010	2009	2010
Revenue						
Program revenue:						
Charges for services	\$ 1.5	\$ 1.8	\$ 5.3	\$ 5.3	\$ 6.8	\$ 7.1
Operating grants and contributions	0.9	0.8	-	-	0.9	0.8
Capital grants and contributions	-	-	0.1	-	0.1	-
General revenue:						
Property taxes	14.5	15.0	-	-	14.5	15.0
State-shared revenue	1.6	1.3	0.1	-	1.7	1.3
Unrestricted investment earnings	0.2	0.1	-	0.1	0.2	0.2
Cable franchise fees	0.3	0.3	-	-	0.3	0.3
Total revenue	19.0	19.3	5.5	5.4	24.5	24.7
Program Expenses						
General government	4.9	3.8	-	-	4.9	3.8
Public safety	7.5	7.4	-	-	7.5	7.4
Public works	4.7	4.9	-	-	4.7	4.9
Solid waste	1.4	1.3	-	-	1.4	1.3
Recreation and culture	2.4	2.1	-	-	2.4	2.1
Municipal improvements	0.3	0.1	-	-	0.3	0.1
Interest on long-term debt	0.2	0.1	-	-	0.2	0.1
Water and sewer	-	-	5.2	4.9	5.2	4.9
Parking	-	-	0.3	0.2	0.3	0.2
Boat dock	-	-	0.1	0.1	0.1	0.1
Commodity sales	-	-	0.1	0.1	0.1	0.1
Total program expenses	21.4	19.7	5.7	5.3	27.1	25.0
Excess (deficiency) before transfers	(2.4)	(0.4)	(0.2)	0.1	(2.6)	(0.3)
Transfers	(0.2)	(0.3)	0.2	0.2	-	(0.1)
Change in Net Assets	\$ (2.6)	\$ (0.7)	\$ -	\$ 0.3	\$ (2.6)	\$ (0.4)

Total revenue for governmental activities increased \$0.3 million (1.58 percent) from fiscal year 2008-2009. An increase in property taxes and collection fees accounts for \$1.06 million of additional revenue. Other areas showing an increase are court fines and fees and miscellaneous revenue. The increase is offset by a loss in interest income, state-shared revenue, and license/permit fees. Total governmental expenses decreased \$1.7 million (7.9 percent). The majority of the decreased expenses pertain to the reduction in municipal building improvements, interest on long-term debt, and overall departmental cost containment. Decreased expenses were offset by an increase in charges by the Internal Services Fund for use of equipment.

In the business-type activities, revenue decreased \$0.1 million and expenses decreased \$0.4 million. The decrease in revenue is a result of the expiration of the sewer construction grant. A decrease in the cost to purchase water is the result of the water reservoir construction.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's governmental revenue totaled approximately \$19.3 million, with the greatest revenue source being property taxes. Property taxes make up approximately 78 percent of total governmental revenue. That percentage is up from approximately 76 percent of total governmental revenue in fiscal year 2008-2009, due to a millage rate increase. With an increasing number of Michigan Tax Tribunal cases pending, the City was required to reduce revenue by the dollar amount of all cases under appeal. This resulted in a \$20,000 reduction to governmental revenue, in addition to the \$150,000 reduction recorded in 2008-2009.

Although the City recently increased the millage rate by 1.75 mills, the City still maintains a relatively low millage rate compared to similar-sized communities. The property tax rate assessed is approximately one-half mill below the maximum amount permitted under the Headlee Act.

Total governmental expenses for the City were approximately \$19.7 million. This is down by \$1.7 million from fiscal year 2008-2009. As in most municipalities, labor cost makes up the greatest portion of the budget. In fiscal year 2008-2009, the labor costs were high because the City settled all four labor agreements and made retroactive wage and benefit payments. In 2009-2010, the City imposed a hiring freeze, which resulted in many positions being eliminated through attrition. All department directors were diligent in their efforts of cost containment.

Business-type Activities

The City's business-type activities consist of the funds for water and sewer, parking utility, and boat dock. In 2009-2010, the City constructed a water reservoir to reduce rate increases from Detroit. The projected savings in rate increases will pay for debt principal and interest payments. The Parking Fund expense decreased due to proper allocation of employee expenses.

Water and Sewer Utility System revenue is primarily from fees paid by customers based on use. User fees make up approximately 98.1 percent of all business-type revenue.

The business-type activities expenses totaled approximately \$5.3 million, which is a reduction of \$0.4 million over last fiscal year. A total of \$4.0 million is collected from customers and paid to the City of Detroit for water and sewer treatment. Nearly \$250,000 in transfers from other funds helps to offset expenditures.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The City's Funds

An analysis of the City's major funds begins on page 15, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City created funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for fiscal year 2009-2010 include the General Fund, the Major Street Fund, the Local Street Fund, the Cable Franchise Fund, the Solid Waste Fund, and the Grosse-Gratiot Drain Fund. The City's major business-type fund is the Water and Sewer Fund.

General Fund

The General Fund pays for most of the City's governmental services. The two largest services funded by the General Fund are public safety (combined police and fire services) and public works. The General Fund transferred approximately \$0.76 million to the Local and Major Street Funds, and \$0.8 million to support municipal improvements, the Motor Vehicle Fund, and management information systems.

Other major activities in the General Fund include recreation and culture, solid waste, and all general government administrative and services operations. Some of these activities rely on fees for services to help offset costs and some do not generate any significant service-related revenue. Many of these activities rely heavily on property taxes and state-shared revenue to subsidize their operations.

In fiscal year 2009-2010, the General Fund's fund balance increased by approximately \$950,000. This increase was the result of increased millage rate, a hiring freeze, and cost containment efforts of the City Council and department directors. Transfers to other funds decreased due to the reduction in capital purchases and construction.

The City's General Fund's year-end fund balance is approximately \$3.3 million. This amount represents approximately 28.9 percent of fiscal year 2009-2010 annual expenditures. This level of fund balance is slightly above the recommended level of between 10 percent and 15 percent of annual expenditures; however, the City strives to maintain a cash surplus sufficient to bridge any unexpected gap in current year revenue or increases in ordinary, unanticipated current year expenditures. With a declining tax base, this is essential to maintain superior City services and retain a favorable bond rating.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Major Street Fund

The Major Street Fund accounts for the maintenance and replacement of all major streets within the City. Financing is provided by distribution of gas tax proceeds. Major revenue includes \$355,000 from the City's General Fund and \$602,000 in gas and weight tax revenue, a reduction of \$91,000 over last fiscal year. The Major Street Fund's revenue exceeded expenditures by approximately \$11,500. The reserves at year end are \$62,000.

Local Street Fund

The Local Street Fund accounts for the maintenance and replacement of all local streets within the City. Financing is provided by distribution of gas tax proceeds. Major revenue includes interfund transfers of \$405,000 from the City's General Fund, \$550,000 from Grosse Gratiot Drain and approximately \$247,000 in gas and weight tax revenue. Revenue for fiscal year 2009-2010 is \$609,000 less than the previous year. The department receives a small amount of its revenue from fees, other state funding, special assessment, and interest on investments. Expenditures for fiscal year 2009-2010 were reduced by \$530,000 due to a reduction in sidewalk and road construction.

The Local Street Fund balance increased by approximately \$14,000 with a year-end balance of \$254,000. This increase is primarily due to more revenue being transferred in for construction projects than was spent in the current year.

Cable Franchise Fund

The Cable Franchise Fund was established to invest the proceeds from the sale of the City's interest in a cable company's earnings used for capital improvements. Due to cost containment, there were no transfers out of the Cable Fund during fiscal year 2009-2010.

The Cable Franchise Fund's fund balance is approximately \$560,000.

Solid Waste Fund

The Solid Waste Fund is used to account for the collection, disposal, and recycling of all residential and commercial waste within the City. The special millage rate for fiscal year 2009-2010 remains unchanged from previous years at 1.8807 mills. Although the millage rate remained the same, the revenue generated has decreased approximately \$114,000 due to a decrease in taxable value. Expenses in fiscal year 2009-2010 decreased \$158,000 as compared to the previous year. The primary reason for the decrease in expense was proper allocation of City employees' payroll and benefits associated with trash disposal, composting, and recycling. There were no transfers out of the Solid Waste Fund during fiscal year 2009-2010.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Grosse-Gratiot Drain Fund

The Grosse-Gratiot Drain Fund is used to accumulate resources for payment of the Grosse-Gratiot Drain improvements financed by issuance of debt. The fund derives revenue from property taxes of approximately \$2,960,000 in fiscal year 2009-2010. Expenditures primarily related to drain assessments of approximately \$1,028,000 and debt service of approximately \$1,221,000. The Grosse-Gratiot Drain Fund transferred \$1,095,000 to other funds, primarily for use with infrastructure improvements.

This Grosse-Gratiot Drain Fund's fund balance decreased approximately \$410,000, which was due to property tax reduction and an increase in transfers. The fund balance reserves were used to balance the 2009-2010 Grosse Gratiot Drain budget without increasing its millage rate from 3.802. The remaining fund balance is \$770,000.

Water and Sewer Fund

The Water and Sewer Fund continues to maintain a small amount of working capital and the required reserves to meet bond covenants. Because revenue is derived from user fees and fees are adjusted periodically to cover expenses, the fund is relatively secure. Unlike the governmental activities of the City, the Water and Sewer Fund does not rely on tax dollars and state aid for its financial well-being.

Water and sewer rates have remained consistent, with only the cost of fee increases imposed by the City of Detroit Water and Sewerage System being passed on to customers.

Increasing labor costs, higher standards being placed on the system by both the federal and state governments, and the need to repair and maintain an aging system prompted the City to prepare a five-year forecasting model. This rate model will help the City with its annual review of revenue and expenditures to ensure revenue remains at an adequate level to support the required expenditures of the systems. An annual rate increase will be necessary to support new meters and other infrastructure improvements to the water system, which will be funded by low-interest loans from the State of Michigan Drinking Water Revolving Fund.

General Fund Budgetary Highlights

The City's General Fund ended fiscal year 2009-2010 with four labor contracts expiring and threats of further declining taxable values. Facing uncertainty in revenue, the City reduced the amount of road construction and capital equipment purchases. The City's original fiscal year 2009-2010 budget projected a \$440,000 increase in fund balance. The planned reduction in expenditures, through cost containment, added an additional \$194,000 to the fund balance projection. The additional increase of \$322,000 to the fund balance is attributable to the City Council's imposed hiring freeze and continued monitoring of expenditures. This addition to fund balance is essential to continue City services and offset the anticipated \$1.5 million in revenue shortfall in each of the next three fiscal years. Without significant cuts to expenditures, the City's fund balance will be exhausted by 2013.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

General Fund actual revenue for fiscal year 2009-2010 was \$160,000 above projected figures, primarily attributable to an increase in court fines and fees. The projected revenue from investment income was \$110,000 below projections. The dramatic decline in interest income is due to the use of fund balance and the fact that rates dropped from approximately 3 percent to less than 1 percent due to market instability and Federal Reserve changes.

Cost containment efforts to hold the line on expenses during fiscal year 2009-2010 were successful at the program level. Annual buybacks of sick and vacation and payout of accumulated banks at retirement remain high. In total, fiscal year 2009-2010 buyouts of sick and vacation were \$345,000 as compared to \$330,000 in 2008-2009.

Capital Asset and Debt Administration

During fiscal year 2009-2010, the City continued to invest in capital assets. Overall, the City debt remains low. The City utilizes just 0.31 percent of the allowable legal debt margin subject to limit. Detailed information on the City's debt can be found in the statistical section of this report, in the debt capacity and direct and overlapping debt schedules. For more information regarding the activity of capital assets and debt, please refer to Notes 4 and 6, respectively. In 2010-2011, the City will begin water and sewer infrastructure improvements and replace water meters.

Economic Factors

The City of Grosse Pointe Woods' fiscal year 2011 budget reflects challenges that many municipalities in Michigan are facing. A slowed economy is resulting in a downward trend on property values while many personnel, retiree, and operational costs continue to increase. The City is beginning the new fiscal year with a reduction in staff, through attrition, and working toward changes to healthcare with union negotiations. All departments are continuing to evaluate how to operate more efficiently, while maintaining a high level of service to the citizens.

The new Governmental Accounting Standards Board (GASB 45) requirement was implemented in 2008-2009. This new standard requires the City to recognize the cost of retiree health care and other non-pension postretirement benefits over the working life of the employee, rather than at the time the healthcare premiums are paid. The actuary determined the City's annual recommended contribution for providing postretirement benefits other than pension to be \$4,874,000; the unfunded portion of that liability was recorded in this year's financial statements. A new strategy will need to be developed to properly recognize and fund the financial burden of commitments made to current and future retirees.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The City of Grosse Pointe Woods, similar to many municipalities in the state of Michigan, continues to experience difficult financial times. While little or no growth has been experienced in revenue, some expenditures continue to grow at the rate of inflation or higher, as in the case of health care. The City has responded to this through a reduction of discretionary costs, principally capital outlay, but also including personnel cuts through attrition. The City expects this financial trend to continue into fiscal year 2010-2011.

Contacting the City's Management

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, please contact the city administrator's office at (313) 343-2450.

City of Grosse Pointe Woods, Michigan

Statement of Net Assets June 30, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 7,340,395	\$ 1,840,413	\$ 9,180,808
Receivables:			
Taxes	481,045	-	481,045
Customers	208,432	1,055,330	1,263,762
Accrued interest	107,872	1,113	108,985
Due from other governmental units	370,029	446,270	816,299
Other	99,767	-	99,767
Internal balances (Note 5)	(9,177)	9,177	-
Restricted cash (Note 1)	52,949	453,789	506,738
Investments in Grosse Pointes-Clinton Refuse Disposal Authority (Note 11)	65,662	-	65,662
Capital assets (Note 4):			
Nondepreciable capital assets	1,547,967	1,976,487	3,524,454
Depreciable capital assets - Net	28,703,897	23,103,222	51,807,119
Total assets	38,968,838	28,885,801	67,854,639
Liabilities			
Accounts payable	774,535	909,566	1,684,101
Accrued and other liabilities	578,836	51,328	630,164
Noncurrent liabilities (Note 6):			
Due within one year	1,803,839	360,000	2,163,839
Due in more than one year	8,276,096	6,735,293	15,011,389
Total liabilities	11,433,306	8,056,187	19,489,493
Net Assets			
Invested in capital assets - Net of related debt	26,744,399	18,573,221	45,317,620
Restricted for:			
Streets and highways	316,185	-	316,185
Police, fire, and ambulance operations	75,619	-	75,619
Solid waste disposal	318,498	-	318,498
Grants	16,748	-	16,748
Debt service	-	453,789	453,789
Unrestricted	64,083	1,802,604	1,866,687
Total net assets	<u>\$ 27,535,532</u>	<u>\$ 20,829,614</u>	<u>\$ 48,365,146</u>

City of Grosse Pointe Woods, Michigan

	Program Revenue			
	Expenses	Charges for Services	Operating Grants and Contributions	
Functions/Programs				
Primary government:				
Governmental activities:				
Legislative	\$ 67,795	\$ -	\$ -	\$ -
Judicial	370,098	-	-	-
General government	2,861,444	707,507	23,762	-
Public safety	7,899,396	894,768	-	-
Public works	4,958,315	118,578	849,581	-
Solid waste	1,315,293	-	-	-
Recreation and culture	2,181,206	69,507	-	-
Municipal improvements	59,724	-	-	-
Interest on long-term debt	113,653	-	-	-
Total governmental activities	19,826,924	1,790,360	873,343	-
Business-type activities:				
Water/Sewer	4,868,770	4,856,083	-	-
Parking	241,562	221,657	-	-
Boat dock	85,257	141,338	-	-
Commodity sales	68,571	45,560	-	-
Total business-type activities	5,264,160	5,264,638	-	-
Total primary government	<u>\$ 25,091,084</u>	<u>\$ 7,054,998</u>	<u>\$ 873,343</u>	<u>\$ -</u>

General revenue:

Property taxes
 State-shared revenue (unrestricted)
 Unrestricted investment earnings
 Franchise fees

Transfers

Total general revenue and transfers

Change in Net Assets

Net Assets - Beginning of year

Net Assets - End of year

Statement of Activities
Year Ended June 30, 2010

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (67,795)	\$ -	\$ (67,795)
(370,098)	-	(370,098)
(2,130,175)	-	(2,130,175)
(7,004,628)	-	(7,004,628)
(3,990,156)	-	(3,990,156)
(1,315,293)	-	(1,315,293)
(2,111,699)	-	(2,111,699)
(59,724)	-	(59,724)
(113,653)	-	(113,653)
(17,163,221)	-	(17,163,221)
-	(12,687)	(12,687)
-	(19,905)	(19,905)
-	56,081	56,081
-	(23,011)	(23,011)
-	478	478
(17,163,221)	478	(17,162,743)
15,002,660	-	15,002,660
1,391,898	-	1,391,898
44,655	11,960	56,615
295,688	-	295,688
(250,400)	250,400	-
16,484,501	262,360	16,746,861
(678,720)	262,838	(415,882)
28,214,252	20,566,776	48,781,028
\$ 27,535,532	\$ 20,829,614	\$ 48,365,146

City of Grosse Pointe Woods, Michigan

Governmental Funds Balance Sheet and Reconciliation of the Balance Sheet of the Governmental Funds to the Statement of Net Assets June 30, 2010

	Major Special Revenue Funds					Major Debt Service Fund	Other Nonmajor Governmental		Total Governmental Funds
	General Fund	Major Street Fund	Local Street Fund	Cable Franchise Fund	Solid Waste Fund	Grosse-Gratiot Drain Fund	Funds	Funds	
Assets									
Cash and investments (Note 3)	\$ 3,758,696	\$ 9,685	\$ 245,901	\$ 500,687	\$ 408,804	\$ 679,561	\$ 504,685	\$ 6,108,019	
Restricted assets (Note 1)	-	-	-	-	-	-	52,949	52,949	
Receivables:									
Taxes	352,996	-	-	-	-	125,536	2,304	480,836	
Accrued interest	29,971	-	-	55,753	-	-	317	86,041	
Due from other governmental units	230,883	98,610	40,536	-	-	-	-	370,029	
Other	100,001	209	1,838	-	42,661	-	63,932	208,641	
Prepays	99,767	-	-	-	-	-	-	99,767	
Due from other funds (Note 5)	20,968	57,558	56,210	3,090	-	-	65,198	203,024	
Total assets	\$ 4,593,282	\$ 166,062	\$ 344,485	\$ 559,530	\$ 451,465	\$ 805,097	\$ 689,385	\$ 7,609,306	
Liabilities and Fund Balances									
Liabilities									
Accounts payable	\$ 394,230	\$ 53,487	\$ 16,275	\$ -	\$ 88,350	\$ -	\$ 156,445	\$ 708,787	
Accrued and other liabilities	277,176	49,315	73,270	-	43,900	35,023	73,219	551,903	
Due to other funds (Note 5)	616,134	939	1,076	-	717	-	99,612	718,478	
Total liabilities	1,287,540	103,741	90,621	-	132,967	35,023	329,276	1,979,168	
Fund Balances									
Reserved for prepaids	99,767	-	-	-	-	-	-	99,767	
Unreserved - Designated for subsequent year's expenditures - Reported in - Special Revenue Funds	-	50,000	185,000	-	67,834	-	17,583	320,417	
Unreserved and undesignated - Reported in:									
General Fund	3,205,975	-	-	-	-	-	-	3,205,975	
Special Revenue Funds	-	12,321	68,864	559,530	250,664	-	233,224	1,124,603	
Debt Service Funds	-	-	-	-	-	770,074	(6,860)	763,214	
Capital Projects Funds	-	-	-	-	-	-	116,162	116,162	
Total fund balances	3,305,742	62,321	253,864	559,530	318,498	770,074	360,109	5,630,138	
Total liabilities and fund balances	\$ 4,593,282	\$ 166,062	\$ 344,485	\$ 559,530	\$ 451,465	\$ 805,097	\$ 689,385		

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

Capital assets used in governmental activities are not financial resources and are not reported in the funds	29,090,702
Investment in joint venture is not included as an asset in the governmental funds	65,662
Long-term liabilities are not due and payable in the current period and are not reported in the governmental funds:	
Bonds payable	(3,560,414)
Compensated absences	(690,794)
Other postemployment benefit obligation	(5,470,187)
Internal Service Funds are included as part of governmental activities	2,470,425
Net assets of governmental activities	\$ 27,535,532

City of Grosse Pointe Woods, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2010

	Major Special Revenue Funds					Major Debt Service Funds		
	General Fund	Major Street Fund	Local Street Fund	Cable Franchise Fund	Solid Waste Fund	Grosse-Gratiot Drain Fund	Other Nonmajor Governmental	Total Governmental
							Funds	Funds
Revenue								
Property taxes	\$ 9,393,623	\$ -	\$ -	\$ -	\$ 1,464,150	\$ 2,960,309	\$ 652,945	\$ 14,471,027
State and local sources	1,340,370	602,084	247,497	-	-	-	7,936	2,197,887
Delinquent interest and collection fee income	511,840	-	-	-	-	-	-	511,840
Federal sources	-	-	-	-	-	-	11,090	11,090
Fines and forfeitures	681,170	-	-	-	-	-	-	681,170
Other revenue:								
Licenses and permits	631,156	-	-	-	-	-	-	631,156
Charges for services	69,507	-	-	-	-	-	-	69,507
Miscellaneous revenue	285,685	50,393	84,516	-	11,785	-	339,517	771,896
Investment income	14,091	-	-	20,402	-	-	9,336	43,829
Total revenue	12,927,442	652,477	332,013	20,402	1,475,935	2,960,309	1,020,824	19,389,402
Expenditures								
Current:								
General government	2,580,898	-	-	-	-	-	-	2,580,898
Public safety	5,640,147	-	-	-	-	-	225	5,640,372
Public works	876,324	-	74,197	-	-	-	-	950,521
Parks and recreation	1,608,220	-	-	-	-	-	74,252	1,682,472
Administration	-	390,179	391,865	-	-	-	219,540	1,001,584
Street maintenance	-	440,695	391,973	-	-	-	-	832,668
Winter maintenance	-	10,500	31,111	-	-	-	-	41,611
Ambulance activities	-	-	-	-	-	-	346,812	346,812
Drain assessment	-	-	-	-	-	1,027,996	-	1,027,996
Contractual services	-	-	-	-	-	-	10,800	10,800
Other	-	-	-	-	-	15,128	125,111	140,239
Solid waste	-	-	-	-	1,210,210	-	-	1,210,210
Municipal improvement	86,436	151,107	380,511	-	-	-	59,724	677,778
Charges from Internal Service Fund for use of equipment and supplies	641,900	3,400	3,692	-	206,170	10,000	52,250	917,412
Debt service:								
Principal retirement	-	-	-	-	-	1,119,247	420,000	1,539,247
Interest and paying agent fees	-	-	-	-	-	102,219	15,160	117,379
Total expenditures	11,433,925	995,881	1,273,349	-	1,416,380	2,274,590	1,323,874	18,717,999
Excess of Revenue Over (Under) Expenditures	1,493,517	(343,404)	(941,336)	20,402	59,555	685,719	(303,050)	671,403
Other Financing Sources (Uses)								
Transfers in (Note 5)	307,000	355,000	955,000	-	-	-	136,164	1,753,164
Transfers out (Note 5)	(843,615)	-	-	-	-	(1,095,000)	(99,509)	(2,038,124)
Total other financing sources (uses)	(536,615)	355,000	955,000	-	-	(1,095,000)	36,655	(284,960)
Net Change in Fund Balances	956,902	11,596	13,664	20,402	59,555	(409,281)	(266,395)	386,443
Fund Balances - Beginning of year	2,348,840	50,725	240,200	539,128	258,943	1,179,355	626,504	5,243,695
Fund Balances - End of year	\$ 3,305,742	\$ 62,321	\$ 253,864	\$ 559,530	\$ 318,498	\$ 770,074	\$ 360,109	\$ 5,630,138

City of Grosse Pointe Woods, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2010

Net Change in Fund Balances - Total Governmental Funds \$ 386,443

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are recorded as capital assets 635,702

Governmental funds allocate the cost of capital assets over
their estimated useful lives as depreciation (1,020,537)

Repayment of bond principal is an expenditure in the
governmental funds, but not in the statement of activities
(where it reduces long-term debt) 1,539,247

Long-term liabilities and accrued interest are not due and payable in the
current period and are not reported in the fund 3,727

Change in accumulated employee sick and vacation pay
is recorded when earned in the statement of activities 369,604

Other postemployment benefit obligation expense is recognized
in the statement of activities, but not in the governmental funds (2,689,206)

Internal Service Funds are also included as governmental
activities 105,243

Change in investment in a joint Grosse Pointe-Clinton Refuse Disposal Authority
is not recorded in the funds (8,943)

Change in Net Assets of Governmental Activities **\$ (678,720)**

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Net Assets June 30, 2010

	Major Enterprise Fund		Total Enterprise Funds	Governmental
	Water and Sewer Fund	Nonmajor Enterprise Funds		Internal Service Funds
Assets				
Current assets:				
Cash and investments (Note 3)	\$ 1,295,956	\$ 544,457	\$ 1,840,413	\$ 1,232,376
Receivables:				
Customers	1,055,330	-	1,055,330	-
Accrued interest receivable	1,113	-	1,113	21,831
Due from other funds (Note 5)	317	19,992	20,309	506,635
Federal grant	354,032	-	354,032	-
State grant	92,238	-	92,238	-
Total current assets	2,798,986	564,449	3,363,435	1,760,842
Noncurrent assets:				
Restricted assets (Note 1)	453,789	-	453,789	-
Nondepreciable capital assets (Note 4)	1,976,487	-	1,976,487	-
Depreciable capital assets (Note 4)	22,837,429	265,793	23,103,222	1,161,162
Total noncurrent assets	25,267,705	265,793	25,533,498	1,161,162
Total assets	28,066,691	830,242	28,896,933	2,922,004
Liabilities				
Current liabilities:				
Accounts payable	894,195	15,371	909,566	65,748
Accrued and other liabilities	33,022	18,306	51,328	26,933
Due to other funds (Note 5)	903	10,229	11,132	358
Current portion of long-term debt (Note 6)	360,000	-	360,000	-
Total current liabilities	1,288,120	43,906	1,332,026	93,039
Long-term debt - Net of current portion (Note 6)	6,146,488	-	6,146,488	110,688
Other postemployment benefit obligation (Note 8)	471,341	117,464	588,805	247,852
Total noncurrent liabilities	6,617,829	117,464	6,735,293	358,540
Total liabilities	7,905,949	161,370	8,067,319	451,579
Net Assets				
Investment in capital assets - Net of related debt	18,307,428	265,793	18,573,221	1,161,162
Restricted for debt service	453,789	-	453,789	-
Unrestricted	1,399,525	403,079	1,802,604	1,309,263
Total net assets	<u>\$ 20,160,742</u>	<u>\$ 668,872</u>	<u>\$ 20,829,614</u>	<u>\$ 2,470,425</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2010

	Major Enterprise			Governmental Activities
	Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Water sales and charges for services	\$ 4,665,555	\$ -	\$ 4,665,555	\$ -
Penalties	50,118	-	50,118	-
Fees and violations	-	143,228	143,228	-
Park violations	-	78,230	78,230	-
Dockings and launching fees	-	141,338	141,338	-
Commodity sales	-	45,560	45,560	-
Revenue and billings to other funds	-	-	-	1,363,602
Other revenue	140,410	199	140,609	11,309
Total operating revenue	4,856,083	408,555	5,264,638	1,374,911
Operating Expenses				
Cost of water and disposal	2,758,356	-	2,758,356	-
Operation and maintenance	238,656	205,504	444,160	443,068
General and administrative	786,969	126,691	913,660	496,426
Depreciation	677,404	40,445	717,849	248,112
Insurance expense and contractual services	-	-	-	128,768
Charges from Internal Service Funds	155,715	22,750	178,465	15,900
Other expenses	91,555	-	91,555	-
Total operating expenses	4,708,655	395,390	5,104,045	1,332,274
Operating Income	147,428	13,165	160,593	42,637
Nonoperating Income (Expense)				
Interest expense	(160,115)	-	(160,115)	-
Interest income	10,393	1,567	11,960	23,923
Gain on disposal of asset	-	-	-	4,123
Total nonoperating income (expense)	(149,722)	1,567	(148,155)	28,046
(Loss) Income - Before transfers	(2,294)	14,732	12,438	70,683
Transfers In (Note 5)	250,000	19,600	269,600	34,560
Transfers Out (Note 5)	(19,200)	-	(19,200)	-
Change in Net Assets	228,506	34,332	262,838	105,243
Net Assets - Beginning of year	19,932,236	634,540	20,566,776	2,365,182
Net Assets - End of year	<u>\$ 20,160,742</u>	<u>\$ 668,872</u>	<u>\$ 20,829,614</u>	<u>\$ 2,470,425</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2010

	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Governmental Activities - Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 5,241,411	\$ 408,555	\$ 5,649,966	\$ 1,374,911
Payments to suppliers	(2,858,922)	(236,115)	(3,095,037)	(561,602)
Payments to employees	(771,511)	(126,691)	(898,202)	(496,426)
Other receipts	964,264	249,159	1,213,423	716,078
Other payments	(1,395,459)	(122,614)	(1,518,073)	(822,030)
Net cash provided by operating activities	1,179,783	172,294	1,352,077	210,931
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	250,000	-	250,000	34,560
Transfers to other funds	(19,200)	19,600	400	-
Net cash provided by noncapital financing activities	230,800	19,600	250,400	34,560
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	-	-	-	4,123
Proceeds from federal and state grants for capital purchases	1,976,488	-	1,976,488	-
Purchase of capital assets	(2,081,055)	-	(2,081,055)	-
Loss on sale of capital assets	-	-	-	(3,055)
Principal and interest paid on capital debt	(846,111)	-	(846,111)	-
Net cash (used in) provided by capital and related financing activities	(950,678)	-	(950,678)	1,068
Cash Flows from Investing Activities - Interest received on investments	10,393	1,567	11,960	23,923
Net Increase in Cash and Cash Equivalents	470,298	193,461	663,759	270,482
Cash and Cash Equivalents - Beginning of year	1,279,447	350,996	1,630,443	961,894
Cash and Cash Equivalents - End of year	\$ 1,749,745	\$ 544,457	\$ 2,294,202	\$ 1,232,376
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 1,295,956	\$ 544,457	\$ 1,840,413	\$ 1,232,376
Restricted cash and investments (Note 1)	453,789	-	453,789	-
Total cash and cash equivalents	\$ 1,749,745	\$ 544,457	\$ 2,294,202	\$ 1,232,376
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 147,428	\$ 13,165	\$ 160,593	\$ 42,637
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	677,404	40,445	717,849	248,112
Changes in assets and liabilities:				
Receivables and other assets	(56,921)	36,501	(20,420)	1,430
Due from/to other funds	(195,667)	17,937	(177,730)	(204,044)
Accounts payable	385,360	(7,861)	377,499	10,826
Accrued and other liabilities	222,179	72,107	294,286	111,970
Net cash provided by operating activities	\$ 1,179,783	\$ 172,294	\$ 1,352,077	\$ 210,931

Noncash activity - A total of \$420,996 of the City's federal and state grant receivable accounts relates to the Drinking Water Revolving Fund and is recorded as debt.

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Net Assets June 30, 2010

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,406,926	\$ 7,640
Investments:		
Mutual funds	2,360,276	-
U.S. government securities	1,513,354	-
Corporate bonds	5,400,075	-
Stocks	20,587,201	-
Accrued interest receivable	55,370	-
Contributions receivable	213,363	-
Total assets	31,536,565	<u>\$ 7,640</u>
Liabilities - Accounts payable		
	-	<u>\$ 7,640</u>
Net Assets - Held in trust for pension and other employee benefits		
	\$ 31,536,565	

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Changes in Net Assets Pension Trust Funds Year Ended June 30, 2010

Additions

Investment income:	
Interest and dividends	\$ 766,051
Net increases in fair market value	2,803,166
Less investment expense	<u>(275,467)</u>
Total investment income - Net	3,293,750
Contributions:	
Employer	955,635
Employee	<u>340,213</u>
Total contributions	<u>1,295,848</u>
Total additions - Net	4,589,598

Deductions

Pension payments	2,230,890
Healthcare benefit payments	<u>210,192</u>
Total deductions	<u>2,441,082</u>

Net Increase 2,148,516

Net Assets Held in Trust for Pension and Other Employee Benefits

Beginning of year	<u>29,388,049</u>
End of year	<u><u>\$ 31,536,565</u></u>

City of Grosse Pointe Woods, Michigan

**Notes to Financial Statements
June 30, 2010**

Note I - Summary of Significant Accounting Policies

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

Reporting Entity

The City was incorporated as a home rule village on January 4, 1927 and as a home rule city on December 11, 1950. The City has a population of 17,080 per the 2000 census and encompasses 3.2 square miles. The City is located approximately 10 miles north of downtown Detroit and is over 97 percent residential. There are no major industries or corporations located within the City limits.

The City is governed by an elected six-member council. The City's administration operates under the overall direction of an elected mayor. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the City's reporting entity.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City (primary government). For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) 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 who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes billed during the month of December will be used to finance the following year's operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenue to be available if it is collected within 60 days of the end of the current fiscal period.

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

Property taxes, licenses, and interest are susceptible to accrual and so have been recognized as revenue of the current fiscal period. During the year ended June 30, 2010, property tax revenue was recognized for receipts beyond the normal 60 days, because the Wayne County delinquent tax sale occurred in October. The property tax revenue was recognized in order for the current year revenue recognition not to be misleading. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

City of Grosse Pointe Woods, Michigan

**Notes to Financial Statements
June 30, 2010**

Note I - Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major Street Fund accounts for the maintenance and replacement of all major streets within the City. Funding is provided by distribution of gas tax proceeds.
- The Local Street Fund accounts for the maintenance and replacement of all local streets within the City. Funding is provided by distribution of gas tax proceeds.
- The Cable Franchise Fund accounts for the investment of proceeds from the sale of the City's interest in a cable company's earnings used for capital improvements.
- The Solid Waste Fund is used to account for the collection, disposal, and recycling of all residential and commercial waste within the City. Financing is provided by a separate tax millage.
- The Grosse-Gratiot Drain Fund accounts for revenue received and used to pay principal and interest on the Grosse-Gratiot Drain long-term debt. Funding is provided by a specific property tax millage.

The City reports the following major proprietary fund:

- The Water and Sewer Fund accounts for the activity of the water distribution system and sewage collection system. Funding is provided primarily through user charges.

City of Grosse Pointe Woods, Michigan

**Notes to Financial Statements
June 30, 2010**

Note I - Summary of Significant Accounting Policies (Continued)

Additionally, the City reports the following activities in its Internal Service Funds and fiduciary fund types:

- The Internal Service Funds are used to account for the financing of goods and services provided by one department to other departments of the City on a cost reimbursement basis. The City has three Internal Service Funds:
 - The Motor Vehicle Fund has been established to account for costs associated with vehicles purchased by the City and used by all departments within the City.
 - The Workers' Compensation Fund is used to fund workers' compensation claims and purchase insurance that provides coverage for employees. The fund is financed primarily by charges to various departments of the City.
 - The Management Information Systems Fund accounts for the maintenance and operation of the City computer and communication network system.
- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees and are reported as fiduciary funds.
- The Agency Funds record primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement or results of operations.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary 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.

Property Tax Revenue

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

The City's 2009 tax is levied and collectible on December 1, 2009 and is recognized as revenue in the year ended June 30, 2010, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2009 taxable valuation of the City of Grosse Pointe Woods totaled \$699 million, on which ad valorem taxes levied consisted of 13.4932 mills for operating purposes, 0.4769 mills for the park bond, 0.0590 mills for public relations, 1.8807 mills for solid waste disposal, and 2.6320 mills for the Grosse-Gratiot Drain. This resulted in \$9.3 million for operating purposes, \$.4 million for the park bond, \$.05 million for public relations, \$1.47 million for solid waste disposal, and \$2.96 million for the Grosse-Gratiot Drain. These amounts are recognized in the respective General, Special Revenue, and Debt Service Funds financial statements as property tax revenue.

The delinquent real property taxes of the City are purchased by Wayne County (the "County"). In approximately April or May, the County treasurer reimburses the local unit for delinquent real property taxes through the County Revolving Fund. If delinquent real taxes cannot be collected by the County, the local unit portion of the tax is invoiced or deducted from the monthly County settlement.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note I - Summary of Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Assets or Equity

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

Receivables and Payables - In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as “internal balances.” All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

Restricted Assets - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The balance of the restricted asset account for revenue bond restrictions for debt payments is \$453,789 at June 30, 2010. When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

Restricted assets in the 2006 Park Bond Fund represent unspent bond proceeds to be used for capital improvements.

Capital Assets - Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 1 - Summary of Significant Accounting Policies (Continued)

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

Infrastructure	10-50 years
Buidings	25 years
Vehicles	3-7 years
Equipment	5 years
Land improvement	10-20 years

Compensated Absences (Vacation and Sick Leave) - It is the City's policy that employees earn vacation pay benefits on their anniversary date and sick benefits monthly. The government-wide and proprietary fund statements accrue all vacation and sick pay as it is used or vested (whichever is earlier). A liability for these amounts is reported in governmental funds as it comes due for payment (when the time is taken off, or employees terminate).

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

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

City of Grosse Pointe Woods, Michigan

**Notes to Financial Statements
June 30, 2010**

Note I - Summary of Significant Accounting Policies (Continued)

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to first apply restricted sources.

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.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 2 - Stewardship, Compliance, and Accountability

State Construction Code Act - The City oversees building construction, in accordance with the State's Construction Code Act, including inspection of building construction and renovation, to ensure compliance with the building codes. The City charges fees for these services. The law requires that collection of these fees be used only for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative shortfall generated since January 1, 2000 is as follows:

Cumulative shortfall - July 1, 2009		\$ (413,066)
Current year building permit revenue		248,194
Related expenses:		
Direct costs	\$ 302,910	
Estimated indirect costs	<u>111,510</u>	
Total construction code expenses		<u>414,420</u>
Cumulative shortfall - June 30, 2010		<u><u>\$ (579,292)</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 local unit is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan.

City of Grosse Pointe Woods, Michigan

**Notes to Financial Statements
June 30, 2010**

Note 3 - Deposits and Investments (Continued)

The City's pension and other employee benefit trust funds are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the board (for non-pension assets) in accordance with Public Act 196 of 1997 has authorized investment in all of the state statutory authorities as listed above except for obligations of the State of Michigan or its political subdivisions. Also, the City's investment policy allows the City to invest not more than 50 percent of any one fund in commercial paper rated at the time of the purchase within the three highest classifications established by not less than two standard rating services. The City's deposits and investment policies are in accordance with statutory authority.

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 bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,282,393 in bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$612,193 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 3 - Deposits and Investments (Continued)

Interest Rate Risk - Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. The City's investment policy restricts investment maturities to securities maturing three years or less from the date of purchase, unless matched to a specific cash flow requirement. However, repurchase agreements may be collateralized using longer-dated investments not to exceed 30 years to maturity. Additionally, no more than 40 percent of the City's total investment portfolio, as of June 30 of the preceding year, shall be placed in securities maturing in more than three years. At year end, the average maturities of investments are as follows:

Investment Type	Fair Value	0-5 Years	5-15 Years	15 Years and More
Primary Government				
U.S. government agencies and securities:				
Negotiable certificates of deposit	\$ 1,425,963	\$ 1,425,963	\$ -	\$ -
Federal Home Loan Mortgage Corporation	20,046	-	20,046	-
Fiduciary Funds				
Mutual funds - Fixed-income shares	2,360,275	2,360,275	-	-
U.S. Treasury bonds and notes	2,640,156	2,568,310	71,846	-
Corporate bonds	1,933,226	1,186,000	747,226	-
Federal National Mortgage Association	2,340,047	745,271	-	1,594,776

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 3 - Deposits and Investments (Continued)

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

Investment Type	Fair Value	Rating	Rating Organization
Primary government:			
Bank investment pools	\$ 6,487,247	AI/PI/FI	S&P
	1,198,278	Not rated	N/A
Federal Home Loan Mortgage Corporation	20,046	AAA	S&P
Fiduciary Funds:			
Federal National Mortgage Association	2,340,047	AAA	S&P
U.S. Treasury notes	2,592,842	AAA	S&P
Corporate bonds	284,420	AA-	S&P
	63,603	AA	S&P
	107,334	AA+	S&P
	178,809	A-	S&P
	493,757	A	S&P
	286,028	A+	S&P
	71,436	BBB-	S&P
	272,161	BBB	S&P
	72,019	BBB+	S&P
	104,000	AAA	S&P

Concentration of Credit Risk - The City's investment policy places limits on the amount that the City may invest in any one issuer or security type, including no more than 50 percent of the total investment portfolio is to be invested in a single security type or 25 percent with a single financial institution. The City has more than 5 percent of its investments in the following:

Fiduciary funds - Federal National Mortgage Association	7.50%
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City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 4 - Capital Assets

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

Governmental Activities	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Governmental funds:				
Capital assets not being depreciated -				
Land	\$ 1,547,967	\$ -	\$ -	\$ 1,547,967
Capital assets being depreciated:				
Infrastructure	26,631,610	570,848	-	27,202,458
Buildings	8,830,309	100,769	-	8,931,078
Land improvements	201,322	11,481	-	212,803
Equipment and vehicles	<u>2,870,833</u>	<u>-</u>	<u>(47,396)</u>	<u>2,823,437</u>
Subtotal	38,534,074	683,098	(47,396)	39,169,776
Accumulated depreciation:				
Infrastructure	4,880,134	554,876	-	5,435,010
Buildings	2,961,602	292,858	-	3,254,460
Land improvements	21,031	7,405	-	28,436
Equipment and vehicles	<u>2,743,737</u>	<u>165,398</u>	<u>-</u>	<u>2,909,135</u>
Subtotal	<u>10,606,504</u>	<u>1,020,537</u>	<u>-</u>	<u>11,627,041</u>
Net capital assets being depreciated	<u>27,927,570</u>	<u>(337,439)</u>	<u>(47,396)</u>	<u>27,542,735</u>
Net governmental funds capital assets	29,475,537	(337,439)	(47,396)	29,090,702
Internal Service Funds:				
Capital assets being depreciated:				
Vehicles	3,665,442	-	(15,784)	3,649,658
Equipment	<u>110,373</u>	<u>-</u>	<u>-</u>	<u>110,373</u>
Subtotal	<u>3,775,815</u>	<u>-</u>	<u>(15,784)</u>	<u>3,760,031</u>
Accumulated depreciation:				
Vehicles	2,318,651	233,385	(18,839)	2,533,197
Equipment	<u>50,945</u>	<u>14,727</u>	<u>-</u>	<u>65,672</u>
Subtotal	<u>2,369,596</u>	<u>248,112</u>	<u>(18,839)</u>	<u>2,598,869</u>
Net Internal Service Funds capital assets	<u>1,406,219</u>	<u>(248,112)</u>	<u>3,055</u>	<u>1,161,162</u>
Net governmental activities capital assets	<u>\$ 30,881,756</u>	<u>\$ (585,551)</u>	<u>\$ (44,341)</u>	<u>\$ 30,251,864</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 4 - Capital Assets (Continued)

Business-type Activities	Balance July 1, 2009	Additions	Disposals and Adjustments	Balance June 30, 2010
Capital assets not being depreciated - Construction in progress	\$ 269,077	\$ 1,854,210	\$ (146,800)	\$ 1,976,487
Capital assets being depreciated:				
Infrastructure	31,503,048	226,845	146,800	31,876,693
Land improvements	1,534,590	-	-	1,534,590
Subtotal	33,037,638	226,845	146,800	33,411,283
Accumulated depreciation:				
Infrastructure	8,361,860	677,404	-	9,039,264
Land improvements	1,228,352	40,445	-	1,268,797
Subtotal	9,590,212	717,849	-	10,308,061
Net capital assets being depreciated	23,447,426	(491,004)	146,800	23,103,222
Net business-type capital assets	\$ 23,716,503	\$ 1,363,206	\$ -	\$ 25,079,709

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

Governmental activities:	
General government	\$ 71,304
Public safety	65,051
Public works	593,243
Recreation and culture	290,939
Internal Service Funds	248,112
Total governmental activities	\$ 1,268,649
Business-type activities:	
Water and sewer	\$ 677,404
Parking utility	32,755
Boat dock	7,690
Total business-type activities	\$ 717,849

Construction Commitments - The City had active construction projects at year end for the construction of a water tower and replacement of the City's water mains. At year end, the City spent \$1,976,487 in connection with active construction projects and the City's commitment with contractors was approximately \$3,990,000.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 5 - Interfund Receivables, Payables, and Transfers

The composition of interfund balances in the fund statements is as follows:

Receivable Fund	Payable Fund	Amount
General Fund	Solid Waste Fund	\$ 17
	Nonmajor governmental funds	10,886
	Nonmajor enterprise funds	<u>10,065</u>
	Total General Fund	20,968
Local Street Fund	General Fund	57,558
Major Street Fund	General Fund	56,210
Cable Franchise Fund	General Fund	3,090
Nonmajor governmental funds	General Fund	12,249
	Nonmajor governmental funds	<u>52,949</u>
	Total nonmajor governmental funds	65,198
Internal Service Funds	General Fund	467,127
	Major Street Fund	939
	Local Street Fund	1,076
	Solid Waste Fund	700
	Nonmajor governmental funds	35,368
	Water and Sewer Fund	903
	Nonmajor enterprise funds	164
	Internal Service Funds	<u>358</u>
	Total Internal Service Funds	506,635
Water and Sewer Fund	General Fund	317
Nonmajor enterprise funds	General Fund	19,583
	Nonmajor governmental funds	<u>409</u>
	Total nonmajor enterprise funds	<u>19,992</u>
	Total	<u><u>\$ 729,968</u></u>

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

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

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

Fund Transferred From	Fund Transferred To	Amount
General Fund	Local Street Fund	\$ 405,000
	Major Street Fund	355,000
	Nonmajor governmental funds	64,015
	Nonmajor enterprise funds	<u>19,600</u>
	Total General Fund	(1) 843,615
Nonmajor governmental funds	General Fund	12,000
	Internal Service Funds	34,560
	Nonmajor governmental funds	<u>52,949</u>
	Total nonmajor governmental funds	(1) 99,509
Grosse-Gratiot Drain Fund	General Fund	295,000
	Local Street Fund	550,000
	Water and Sewer Fund	<u>250,000</u>
	Total Grosse-Gratiot Drain Fund	(1) 1,095,000
Water and Sewer Fund	Nonmajor governmental funds	(1) <u>19,200</u>
	Total	<u>\$ 2,057,324</u>

(1) The transfers between funds represent transfers of unrestricted resources to finance operations of the various departments in accordance with budgetary authorizations.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 6 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements are also general obligations of the government. Other long-term obligations include compensated absences and risk liabilities in which the activity can be summarized as follows:

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:							
General Obligation Bonds:							
2003 Recreation Refunding Bonds:							
Amount of issue - \$2,175,000	2.45%-	\$420,000-					
Maturing through 2009	3.55%	\$460,000	\$ 420,000	\$ -	\$ (420,000)	\$ -	\$ -
County Contractual - Wayne County Drain Commission - Combined Drain Bonds:							
Amount of issue - \$19,208,696		\$102,849-					
Maturing through 2013	Various	\$1,222,097	4,679,661	-	(1,119,247)	3,560,414	1,152,522
Other long-term obligations:							
Employee compensated absences			1,060,398	653,388	(1,022,992)	690,794	640,629
Estimated liability for workers' compensation claims (Note 10)			113,615	110,688	(113,615)	110,688	10,688
Other postemployment benefit obligation (Note 8)			<u>2,928,867</u>	<u>2,789,172</u>	<u>-</u>	<u>5,718,039</u>	<u>-</u>
Total governmental activities			9,202,541	3,553,248	(2,675,854)	10,079,935	1,803,839
Business-type activities:							
Revenue Bonds:							
2003 Revenue Bond:							
Amount of issue - \$5,300,000	2.25%-	\$250,000-					
Maturing through 2022	3.95%	\$445,000	4,795,000	-	(265,000)	4,530,000	275,000
2010 Drinking Water Revolving Fund Bond-7301-01:							
Amount of issue - \$1,915,991		\$85,000-					
Maturing through 2030	2.50%	\$135,000	-	1,915,991	-	1,915,991	85,000
2010 Drinking Water Revolving Fund - 7332-01:							
Amount of issue - \$60,497	2.50%-	\$155,000-					
Maturing through 2029	3.95%	\$250,000	-	60,497	-	60,497	-
Other long-term obligations - Other postemployment benefit obligation (Note 8)							
			<u>316,839</u>	<u>271,966</u>	<u>-</u>	<u>588,805</u>	<u>-</u>
Total business-type activities			<u>5,111,839</u>	<u>2,248,454</u>	<u>(265,000)</u>	<u>7,095,293</u>	<u>360,000</u>
Total business-type and governmental activities			<u>\$ 14,314,380</u>	<u>\$ 5,801,702</u>	<u>\$ (2,940,854)</u>	<u>\$ 17,175,228</u>	<u>\$ 2,163,839</u>

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund related to employee salaries and fringes. Additionally, for the business-type activities, claims and judgments and compensated absences are generally liquidated by the Water and Sewer Fund for employee salaries and fringes.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 6 - Long-term Debt (Continued)

The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer revenue bonds. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$5,687,870. During the current year, net revenue of the system was \$423,279 compared to the annual debt requirements of \$425,115.

Annual debt service requirements to maturity for the above bond and note obligations are as follows:

	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2011	\$ 1,152,522	\$ 72,590	\$ 1,225,112	\$ 360,000	\$ 241,644	\$ 601,644
2012	1,185,797	43,945	1,229,742	370,000	238,873	608,873
2013	1,222,095	14,676	1,236,771	380,000	227,892	607,892
2014	-	-	-	400,000	166,470	566,470
2015	-	-	-	410,000	154,408	564,408
2016-2020	-	-	-	2,295,000	564,798	2,859,798
2021-2025	-	-	-	1,855,000	164,522	2,019,522
2026-2030	-	-	-	375,991	17,215	393,206
Total	<u>\$ 3,560,414</u>	<u>\$ 131,211</u>	<u>\$ 3,691,625</u>	<u>\$ 6,445,991</u>	<u>\$ 1,775,822</u>	<u>\$ 8,221,813</u>

Note 7 - Pension Plans

Pension Trust Fund

Plan Description

The City administers a single-employer defined benefit pension plan, the "City of Grosse Pointe Woods Employees' Retirement System" or the "System." The System covers substantially all full-time employees and provides retirement benefits as well as death and disability benefits. The plan does not publish a separate financial report. The City also offers a Supplemental Annuity Plan, which covers the same employees.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Pension Plans (Continued)

At June 30, 2009, the date of the most recent actuarial valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	85
Current active employees	<u>99</u>
Total membership	<u><u>184</u></u>

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

The obligation to contribute to and maintain the systems for these employees was established by negotiation with the City's competitive bargaining units and the Retirement System Ordinance. The ordinance requires the City and covered employees to make contributions of 5 percent for general employees and 6 percent for public safety employees. The funding policy provides for periodic employer contributions at actuarially determined rates. Administrative costs of the plan are financed through investment earnings.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 91.9 percent funded. The actuarial accrued liability for benefits was \$40.4 million, and the actuarial value of assets was \$37.1 million, resulting in a funded actuarial accrued liability of \$3.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.2 million.

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

Note 7 - Pension Plans (Continued)

Annual Pension Costs

For the year ended June 30, 2010, the City was required to make a contribution to the pension plan of \$754,106, exclusive of \$340,213 of employee contributions, which was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2009 using the entry actual age cost method. Significant actuarial assumptions used include an 8.0 percent investment rate of return, and projected salary increases ranging from 4.5 percent to 9.3 percent. The projected salary increases include an inflation factor of 4.5 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions on an open basis. The remaining amortization period is 25 years.

Supplemental Annuity Fund

Plan Description

The Supplemental Annuity Fund, a single employer plan, is an additional benefit that is paid to eligible retirees based upon their total years of service with the City at the date of their retirement. Amounts paid to the retiree range from \$3,000 annually for 10 years of service to \$4,800 maximum for 25 years of service. The Supplemental Annuity Fund was established as a negotiable item within the various union contracts. Supplemental annuity benefits were discontinued for all public safety employees effective January 1, 1995. The transfers of monies by the City to the Supplemental Annuity Fund are done subsequent to an actuarial review performed by Rodwan Consulting Company. The City pays 100 percent of the contribution made to the plan. The plan does not issue separate financial statements.

Funded Status and Funding Progress

As of June 30, 2009, the most recent actuarial valuation date, the plan was 31.4 percent funded. The actuarial accrued liability for benefits was \$2.9 million, and the actuarial value of assets was \$0.9 million, resulting in an unfunded actuarial accrued liability of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$6.2 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 31.8 percent.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Pension Plans (Continued)

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

Annual Pension Costs

For the year ended June 30, 2010, the City's actual annual supplemental annuity cost of \$213,202 for the system met the required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2009 using the entry level dollar cost method. Significant actuarial assumptions used include an 8.0 percent investment rate of return and projected salary increases ranging from 4.5 percent to 9.3 percent. The projected salary increases include an inflation factor of 4.5 percent. The actuarial value of assets was determined using market value. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions on a closed basis. The remaining amortization period is 14 years.

Financial Statement Information - As of June 30, 2010, the statement of net assets for the pension plans is as follows:

	Pension and Other Employee Benefit Funds		
	Pension Trust Fund	Supplementary Annuity Fund	Total
Assets			
Cash and cash equivalents	\$ 1,287,829	\$ 119,097	\$ 1,406,926
Investments:			
Mutual funds	2,360,276	-	2,360,276
U.S. government securities	643,278	870,076	1,513,354
Corporate bonds	5,400,075	-	5,400,075
Stocks	20,587,201	-	20,587,201
Accrued interest receivable	55,370	-	55,370
Contributions receivable	213,363	-	213,363
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 30,547,392	\$ 989,173	\$ 31,536,565

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Pension Plans (Continued)

For the year ended June 30, 2010, the statement of changes in net assets for the pension plans is as follows:

	Pension Trust Fund	Supplementary Annuity Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 766,051	\$ -	\$ 766,051
Net increase to fair market value	2,721,345	81,821	2,803,166
Less investment expenses	<u>(275,467)</u>	<u>-</u>	<u>(275,467)</u>
Total investment income	3,211,929	81,821	3,293,750
Contributions:			
Employer	743,011	212,624	955,635
Employee	<u>340,213</u>	<u>-</u>	<u>340,213</u>
Total additions - Net	4,295,153	294,445	4,589,598
Deductions			
Pension payments	2,230,890	-	2,230,890
Benefit payments	<u>-</u>	<u>210,192</u>	<u>210,192</u>
Total deductions	<u>2,230,890</u>	<u>210,192</u>	<u>2,441,082</u>
Net Increase	2,064,263	84,253	2,148,516
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>28,483,129</u>	<u>904,920</u>	<u>29,388,049</u>
End of year	<u>\$ 30,547,392</u>	<u>\$ 989,173</u>	<u>\$ 31,536,565</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 7 - Pension Plans (Continued)

Three-year Trend Information

	Fiscal Year Ended June 30		
	2008	2009	2010
Pension trust:			
Annual pension costs (APC)	\$ 1,016,356	\$ 1,115,843	\$ 754,106
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None
Supplemental annuity:			
Annual pension costs (APC)	\$ 248,038	\$ 246,823	\$ 213,202
Percentage of APC contributed	100%	100%	100%
Net pension obligation	None	None	None

The information presented above was determined as part of the actuarial valuations at the dates indicated.

Note 8 - Other Postemployment Benefits

The City provides healthcare benefits to all full-time employees upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 101 individuals are eligible. This is a single employer defined benefit plan administered by the City. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. The plan does not issue separate financial statements.

Funding Policy - The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's collective bargaining units. The City has no obligation to make contributions in advance of when the insurance premiums are due for payment (in other words, this may be financed on a "pay-as-you-go" basis). The costs of administering the plan are borne by the City. Currently, the retirees are not required to contribute.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 8 - Other Postemployment Benefits (Continued)

Funding Progress - For the year ended June 30, 2010, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2007. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,873,940
Interest on the prior year's net OPEB obligation	<u>146,056</u>
Annual OPEB cost	5,019,996
Amounts contributed - Payments of current premiums	<u>(1,958,858)</u>
Increase in net OPEB obligation	3,061,138
OPEB obligation - Beginning of year	<u>3,245,706</u>
OPEB obligation - End of year	<u>\$ 6,306,844</u>

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

Annual OPEB costs	\$ 4,873,940
Percentage contributed	77.3%
Net OPEB obligation	\$ 6,306,844

Because 2009 is the initial year of implementation, trend information is not available. The plan has received one actuarial valuation, summarized as follows:

Actuarial value of assets	\$ -
Actuarial accrued liability (AAL)	\$ 60,894,963
Unfunded AAL (UAAL)	\$ 60,894,963
Funded ratio	0.0%

Actuarial Methods and Assumptions - Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 8 - Other Postemployment Benefits (Continued)

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

In the June 30, 2007 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of investment expenses), a projected salary increase rate ranging from 4.5 percent to 8.34 percent, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after 10 years. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percent of active member payroll on an open basis over a period of 30 years. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date and projected to the beginning of the fiscal year at the assumed rate of investment return.

Note 9 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all full-time City employees, which permits them to defer a portion of their salary until future years. Payment of the deferred compensation is not available to employees until retirement, death, or unforeseeable emergency. As of June 30, 2010, employees who had elected to participate in the Plan had contributed \$3,660,426.

All amounts of compensation deferred under the Plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are solely the property and rights of the individual participants.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2010

Note 9 - Deferred Compensation Plan (Continued)

In accordance with GASB Statement No. 32, all the assets held in trust were removed from the financial statements as the City no longer has legal control over the plan assets.

Note 10 - Risk Management

The City is exposed to risk of loss related to property loss, torts, errors and omissions, employee injuries (workers' compensation), and medical benefits provided to employees. The City has purchased commercial general liability insurance for claims relating to property loss claims, torts, and errors and omissions. The City is self-insured for workers' compensation claims and participates in a self-funding program for medical claims with other communities. Under the workers' compensation program and medical program, the City is held liable for the first \$400,000 and \$25,000, respectively, of any occurrence. Settled claims relating to commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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

	Workers' Compensation	
	2010	2009
Estimated liability - Beginning of year	\$ 113,615	\$ 99,637
Estimated claims incurred, including changes in estimates	118,246	199,791
Claim payments	<u>(121,173)</u>	<u>(185,813)</u>
Estimated liability - End of year	<u>\$ 110,688</u>	<u>\$ 113,615</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements
June 30, 2010

Note 10 - Risk Management (Continued)

Medical

The City is self-funding medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe, Grosse Pointe Park, Grosse Pointe Farms, and the Village of Grosse Pointe Shores. The Village of Grosse Pointe Shores serves as the administrative agent for the program; however, each municipality is responsible for its individual claims.

The City estimates the liability for medical benefits claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims. The estimated liability for medical claims at June 30, 2010, as well as the claims incurred during the period from July 1, 2009 through June 30, 2010, is not significant.

Note 11 - Joint Venture

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority joint venture (the "Authority"), 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, Harper Woods, Mount Clemens, Grosse Pointe Woods, and the Township of Clinton. The City Council appoints one member to the Authority's governing board, which then approves its budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The City's interest in the net assets of the Authority totaled \$65,662 at June 30, 2010 and is reported as part of the governmental activities in the statement of net assets. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

Required Supplemental Information

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue				
Property taxes	\$ 9,390,743	\$ 9,390,743	\$ 9,393,623	\$ 2,880
Intergovernmental revenue	1,551,750	1,551,750	1,340,370	(211,380)
Delinquent interest and collection fee income	415,000	415,000	511,840	96,840
Other revenue:				
Traffic violations and court fees	552,500	552,500	681,170	128,670
Licenses and permits	640,100	640,100	700,663	60,563
Miscellaneous revenue	58,510	58,510	285,685	227,175
Interest income	125,004	125,000	14,091	(110,909)
Operating transfers in	328,441	370,441	307,000	(63,441)
Total revenue	13,062,048	13,104,044	13,234,442	130,398
Expenditures				
General government:				
City Council	51,639	51,639	42,757	8,882
Commission	21,600	21,600	13,927	7,673
Municipal Court	358,496	358,496	358,987	(491)
City Clerk	242,983	242,983	204,272	38,711
City Comptroller	343,289	358,289	307,683	50,606
City Attorney	218,889	283,889	258,737	25,152
City Assessor	114,054	152,175	157,593	(5,418)
Administration	178,223	177,383	166,297	11,086
Building inspection	251,829	251,829	248,720	3,109
Fringe benefits	719,785	719,784	712,887	6,897
Municipal improvements	5,550	5,638	86,436	(80,798)
Total general government	2,506,337	2,623,705	2,558,296	65,409
Public safety:				
Supervision and administration	328,569	328,568	213,979	114,589
Police service	3,569,122	3,509,632	3,367,990	141,642
Support service	139,881	139,881	140,502	(621)
Fire prevention and inspection	259,452	259,452	238,592	20,860
Fringe benefits	1,499,580	1,503,982	1,557,883	(53,901)
Total public safety	5,796,604	5,741,515	5,518,946	222,569
Public works:				
Supervision and engineering	81,789	81,789	65,915	15,874
Fringe benefits	52,388	51,728	37,691	14,037
City building and grounds	131,499	131,499	109,104	22,395
Total public works	265,676	265,016	212,710	52,306

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2010

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Expenditures (Continued)				
Parks and recreation:				
Supervision and engineering	\$ 144,913	\$ 760,866	\$ 597,284	\$ 163,582
Fringe benefits	188,687	188,687	176,899	11,788
Lake Front Park	1,352,402	726,449	580,997	145,452
City parks	72,438	72,438	37,160	35,278
Community center	292,671	292,671	197,105	95,566
Total parks and recreation	2,051,111	2,041,111	1,589,445	451,666
Charges from Internal Service Fund for use of equipment and supplies and transfers/overhead:				
General government	160,000	183,500	165,538	17,962
Public safety	308,500	363,500	426,616	(63,116)
Public works	1,470,500	1,470,500	1,722,614	(252,114)
Parks and recreation	62,000	61,998	63,775	(1,777)
Parking	-	-	19,600	(19,600)
Total charges and transfers/overhead	2,001,000	2,079,498	2,398,143	(318,645)
Contingency	441,320	391,320	-	391,320
Total expenditures	13,062,048	13,142,165	12,277,540	864,625
Net Change in Fund Balance	-	(38,121)	956,902	995,023
Fund Balance - Beginning of year	2,348,840	2,348,840	2,348,840	-
Fund Balance - End of year	\$ 2,348,840	\$ 2,310,719	\$ 3,305,742	\$ 995,023

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2010

	Major Street Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
State and local sources	\$ 605,000	\$ 605,000	\$ 602,084	\$ (2,916)
Other revenue	85,000	85,000	50,393	(34,607)
Operating transfers in	<u>500,000</u>	<u>500,000</u>	<u>355,000</u>	<u>(145,000)</u>
Total revenue	1,190,000	1,190,000	1,007,477	(182,523)
Expenditures				
Street maintenance	424,390	424,390	440,695	(16,305)
Winter maintenance	20,000	20,000	10,500	9,500
Administration and maintenance	465,610	465,610	393,579	72,031
Municipal improvements	<u>280,000</u>	<u>280,000</u>	<u>151,107</u>	<u>128,893</u>
Total expenditures	<u>1,190,000</u>	<u>1,190,000</u>	<u>995,881</u>	<u>194,119</u>
Net Change in Fund Balance	-	-	11,596	11,596
Fund Balance - Beginning of year	<u>50,725</u>	<u>50,725</u>	<u>50,725</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 50,725</u>	<u>\$ 50,725</u>	<u>\$ 62,321</u>	<u>\$ 11,596</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2010

	Local Street Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenue				
State and local sources	\$ 245,000	\$ 245,000	\$ 247,497	\$ 2,497
Other	122,000	122,000	84,516	(37,484)
Operating transfers in	<u>1,101,840</u>	<u>1,211,054</u>	<u>955,000</u>	<u>(256,054)</u>
Total revenue	1,468,840	1,578,054	1,287,013	(291,041)
Expenditures				
Street maintenance	426,000	426,000	391,973	34,027
Winter maintenance	40,000	40,000	31,111	8,889
Administration and maintenance	514,150	514,149	466,062	48,087
Municipal improvements	485,000	594,215	380,511	213,704
Charges from Internal Service Fund for use of equipment and supplies	<u>3,690</u>	<u>3,690</u>	<u>3,692</u>	<u>(2)</u>
Total expenditures	<u>1,468,840</u>	<u>1,578,054</u>	<u>1,273,349</u>	<u>304,705</u>
Net Change in Fund Balance	-	-	13,664	13,664
Fund Balance - Beginning of year	<u>240,200</u>	<u>240,200</u>	<u>240,200</u>	-
Fund Balance - End of year	<u>\$ 240,200</u>	<u>\$ 240,200</u>	<u>\$ 253,864</u>	<u>\$ 13,664</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2010

	Cable Franchise Fund			
	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenue - Interest Income	\$ -	\$ -	\$ 20,402	\$ 20,402
Expenditures - Transfers/Overhead	-	30,000	-	30,000
Net Change in Fund Balance	-	(30,000)	20,402	50,402
Fund Balance - Beginning of year	539,128	539,128	539,128	-
Fund Balance - End of year	<u>\$ 539,128</u>	<u>\$ 509,128</u>	<u>\$ 559,530</u>	<u>\$ 50,402</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule Major Special Revenue Funds Year Ended June 30, 2010

	Solid Waste Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Property taxes	\$ 1,468,790	\$ 1,468,790	\$ 1,464,150	\$ (4,640)
Other revenue	2,500	2,500	11,785	9,285
Total revenue	1,471,290	1,471,290	1,475,935	4,645
Expenditures				
Solid waste/recycling services	1,368,372	1,368,372	1,210,210	158,162
Transfers/Overhead	206,170	206,170	206,170	-
Total expenditures	1,574,542	1,574,542	1,416,380	158,162
Net Change in Fund Balance	(103,252)	(103,252)	59,555	162,807
Fund Balance - Beginning of year	258,943	258,943	258,943	-
Fund Balance - End of year	<u>\$ 155,691</u>	<u>\$ 155,691</u>	<u>\$ 318,498</u>	<u>\$ 162,807</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress June 30, 2010

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
<u>Pension Trust Fund</u>						
6/30/04	\$ 34,404,000	\$ 33,804,000	\$ (600,000)	101.8%	\$ 5,050,000	-11.9%
6/30/05	33,329,000	36,141,000	2,812,000	92.2%	5,436,000	51.7%
6/30/06	33,549,000	36,846,000	3,297,000	91.1%	5,452,000	60.5%
6/30/07	35,801,000	38,744,000	2,943,000	92.4%	5,740,000	51.3%
6/30/08	37,728,000	36,310,000	(1,418,000)	103.9%	5,739,000	-24.7%
6/30/09	37,149,000	40,417,000	3,268,000	91.9%	6,214,000	52.6%
<u>Supplemental Annuity Fund</u>						
6/30/04	\$ 591,000	\$ 2,662,000	\$ 2,071,000	22.2%	\$ 5,050,000	41.0%
6/30/05	619,000	2,687,000	2,068,000	23.0%	5,436,000	38.0%
6/30/06	718,000	2,728,000	2,010,000	26.3%	5,452,000	36.9%
6/30/07	788,000	2,733,000	1,945,000	28.8%	5,740,000	33.9%
6/30/08	869,000	2,836,000	1,967,000	30.6%	5,739,000	34.3%
6/30/09	905,000	2,882,000	1,977,000	31.4%	6,214,000	31.8%

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2010

The schedule of employer contributions is as follows:

Pension Trust Fund

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 169,976	100.0%
2006	575,540	100.0%
2007	1,306,228	100.0%
2008	1,016,356	100.0%
2009	1,115,843	100.0%
2010	754,106	100.0%

Supplemental Annuity Fund

<u>Fiscal Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
2005	\$ 234,098	100.0%
2006	236,845	100.0%
2007	248,556	100.0%
2008	248,038	100.0%
2009	246,823	100.0%
2010	213,202	100.0%

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) June 30, 2010

Additional information as of June 30, 2009, the latest actuarial valuation date, follows:

Pension Trust Fund

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Amortization period (perpetual)	25 years
Asset valuation method	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%-9.3%
*Includes inflation at	4.5%
cost of living adjustments	2.5% - compound

Supplemental Annuity Fund

Actuarial cost method	Entry age, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	14 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.5%-9.3%
*Includes inflation at	4.5%
cost of living adjustments	2.5% - compound for retirements effective on or after July 1, 1990

City of Grosse Pointe Woods, Michigan

Notes to Required Supplemental Information June 30, 2010

Note 1 - Reconciliation of Budgeted Amounts to Basic Financial Statements

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund and all Special Revenue Funds except that operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” Following is a reconciliation of the budgetary comparison schedule to the governmental funds (statement of revenue, expenditures, and changes in fund balances):

	General Fund		Major Street Fund		Local Street Fund		Cable Franchise Fund		Solid Waste Fund	
	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 12,927,442	\$ 11,433,925	\$ 652,477	\$ 995,881	\$ 332,013	\$ 1,273,349	\$ 20,402	\$ -	\$ 1,475,935	\$ 1,416,380
Operating transfers budgeted as revenue and expenditures on budget statement	307,000	843,615	355,000	-	955,000	-	-	-	-	-
Amounts per budget statement	\$ 13,234,442	\$ 12,277,540	\$ 1,007,477	\$ 995,881	\$ 1,287,013	\$ 1,273,349	\$ 20,402	\$ -	\$ 1,475,935	\$ 1,416,380

Note 2 - Budgetary Information

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all Special Revenue Funds, and Debt Service Funds except that operating transfers have been included in the “revenue” and “expenditures” categories, rather than as “other financing sources (uses).” All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

1. On or before the first council meeting in April, the city treasurer/comptroller and the city administrator prepare a proposed operating budget for the fiscal year commencing July 1 and submit it to the council. The budget must be adopted through a passage of a budget resolution no later than May 1.
2. Public hearings are conducted to obtain citizen comments.
3. The legislative budget is adopted by fund on a departmental basis. Line item detail is provided as a general guideline. Throughout the year, the City Council receives requests to amend the activity budget. All amendments must be approved by a vote of the City Council. Changes in line items within an activity may be made with the approval of the city comptroller.

City of Grosse Pointe Woods, Michigan

Notes to Required Supplemental Information June 30, 2010

Note 2 - Budgetary Information (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City incurred expenditures that were in excess of amounts budgeted, as follows.

The Parkway Beautification Fund and the 2006 Park Bond Fund were not budgeted for in the current year.

	<u>Budget</u>	<u>Actual</u>
General Fund:		
Municipal improvement	\$ 5,638	\$ 86,436
Charges from Internal Service Fund for use of equipment and supplies and transfers/overhead - Public Works	1,470,500	1,722,614
Major Street Fund - Street maintenance	424,390	440,695

Expenditures were over budget due to unexpected expenditures incurred during the current year.

Other Supplemental Information

City of Grosse Pointe Woods, Michigan

Budgetary Comparison Schedule Major Debt Service Fund Year Ended June 30, 2010

	Grosse-Gratiot Drain Fund			Variance with Amended Budget Favorable (Unfavorable)
	Original Budget	Amended Budget	Actual	
Revenue				
Property taxes	\$ 2,974,786	\$ 2,969,288	\$ 2,960,309	\$ (8,979)
Investment income	500	-	-	-
Total revenue	2,975,286	2,969,288	2,960,309	(8,979)
Expenditures				
Milk River Drain	2,400,955	2,257,655	2,249,462	8,193
Other	28,000	28,000	25,128	2,872
Transfers/Overhead	1,095,000	1,095,000	1,095,000	-
Total expenditures	3,523,955	3,380,655	3,369,590	11,065
Net Change in Fund Balance	(548,669)	(411,367)	(409,281)	2,086
Fund Balance - Beginning of year	1,179,355	1,179,355	1,179,355	-
Fund Balance - End of year	<u>\$ 630,686</u>	<u>\$ 767,988</u>	<u>\$ 770,074</u>	<u>\$ 2,086</u>

City of Grosse Pointe Woods, Michigan

Description of Nonmajor Governmental Funds Year Ended June 30, 2010

Special Revenue Funds

These funds are used to account for specific revenue sources, which are legally restricted to expenditures for specific functions or activities. Restrictions may be imposed by state statute, the State Constitution, City board resolution or action, or the electorate through the approval of special dedicated millages.

Ambulance Fund - This fund accounts for the operations and maintenance of the City-owned ambulance. Financing is specified by City Charter as .5 mills of the general City millage.

Act 302 Training Fund - This fund accounts for the costs of training courses for the police department. Financing is provided by state grants.

Grants Fund - This fund is used to account for the activity of the Community Development Block Grant Program and other federal grants. Financing is provided by the Wayne County Economic Development Grant Program.

911 Emergency Service Fund - This fund accounts for monies expended to maintain and operate an emergency response system. Monies are received from the Ameritech Phone Company, which levies a surcharge on all phone users within the community.

Drug Enforcement Fund - This fund is used to account for monies seized in arrests for illegal drug activities and from various grants issued to the police department. Functions and activities include drug enforcement and education, departmental training, and expenses associated with the grants received.

Parkway Beautification Fund - This fund was created to account for monies provided by donors to finance parkway beautification activities.

Debt Service Fund

2005 Park Refunding Bond - This fund is used to account for the accumulation of resources for the periodic payment of principal and interest on police and fire long-term debt.

City of Grosse Pointe Woods, Michigan

Description of Nonmajor Governmental Funds (Continued) Year Ended June 30, 2010

Capital Projects Funds

Capital Projects Funds are used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds. Revenue sources include General Fund transfers, grants from other units of government, private contributions, and bond proceeds.

Municipal Improvement Fund - This fund accounts for the acquisition and construction of various construction projects in the City.

2006 Park Bond Fund - This fund accounts for the construction and improvement of the City pool.

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds			
	Ambulance Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service Fund
Assets				
Cash and investments	\$ 110,766	\$ 22,679	\$ 27,548	\$ 5
Restricted cash	-	-	-	-
Accounts receivable and other assets	10,419	-	-	45,000
Due from other funds	-	3,754	-	7,498
Total assets	\$ 121,185	\$ 26,433	\$ 27,548	\$ 52,503
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 7,951	\$ -	\$ -	\$ 43,568
Accrued and other liabilities	63,745	-	-	7,935
Due to other funds	1,207	-	10,800	96
Total liabilities	72,903	-	10,800	51,599
Fund Balances - Unreserved				
Designated for subsequent year's expenditures	16,679	-	-	904
Undesignated	31,603	26,433	16,748	-
Total fund balances	48,282	26,433	16,748	904
Total liabilities and fund balances	\$ 121,185	\$ 26,433	\$ 27,548	\$ 52,503

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

Special Revenue Funds		Debt Service Fund	Capital Projects Funds			Total Nonmajor Governmental Funds
Drug Enforcement Fund	Parkway Beautification Fund	2005 Park Refunding Bond	Municipal Improvement Fund	2006 Park Bond		
\$ 1,333	\$ 191,534	\$ -	\$ 150,820	\$ -	\$ 504,685	
-	-	-	-	52,949	52,949	
-	317	10,817	-	-	66,553	
-	-	-	-	-	-	
-	997	52,949	-	-	65,198	
\$ 1,333	\$ 192,848	\$ 63,766	\$ 150,820	\$ 52,949	\$ 689,385	
\$ -	\$ 35,741	\$ 69,087	\$ 98	\$ -	\$ 156,445	
-	-	1,539	-	-	73,219	
-	-	-	-	-	-	
-	-	-	34,560	52,949	99,612	
-	35,741	70,626	34,658	52,949	329,276	
-	-	-	-	-	17,583	
1,333	157,107	(6,860)	116,162	-	342,526	
1,333	157,107	(6,860)	116,162	-	360,109	
\$ 1,333	\$ 192,848	\$ 63,766	\$ 150,820	\$ 52,949	\$ 689,385	

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds			
	Ambulance Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service Fund
Revenue				
Property taxes	\$ 278,553	\$ -	\$ -	\$ -
State and local sources	-	7,936	-	-
Federal financial assistance	-	-	11,090	-
Interest income	5,332	-	-	-
Other revenue	212,818	780	-	32,563
Total revenue	496,703	8,716	11,090	32,563
Expenditures				
Current:				
Public safety	225	-	-	-
Parks and recreation	-	-	-	-
Administration and maintenance	219,540	-	-	-
Ambulance services	346,812	-	-	-
Contractual services	-	-	10,800	-
Other	9,115	-	-	112,073
Municipal improvement	-	-	-	-
Charges from Internal Service Funds for use of equipment and supplies	47,250	-	-	5,000
Debt service:				
Principal retirement	-	-	-	-
Interest and paying agent fees	-	-	-	-
Total expenditures	622,942	-	10,800	117,073
Excess of Revenue (Under) Over Expenditures	(126,239)	8,716	290	(84,510)
Other Financing Sources (Uses) -				
Transfers in	-	-	-	62,515
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	62,515
Net Change in Fund Balances	(126,239)	8,716	290	(21,995)
Fund Balances - Beginning of year	174,521	17,717	16,458	22,899
Fund Balances - End of year	\$ 48,282	\$ 26,433	\$ 16,748	\$ 904

**Combining Statement of Revenue, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds
Year Ended June 30, 2010**

Special Revenue Funds		Debt Service Fund	Capital Projects Funds		Total Nonmajor Governmental Funds
Drug Enforcement Fund	Parkway Beautification Fund	2005 Park Refunding Bond	Municipal Improvement Fund	2006 Park Bond	
\$ -	\$ -	\$ 374,392	\$ -	\$ -	\$ 652,945
-	-	-	-	-	7,936
-	-	-	-	-	11,090
-	4,004	-	-	-	9,336
-	69,594	-	23,762	-	339,517
-	73,598	374,392	23,762	-	1,020,824
-	-	-	-	-	225
-	74,252	-	-	-	74,252
-	-	-	-	-	219,540
-	-	-	-	-	346,812
-	-	-	-	-	10,800
3,923	-	-	-	-	125,111
-	-	-	59,724	-	59,724
-	-	-	-	-	52,250
-	-	420,000	-	-	420,000
-	-	15,160	-	-	15,160
3,923	74,252	435,160	59,724	-	1,323,874
(3,923)	(654)	(60,768)	(35,962)	-	(303,050)
-	-	52,949	20,700	-	136,164
-	-	-	(46,560)	(52,949)	(99,509)
-	-	52,949	(25,860)	(52,949)	36,655
(3,923)	(654)	(7,819)	(61,822)	(52,949)	(266,395)
5,256	157,761	959	177,984	52,949	626,504
\$ 1,333	\$ 157,107	\$ (6,860)	\$ 116,162	\$ -	\$ 360,109

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds Year Ended June 30, 2010

	Ambulance Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Property taxes	\$ 279,435	\$ 279,435	\$ 278,553	\$ (882)
Other revenue	185,000	185,000	218,150	33,150
Total revenue	464,435	464,435	496,703	32,268
Expenditures				
Ambulance services	347,458	347,459	347,037	422
Fringe benefits	200,792	200,791	219,540	(18,749)
Transfers/Overhead	57,250	57,250	56,365	885
Total expenditures	605,500	605,500	622,942	(17,442)
Net Change in Fund Balance	(141,065)	(141,065)	(126,239)	14,826
Fund Balance - Beginning of year	174,521	174,521	174,521	-
Fund Balance - End of year	<u>\$ 33,456</u>	<u>\$ 33,456</u>	<u>\$ 48,282</u>	<u>\$ 14,826</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2010

	Act 302 Training Fund			
	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
Revenue				
Other revenue	\$ 500	\$ 500	\$ 780	\$ 280
State and local sources	5,000	5,000	7,936	2,936
Total revenue	5,500	5,500	8,716	3,216
Expenditures				
Public safety training	5,000	5,000	-	5,000
Transfers	500	500	-	500
Total expenditures	5,500	5,500	-	5,500
Net Change in Fund Balance	-	-	8,716	8,716
Fund Balance - Beginning of year	17,717	17,717	17,717	-
Fund Balance - End of year	\$ 17,717	\$ 17,717	\$ 26,433	\$ 8,716

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2010

	Grants Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Federal financial assistance	\$ 20,564	\$ 20,564	\$ 11,090	\$ (9,474)
Other revenue	<u>12</u>	<u>12</u>	<u>-</u>	<u>(12)</u>
Total revenue	20,576	20,576	11,090	(9,486)
Expenditures - Contractual services	<u>20,576</u>	<u>20,576</u>	<u>10,800</u>	<u>9,776</u>
Net Change in Fund Balance	-	-	290	290
Fund Balance - Beginning of year	<u>16,458</u>	<u>16,458</u>	<u>16,458</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 16,458</u></u>	<u><u>\$ 16,458</u></u>	<u><u>\$ 16,748</u></u>	<u><u>\$ 290</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2010

	911 Emergency Service Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Other revenue	\$ 90,000	\$ 35,000	\$ 32,563	\$ (2,437)
Transfers in	-	55,000	62,515	7,515
Total revenue	90,000	90,000	95,078	5,078
Expenditures - Other expenditures	93,330	93,330	117,073	(23,743)
Net Change in Fund Balance	(3,330)	(3,330)	(21,995)	(18,665)
Fund Balance - Beginning of year	22,899	22,899	22,899	-
Fund Balance - End of year	<u>\$ 19,569</u>	<u>\$ 19,569</u>	<u>\$ 904</u>	<u>\$ (18,665)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2010

	Drug Enforcement Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue - Other revenue	\$ 1,000	\$ 1,000	\$ -	\$ (1,000)
Expenditures - Other expenditures	<u>1,000</u>	<u>1,000</u>	<u>3,923</u>	<u>2,923</u>
Net Change in Fund Balance	-	-	(3,923)	(3,923)
Fund Balance - Beginning of year	<u>5,256</u>	<u>5,256</u>	<u>5,256</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 5,256</u></u>	<u><u>\$ 5,256</u></u>	<u><u>\$ 1,333</u></u>	<u><u>\$ (3,923)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2010

	2005 Park Refunding Bond			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Property tax revenue	\$ 372,450	\$ 372,450	\$ 374,392	\$ 1,942
Transfers in	-	-	52,949	52,949
Total revenue	372,450	372,450	427,341	54,891
Expenditures - Bond and debt requirements	435,160	435,160	435,160	-
Net Change in Fund Balance	(62,710)	(62,710)	(7,819)	\$ 54,891
Fund Balance - Beginning of year	959	959	959	-
Fund Balance - End of year	<u>\$ (61,751)</u>	<u>\$ (61,751)</u>	<u>\$ (6,860)</u>	<u>\$ 54,891</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedule - Nonmajor Governmental Funds (Continued) Year Ended June 30, 2010

	Municipal Improvement Fund			Variance With Final Budget Favorable (Unfavorable)
	Original Budget	Final Budget	Actual	
Revenue				
Other revenue	\$ 15,500	\$ 15,500	\$ 23,762	\$ 8,262
Transfers in	19,200	20,700	20,700	-
Total revenue	34,700	36,200	44,462	8,262
Expenditures				
Municipal improvements	94,550	84,050	59,724	24,326
Transfers out	-	12,000	46,560	(34,560)
Total expenditures	94,550	96,050	106,284	(10,234)
Net Change in Fund Balance	(59,850)	(59,850)	(61,822)	(1,972)
Fund Balance - Beginning of year	177,984	177,984	177,984	-
Fund Balance - End of year	\$ 118,134	\$ 118,134	\$ 116,162	\$ (1,972)

City of Grosse Pointe Woods, Michigan

Description of Nonmajor Enterprise Funds Year Ended June 30, 2010

Parking Meter Utility Fund - To account for the City's parking meters and costs associated with maintaining the meters. Funding is provided by parking meter fees and violation fees.

Boat Dock Rental Fund - To account for boat dock rental units that are available to the citizens of Grosse Pointe Woods on an annual basis. Boat launch ramps and other water craft maintenance services are available.

Commodity Sales Fund - To record the purchases and sale of rubbish bags and other miscellaneous items that the municipality holds for resale.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Nonmajor Enterprise Funds June 30, 2010

	Nonmajor Enterprise Funds			Total Nonmajor Enterprise Funds
	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	
Assets				
Current assets:				
Cash and investments	\$ 223,041	\$ 235,040	\$ 86,376	\$ 544,457
Receivables - Due from other funds	<u>19,583</u>	<u>409</u>	<u>-</u>	<u>19,992</u>
Total current assets	242,624	235,449	86,376	564,449
Noncurrent assets - Depreciable capital assets	<u>205,811</u>	<u>59,982</u>	<u>-</u>	<u>265,793</u>
Total assets	448,435	295,431	86,376	830,242
Liabilities				
Current liabilities:				
Accounts payable	15,029	342	-	15,371
Accrued and other liabilities	18,306	-	-	18,306
Due to other funds	<u>164</u>	<u>10,065</u>	<u>-</u>	<u>10,229</u>
Total current liabilities	33,499	10,407	-	43,906
Other postemployment benefit obligation	<u>117,464</u>	<u>-</u>	<u>-</u>	<u>117,464</u>
Total liabilities	<u>150,963</u>	<u>10,407</u>	<u>-</u>	<u>161,370</u>
Net Assets				
Investment in capital assets - Net of related debt	205,811	59,982	-	265,793
Unrestricted	<u>91,661</u>	<u>225,042</u>	<u>86,376</u>	<u>403,079</u>
Total net assets	<u>\$ 297,472</u>	<u>\$ 285,024</u>	<u>\$ 86,376</u>	<u>\$ 668,872</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets - Nonmajor Enterprise Funds Year Ended June 30, 2010

	Nonmajor Enterprise Funds			
	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total Nonmajor Enterprise Funds
Operating Revenue				
Fees and violations	\$ 143,228	\$ -	\$ -	\$ 143,228
Park violations	78,230	-	-	78,230
Dockings and launching fees	-	141,338	-	141,338
Commodity sales	-	-	45,560	45,560
Other revenue	199	-	-	199
Total operating revenue	221,657	141,338	45,560	408,555
Operating Expenses				
Operation and maintenance	70,666	66,267	68,571	205,504
General and administrative	126,691	-	-	126,691
Depreciation	32,755	7,690	-	40,445
Charges from Internal Service Funds	11,450	11,300	-	22,750
Total operating expenses	241,562	85,257	68,571	395,390
Operating (Loss) Income	(19,905)	56,081	(23,011)	13,165
Nonoperating Income - Interest income	373	746	448	1,567
Operating (Loss) Income - Before transfers	(19,532)	56,827	(22,563)	14,732
Other Financing Sources - Transfers in	19,600	-	-	19,600
Change in Net Assets	68	56,827	(22,563)	34,332
Net Assets - Beginning of year	297,404	228,197	108,939	634,540
Net Assets - End of year	<u>\$ 297,472</u>	<u>\$ 285,024</u>	<u>\$ 86,376</u>	<u>\$ 668,872</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2010

	Nonmajor Enterprise Funds			Total Nonmajor Enterprise Funds
	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	
Cash Flows from Operating Activities				
Receipts from customers	\$ 221,657	\$ 141,338	\$ 45,560	\$ 408,555
Payments to suppliers	(89,569)	(77,975)	(68,571)	(236,115)
Payments to employees	(126,691)	-	-	(126,691)
Other receipts	204,505	10,447	34,207	249,159
Other payments	(83,246)	(39,368)	-	(122,614)
Net cash provided by operating activities	126,656	34,442	11,196	172,294
Cash Flows from Noncapital Financing Activities -				
Transfers in from other funds	19,600	-	-	19,600
Cash Flows from Investing Activities - Interest received on investments	373	746	448	1,567
Net Increase in Cash and Cash Equivalents	146,629	35,188	11,644	193,461
Cash and Cash Equivalents - Beginning of year	76,412	199,852	74,732	350,996
Cash and Cash Equivalents - End of year	\$ 223,041	\$ 235,040	\$ 86,376	\$ 544,457
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (19,905)	\$ 56,081	\$ (23,011)	\$ 13,165
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	32,755	7,690	-	40,445
Changes in assets and liabilities:				
Receivables and other assets	1,912	382	34,207	36,501
Due from/to other funds	47,240	(29,303)	-	17,937
Accounts payable	(7,453)	(408)	-	(7,861)
Accrued and other liabilities	72,107	-	-	72,107
Net cash provided by operating activities	\$ 126,656	\$ 34,442	\$ 11,196	\$ 172,294

City of Grosse Pointe Woods, Michigan

Description of Internal Service Funds Year Ended June 30, 2010

Motor Vehicle Fund - This fund accounts for the costs of acquiring and maintaining City-operated vehicles used by various City departments. The actual cost of labor and materials is reimbursed to this fund by the user departments through fees.

Workers' Compensation Fund - This fund was created to identify all costs associated with operating a self-insured workers' compensation fund. Funds are accumulated via transfers from other governmental and proprietary fund types and interest made on surplus earnings.

Management Information Systems Fund - This fund accounts for the maintenance and operation of the City computer and communication network system. Funds are accumulated via transfers from other fund users.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2010

	Internal Service Funds			Total
	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	
Assets				
Current:				
Cash and cash equivalents	\$ 445,060	\$ 684,715	\$ 102,601	\$ 1,232,376
Accrued interest receivable	15,372	6,459	-	21,831
Due from other funds	<u>286,425</u>	<u>201,400</u>	<u>18,810</u>	<u>506,635</u>
Total current assets	746,857	892,574	121,411	1,760,842
Noncurrent assets - Depreciable capital assets	<u>1,116,461</u>	<u>-</u>	<u>44,701</u>	<u>1,161,162</u>
Total assets	<u>\$ 1,863,318</u>	<u>\$ 892,574</u>	<u>\$ 166,112</u>	<u>\$ 2,922,004</u>
Liabilities and Net Assets				
Liabilities				
Current liabilities:				
Accounts payable	\$ 20,150	\$ 17,835	\$ 27,763	\$ 65,748
Accrued and other liabilities	20,204	-	6,729	26,933
Due to other funds	<u>358</u>	<u>-</u>	<u>-</u>	<u>358</u>
Total current liabilities	40,712	17,835	34,492	93,039
Long-term debt - Claims reserve	-	110,688	-	110,688
Other postemployment benefit obligation	<u>174,108</u>	<u>-</u>	<u>73,744</u>	<u>247,852</u>
Total noncurrent liabilities	174,108	110,688	73,744	358,540
Total liabilities	214,820	128,523	108,236	451,579
Net Assets				
Investment in capital assets	1,116,461	-	44,701	1,161,162
Unrestricted	<u>532,037</u>	<u>764,051</u>	<u>13,175</u>	<u>1,309,263</u>
Total net assets	<u>1,648,498</u>	<u>764,051</u>	<u>57,876</u>	<u>2,470,425</u>
Total liabilities and net assets	<u>\$ 1,863,318</u>	<u>\$ 892,574</u>	<u>\$ 166,112</u>	<u>\$ 2,922,004</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets (Deficit) Internal Service Funds Year Ended June 30, 2010

	Internal Service Funds			Total
	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	
Operating Revenue				
Revenue and billings to other funds	\$ 847,900	\$ 133,688	\$ 382,014	\$ 1,363,602
Other revenue	5,236	6,073	-	11,309
Total operating revenue	853,136	139,761	382,014	1,374,911
Operating Expenses				
Vehicle operation and maintenance	443,068	-	-	443,068
Administration	199,775	-	296,651	496,426
Depreciation	233,385	-	14,727	248,112
Insurance expense	7,595	121,173	-	128,768
Charges to Internal Service Fund	15,000	-	900	15,900
Total operating expenses	898,823	121,173	312,278	1,332,274
Operating (Loss) Income	(45,687)	18,588	69,736	42,637
Nonoperating Income				
Interest income	7,510	16,413	-	23,923
Gain on disposal of asset	4,123	-	-	4,123
Total nonoperating income	11,633	16,413	-	28,046
(Loss) Income - Before transfers	(34,054)	35,001	69,736	70,683
Transfers In	34,560	-	-	34,560
Change in Net Assets	506	35,001	69,736	105,243
Net Assets (Deficit) - Beginning of year	1,647,992	729,050	(11,860)	2,365,182
Net Assets - End of year	\$ 1,648,498	\$ 764,051	\$ 57,876	\$ 2,470,425

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2010

	Internal Service Funds			
	Motor Vehicle	Workers'	Management	Total
	Fund	Compensation Fund	Information System	
Cash Flows from Operating Activities				
Receipts from customers	\$ 853,136	\$ 139,761	\$ 382,014	\$ 1,374,911
Payments to suppliers	(452,300)	(105,865)	(3,437)	(561,602)
Payments to employees	(199,775)	-	(296,651)	(496,426)
Other receipts	499,693	120,147	96,238	716,078
Other payments	(411,190)	(321,474)	(89,366)	(822,030)
Net cash provided by (used in) operating activities	289,564	(167,431)	88,798	210,931
Cash Flows from Noncapital Financing Activities - Transfers from other funds	34,560	-	-	34,560
Cash Flows from Capital and Related Financing Activities				
Proceeds from sale of capital assets	4,123	-	-	4,123
Loss on sale of capital assets	(3,055)	-	-	(3,055)
Net cash provided by capital and related financing activities	1,068	-	-	1,068
Cash Flows from Investing Activities - Interest received on investments	7,510	16,413	-	23,923
Net Increase (Decrease) in Cash and Cash Equivalents	332,702	(151,018)	88,798	270,482
Cash and Cash Equivalents - Beginning of year	112,358	835,733	13,803	961,894
Cash and Cash Equivalents - End of year	<u>\$ 445,060</u>	<u>\$ 684,715</u>	<u>\$ 102,601</u>	<u>\$ 1,232,376</u>
Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities				
Operating (loss) income	\$ (45,687)	\$ 18,588	\$ 69,736	\$ 42,637
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	233,385	-	14,727	248,112
Changes in assets and liabilities:				
Receivables and other assets	(85)	750	765	1,430
Due from (to) other funds	3,669	(199,150)	(8,563)	(204,044)
Accounts payable	13,363	-	(2,537)	10,826
Accrued and other liabilities	84,919	12,381	14,670	111,970
Net cash provided by (used in) operating activities	<u>\$ 289,564</u>	<u>\$ (167,431)</u>	<u>\$ 88,798</u>	<u>\$ 210,931</u>

City of Grosse Pointe Woods, Michigan

Description of Fiduciary Funds Year Ended June 30, 2010

Trust funds are used to account for assets held by the government in a trustee capacity. Agency funds are used to account for assets held by the government as an agent for individuals, private organizations, other governments, and/or other funds.

Agency Funds - These funds account for the deposit of monies held by the City government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

Pension and Other Employee Benefit Trust Funds - The City operates one retirement system, one supplementary annuity fund, and one retiree healthcare account, which are accounted for in three separate funds. These funds cover all full-time employees of the City.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Assets Trust Funds June 30, 2010

	Pension and Other Employee Benefit Funds		
	Pension Trust Fund	Supplementary Annuity Fund	Total
Assets			
Cash and cash equivalents	\$ 1,287,829	\$ 119,097	\$ 1,406,926
Investments:			
Mutual funds	2,360,276	-	2,360,276
U.S. government securities	643,278	870,076	1,513,354
Corporate bonds	5,400,075	-	5,400,075
Stocks	20,587,201	-	20,587,201
Accrued interest receivable	55,370	-	55,370
Contributions receivable	213,363	-	213,363
	\$ 30,547,392	\$ 989,173	\$ 31,536,565
Net Assets Held in Trust for Pension and Other Employee Benefits			

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Changes in Net Assets Trust Funds Year Ended June 30, 2010

	Pension Trust Fund	Supplementary Annuity Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 766,051	\$ -	\$ 766,051
Net increase to fair market value	2,721,345	81,821	2,803,166
Less investment expenses	<u>(275,467)</u>	<u>-</u>	<u>(275,467)</u>
Total investment income - Net	3,211,929	81,821	3,293,750
Contributions:			
Employer	743,011	212,624	955,635
Employee	<u>340,213</u>	<u>-</u>	<u>340,213</u>
Total additions - Net	4,295,153	294,445	4,589,598
Deductions			
Pension payments	2,230,890	-	2,230,890
Benefit payments	<u>-</u>	<u>210,192</u>	<u>210,192</u>
Total deductions	<u>2,230,890</u>	<u>210,192</u>	<u>2,441,082</u>
Net Increase	2,064,263	84,253	2,148,516
Net Assets Held in Trust for Pension and Other Employee Benefits			
Beginning of year	<u>28,483,129</u>	<u>904,920</u>	<u>29,388,049</u>
End of year	<u>\$ 30,547,392</u>	<u>\$ 989,173</u>	<u>\$ 31,536,565</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2010

	Agency Funds		
	Wayne County Tax Fund	Cash Bond Escrow Fund	Total
Assets - Cash and cash equivalents	\$ -	\$ 7,640	\$ 7,640
Liabilities - Court bonds payable	\$ -	\$ 7,640	\$ 7,640

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Changes in Assets and Liabilities Agency Funds Fiscal Year Ended June 30, 2010

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
<u>Wayne County Tax Fund</u>				
Assets - Cash and investments	\$ -	\$ 55,108,517	\$ 55,108,517	\$ -
Liabilities - Due to other governmental units	\$ -	\$ 55,108,517	\$ 55,108,517	\$ -
<u>Cash Bond Escrow Fund</u>				
Assets - Cash and investments	\$ 9,200	\$ 77,399	\$ 78,959	\$ 7,640
Liabilities - Court bonds payable	\$ 9,200	\$ 77,399	\$ 78,959	\$ 7,640
<u>Total Agency Funds</u>				
Assets - Cash and investments	\$ 9,200	\$ 55,185,916	\$ 55,187,476	\$ 7,640
Liabilities				
Due to other governmental units	-	55,108,517	55,108,517	-
Court bonds payable	9,200	77,399	78,959	7,640
Total liabilities	\$ 9,200	\$ 55,185,916	\$ 55,187,476	\$ 7,640

Statistical Section

City of Grosse Pointe Woods, Michigan

Statistical and Continuing Disclosure Contents

Statistical Information

Statistical information contained herein relates to the physical, economic, social, and political characteristics of the City. It is designed to provide a broader and more complete understanding of the City and its financial affairs than is possible from the financial statements, notes, and supporting schedules presented in the financial section.

1. Financial Trend Information

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

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City of Grosse Pointe Woods, Michigan

Statistical and Continuing Disclosure Contents (Continued)

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Continuing Disclosure

Continuing disclosure information contained herein complies with Rule 15c2-12, a federal regulation promulgated by the Securities and Exchange Commission, designed to improve disclosure practices in the municipal bond market. Municipal bonds issued after July 3, 1995 are subject to this mandatory requirement.

Continuing disclosure requires certain annual financial information and operating data, including audited financial statements for the preceding fiscal year. This information is generally consistent with the information contained or cross-referenced in the official statement relating to the bonds.

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* Indicates schedules included in statistical information that fulfill continuing disclosure requirements

City of Grosse Pointe Woods, Michigan

Financial Trend Information Net Assets by Component Last Eight Fiscal Years (Accrual Basis of Accounting) (Unaudited)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in capital assets - Net								
of related debt	\$ 7,301,103	\$ 6,921,840	\$ 12,611,930	\$ 16,543,166	\$ 19,660,463	\$ 24,238,535	\$ 25,835,044	\$ 26,744,399
Restricted	4,267,678	6,541,005	6,368,884	4,540,093	1,935,523	2,018,840	782,422	727,050
Unrestricted	7,078,409	7,849,979	4,080,522	4,804,341	5,897,053	4,549,297	1,596,786	64,083
Total net assets	<u>\$ 18,647,190</u>	<u>\$ 21,312,824</u>	<u>\$ 23,061,336</u>	<u>\$ 25,887,600</u>	<u>\$ 27,493,039</u>	<u>\$ 30,806,672</u>	<u>\$ 28,214,252</u>	<u>\$ 27,535,532</u>
Business-type Activities								
Invested in capital assets -								
Net of related debt	\$ 11,807,253	\$ 14,781,305	\$ 16,548,499	\$ 17,634,292	\$ 17,640,281	\$ 18,626,103	\$ 18,921,503	\$ 18,573,221
Restricted	-	-	-	-	453,789	453,789	453,789	453,789
Unrestricted	6,871,807	3,520,495	2,298,649	1,434,870	1,524,686	1,484,347	1,191,484	1,802,604
Total net assets	<u>\$ 18,679,060</u>	<u>\$ 18,301,800</u>	<u>\$ 18,847,148</u>	<u>\$ 19,069,162</u>	<u>\$ 19,618,756</u>	<u>\$ 20,564,239</u>	<u>\$ 20,566,776</u>	<u>\$ 20,829,614</u>
Primary Government in Total								
Invested in capital assets -								
Net of related debt	\$ 19,108,356	\$ 21,703,145	\$ 29,160,429	\$ 34,177,458	\$ 37,300,744	\$ 42,864,638	\$ 44,756,547	\$ 45,317,620
Restricted	4,267,678	6,541,005	6,368,884	4,540,093	2,389,312	2,472,629	1,236,211	1,180,839
Unrestricted	13,950,216	11,370,474	6,379,171	6,239,211	7,421,739	6,033,644	2,788,270	1,866,687
Total net assets	<u>\$ 37,326,250</u>	<u>\$ 39,614,624</u>	<u>\$ 41,908,484</u>	<u>\$ 44,956,762</u>	<u>\$ 47,111,795</u>	<u>\$ 51,370,911</u>	<u>\$ 48,781,028</u>	<u>\$ 48,365,146</u>

City of Grosse Pointe Woods, Michigan

Financial Trend Information Changes in Net Assets Governmental Activities, Business-type Activities, and Primary Government Last Eight Fiscal Years (Accrual Basis of Accounting) (Unaudited)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 2,068,634	\$ 2,025,228	\$ 2,960,392	\$ 1,743,401	\$ 1,819,279	\$ 2,438,663	\$ 4,170,617	\$ 2,604,184
Municipal court	240,920	313,281	399,726	382,120	402,779	370,151	347,428	370,098
Police, fire, and EMS	4,430,143	4,933,399	5,445,354	5,426,841	6,506,973	5,990,280	7,525,431	7,899,396
Building inspections and related	-	226,857	221,821	243,308	268,031	274,543	282,540	257,260
Legislature	137,555	124,418	157,683	126,924	108,343	115,827	91,133	67,795
Rubbish disposal	1,210,320	1,226,878	1,460,884	1,352,824	1,390,686	1,473,425	1,366,272	1,315,293
Street lighting	-	522,465	528,829	539,815	535,207	530,355	531,525	603,236
Other public works activities	3,584,922	3,176,634	2,650,533	3,994,123	3,543,532	3,323,980	4,213,635	4,355,079
Municipal improvement	159,066	72,408	44,676	30,127	196,696	270,819	386,989	59,724
Recreation and culture	1,523,565	1,610,864	1,872,760	2,014,389	2,386,985	2,040,528	2,370,954	2,181,206
Interest on long-term debt	450,019	396,661	283,417	271,234	207,182	238,813	153,736	113,653
Total governmental activities expenses	13,805,144	14,629,093	16,026,075	16,125,106	17,365,693	17,067,384	21,440,260	19,826,924
Business-type activities:								
Water/Sewer	4,631,539	5,137,969	4,660,181	4,848,148	5,096,980	5,230,033	5,239,746	4,853,312
Parking	325,131	377,288	375,660	331,892	325,058	293,746	316,991	241,562
Boat dock	158,596	199,823	235,846	277,276	144,289	146,403	121,541	85,257
Commodity sales	60,405	88,412	84,762	186,296	52,789	46,518	45,185	68,571
Total business-type activities expenses	5,175,671	5,803,492	5,356,449	5,643,612	5,619,116	5,716,700	5,723,463	5,248,702
Total primary government expenses	18,980,815	20,432,585	21,382,524	21,768,718	22,984,809	22,784,084	27,163,723	25,075,626
Program Revenue								
Governmental activities:								
Charges for services:								
Municipal court	866,321	595,207	717,903	876,197	768,596	805,958	831,454	894,768
Building inspections and related	397,506	227,939	154,376	276,150	-	-	-	-
Recreation and culture	149,528	148,756	135,335	150,630	158,763	-	-	69,507
Other activities	552,563	1,499,491	1,743,905	1,326,003	509,323	872,235	675,914	826,085
Operating grants and contributions	188,188	77,979	81,447	41,464	1,011,171	943,139	908,512	873,343
Total governmental activities program revenue	2,154,106	2,549,372	2,832,966	2,670,444	2,447,853	2,621,332	2,415,880	2,663,703
Business-type Activities								
Charges for services:								
Water/Sewer	4,112,139	4,007,523	4,523,148	4,558,523	4,696,657	4,594,730	4,878,913	4,856,083
Parking	308,694	325,378	348,865	336,895	266,067	293,453	242,765	221,657
Boat dock	178,457	178,704	169,621	173,153	164,601	162,468	146,872	141,338
Commodity sales	92,977	91,572	81,683	-	-	-	48,410	45,560
Capital grants and contributions	-	-	-	-	125,373	731,943	146,962	-
Total business-type program revenue	4,692,267	4,603,177	5,123,317	5,068,571	5,252,698	5,782,594	5,463,922	5,264,638
Total primary government program revenue	6,846,373	7,152,549	7,956,283	7,739,015	7,700,551	8,403,926	7,879,802	7,928,341

City of Grosse Pointe Woods, Michigan

Financial Trend Information Changes in Net Assets Governmental Activities, Business-type Activities, and Primary Government Last Seven Fiscal Years (Continued) (Accrual Basis of Accounting) (Unaudited)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense) Revenue								
Governmental activities	\$ (11,651,038)	\$ (12,079,721)	\$ (13,193,109)	\$ (13,454,662)	\$ (14,917,840)	\$ (14,446,052)	\$ (19,024,380)	\$ (17,163,221)
Business-type activities	(483,404)	(1,200,315)	(233,132)	(575,041)	(366,418)	65,894	(259,541)	15,936
Total primary government net expense	<u>\$ (12,134,442)</u>	<u>\$ (13,280,036)</u>	<u>\$ (13,426,241)</u>	<u>\$ (14,029,703)</u>	<u>\$ (15,284,258)</u>	<u>\$ (14,380,158)</u>	<u>\$ (19,283,921)</u>	<u>\$ (17,147,285)</u>
General Revenue								
Governmental activities:								
Property taxes	\$ 11,963,222	\$ 12,285,813	\$ 12,742,873	\$ 14,083,603	\$ 15,181,945	\$ 15,551,944	\$ 14,468,721	\$ 15,002,660
State-shared revenue	2,734,619	2,607,456	2,594,918	2,608,124	1,682,742	1,667,431	1,645,722	1,391,898
Investment earnings	712,300	438,694	219,518	246,448	238,139	733,693	153,512	44,655
Donations	-	91,413	139,312	97,251	-	-	-	-
Franchise fees	-	-	-	-	230,453	238,054	271,953	295,688
Transfers	(750,000)	(754,000)	(754,000)	(754,500)	(810,000)	(802,000)	(218,060)	(250,400)
Total governmental activities	<u>14,660,141</u>	<u>14,669,376</u>	<u>14,942,621</u>	<u>16,280,926</u>	<u>16,523,279</u>	<u>17,389,122</u>	<u>16,321,848</u>	<u>16,484,501</u>
Business-type activities:								
Unrestricted investment earnings	45,380	69,055	24,480	42,555	106,012	79,589	21,534	11,960
Transfers	750,000	754,000	754,000	754,500	810,000	802,000	218,060	250,400
Total business-type activities	<u>795,380</u>	<u>823,055</u>	<u>778,480</u>	<u>797,055</u>	<u>916,012</u>	<u>881,589</u>	<u>239,594</u>	<u>262,360</u>
Total primary government	<u>15,455,521</u>	<u>15,492,431</u>	<u>15,721,101</u>	<u>17,077,981</u>	<u>17,439,291</u>	<u>18,270,711</u>	<u>16,561,442</u>	<u>16,746,861</u>
Change in Net Assets								
Governmental activities	3,009,103	2,589,655	1,749,512	2,826,264	1,605,439	2,943,070	(2,702,532)	(678,720)
Business-type activities	311,976	(377,260)	545,348	222,014	549,594	947,483	(19,947)	278,296
Total primary government	<u>\$ 3,321,079</u>	<u>\$ 2,212,395</u>	<u>\$ 2,294,860</u>	<u>\$ 3,048,278</u>	<u>\$ 2,155,033</u>	<u>\$ 3,890,553</u>	<u>\$ (2,722,479)</u>	<u>\$ (400,424)</u>

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

	Fiscal Year				
	2001	2002	2003	2004	2005
General Fund					
Reserved for prepaids	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved:					
Designated	-	-	-	-	-
Undesignated	4,543,928	4,707,884	4,803,828	4,887,262	4,889,093
Total General Fund	4,543,928	4,707,884	4,803,828	4,887,262	4,889,093
All Other Governmental Funds					
Designated:					
Special Revenue Funds	-	-	-	-	-
Capital Project Funds	-	-	-	-	-
Reserved	1,486,174	1,504,590	4,267,678	5,884,353	4,113,798
Unreserved, reported in:					
Special Revenue Funds	2,286,206	2,033,723	1,601,160	2,842,700	1,317,011
Capital Project Funds	-	-	239,997	229,333	138,075
Debt Service Funds	1,036	563	4,207	-	-
Total General Fund and all other governmental funds	<u>\$ 8,317,344</u>	<u>\$ 8,246,760</u>	<u>\$ 10,916,870</u>	<u>\$ 13,843,648</u>	<u>\$ 10,457,977</u>

Financial Trend Information
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

		Fiscal Year							
		2006	2007	2008	2009	2010			
\$	-	\$	-	\$	-	\$	37,750	\$	99,767
	-		500,000		673,600		-		-
	<u>4,674,366</u>		<u>2,862,514</u>		<u>2,367,734</u>		<u>2,311,090</u>		<u>3,205,975</u>
	4,674,366		3,362,514		3,041,334		2,348,840		3,305,742
	-		317,247		77,609		247,647		320,417
	-		35,000		19,060		63,850		-
	4,040,089		-		-		-		-
	674,931		3,395,765		2,390,161		1,223,726		1,124,603
	-		50,033		210,272		167,083		116,162
	-		<u>970,061</u>		<u>1,176,240</u>		<u>1,180,314</u>		<u>763,214</u>
\$	<u>9,389,386</u>	\$	<u>8,130,620</u>	\$	<u>6,914,676</u>	\$	<u>5,231,460</u>	\$	<u>5,630,138</u>

City of Grosse Pointe Woods, Michigan

	Fiscal Year			
	2001	2002	2003	2004
Revenue				
Property taxes	\$ 10,770,906	\$ 11,356,910	\$ 11,963,222	\$ 12,285,813
State and local sources	897,078	884,297	2,734,619	2,607,456
Intergovernmental taxes	2,107,637	1,956,485	-	-
Delinquent interest and collection fee income	253,713	256,514	262,194	276,548
Federal financial assistance	34,000	34,000	96,953	32,000
Other revenue	2,387,762	2,162,675	2,416,024	2,593,351
Investment income	-	-	-	162,146
Donations	160,966	87,974	91,235	91,413
Total revenue	16,612,062	16,738,855	17,564,247	18,048,727
Expenditures				
Current:				
General government	1,728,964	1,900,793	2,016,549	2,187,028
Public safety	4,509,338	4,519,666	4,605,798	4,661,117
Public works	847,871	761,797	834,981	822,600
Recreation and culture	1,431,515	1,494,075	1,523,565	1,610,864
Miscellaneous	4,915,174	5,588,980	5,993,123	5,284,069
Capital outlay	420,796	307,995	250,473	263,374
Debt administration:				
Principal	1,823,456	1,885,755	1,700,366	1,713,897
Interest	-	-	-	-
Total expenditures	15,677,114	16,459,061	16,924,855	16,542,949
Excess of Revenue Over (Under) Expenditures	934,948	279,794	639,392	1,505,778
Other Financing Sources (Uses)				
Debt issuance	200,530	-	-	2,175,000
Transfers in	3,513,844	3,379,452	3,186,303	3,334,690
Transfers out	(4,185,844)	(4,086,452)	(3,936,303)	(4,088,690)
Total other financing sources (uses)	(471,470)	(707,000)	(750,000)	1,421,000
Net Change in Fund Balances	463,478	(427,206)	(110,608)	2,926,778
Fund Balances - Beginning of year (as restated)	10,991,206	11,454,684	11,027,478	10,916,870
Fund Balances - End of year	\$ 11,454,684	\$ 11,027,478	\$ 10,916,870	\$ 13,843,648
Debt service as a percentage of noncapital expenditures	11.95%	11.68%	10.20%	10.53%

* Beginning fund balance for fiscal years 2008 and 2009 was restated. See Note I for details.

Source: City annual financial statements

Financial Trend Information
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)
(Unaudited)

		Fiscal Year					
		2005	2006	2007	2008	2009	2010
\$		12,742,873	\$ 14,083,603	\$ 14,727,101	\$ 15,082,641	\$ 14,093,330	\$ 14,471,027
		2,594,914	2,608,124	2,565,900	2,481,832	2,382,912	2,197,887
		-	-	-	-	-	-
		306,283	325,632	350,413	395,910	293,797	511,840
		81,447	41,464	20,564	-	31,646	11,090
		2,445,239	2,303,348	1,929,902	2,193,987	1,986,433	2,153,729
		219,518	246,448	238,678	731,478	143,074	43,829
		139,312	97,251	-	-	-	-
		<u>18,529,586</u>	<u>19,705,870</u>	<u>19,832,558</u>	<u>20,885,848</u>	<u>18,931,192</u>	<u>19,389,402</u>
		2,253,072	2,342,482	3,013,153	3,749,368	3,764,577	2,580,898
		4,988,001	5,408,713	5,042,765	4,717,501	4,866,702	5,640,372
		816,472	875,237	906,530	964,247	887,819	950,521
		1,635,410	1,750,909	2,936,496	1,686,488	1,784,052	1,682,472
		7,307,338	7,526,139	7,800,076	7,197,683	5,467,476	5,529,332
		283,238	393,476	196,696	270,819	1,526,933	677,778
		3,867,764	1,406,272	1,458,497	2,823,747	1,552,022	1,539,247
		-	271,234	252,109	260,502	157,014	117,379
		<u>21,151,295</u>	<u>19,974,462</u>	<u>21,606,322</u>	<u>21,670,355</u>	<u>20,006,595</u>	<u>18,717,999</u>
		(2,621,709)	(268,592)	(1,773,764)	(784,507)	(1,075,403)	671,403
		-	-	1,325,000	-	-	-
		3,461,977	4,102,869	5,091,500	3,170,034	2,325,500	1,753,164
		(4,225,940)	(4,902,869)	(5,901,500)	(3,972,034)	(3,031,190)	(2,038,124)
		<u>(763,963)</u>	<u>(800,000)</u>	<u>515,000</u>	<u>(802,000)</u>	<u>(705,690)</u>	<u>(284,960)</u>
		(3,385,672)	(1,068,592)	(1,258,764)	(1,586,507)	(1,781,093)	386,443
		<u>13,843,648</u>	<u>10,457,976</u>	<u>9,389,384</u>	<u>8,501,183 *</u>	<u>7,024,788</u>	<u>5,243,695</u>
\$		<u>10,457,976</u>	<u>\$ 9,389,384</u>	<u>\$ 8,130,620</u>	<u>\$ 6,914,676</u>	<u>\$ 5,243,695</u>	<u>\$ 5,630,138</u>
		18.53%	8.57%	7.99%	14.41%	9.25%	9.18%

City of Grosse Pointe Woods, Michigan

Revenue Capacity Information General Governmental Revenue History Last Ten Fiscal Years (Unaudited)

Fiscal Year	General Property Taxes	Inter- governmental Revenue	Licenses and Permits	Federal Financial Assistance	Charges for Services	Interest and Miscellaneous	Total Revenue
2001	\$ 10,770,906	\$ 3,004,715	\$ 253,713	\$ 34,000	\$ 2,387,762	\$ 160,966	\$ 16,612,062
2002	11,356,910	2,840,782	256,514	34,000	2,162,675	87,974	16,738,855
2003	11,963,222	2,734,619	262,194	96,953	2,416,024	91,235	17,564,247
2004	12,285,813	2,607,456	276,548	32,000	2,593,351	253,559	18,048,727
2005	12,742,873	2,594,914	306,283	81,447	2,445,239	358,830	18,529,586
2006	14,083,603	2,608,124	325,632	41,464	2,303,348	343,699	19,705,870
2007	14,727,101	2,565,900	350,413	20,564	1,929,902	238,678	19,832,558
2008	15,082,641	2,481,832	395,910	-	2,193,987	731,478	20,885,848
2009	14,093,330	2,382,912	293,797	31,646	1,986,433	143,074	18,931,192
2010	14,471,027	2,197,887	511,840	11,090	2,153,729	43,829	19,389,402

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

Revenue Capacity Information Property Tax Levies and Collections Ten-Year Comparison (Unaudited)

Fiscal Year Ended June 30	Property Tax Levy	Current Tax Collections (1)	Percent Collected Current	Delinquent Tax Collections by Levy Year (2)	Total Tax Collections	Percent of Total Collections to Levy
2001	\$ 10,798,626	\$ 10,587,355	98.04	\$ 173,522	\$ 10,760,877	99.65
2002	11,349,250	11,109,277	97.89	211,107	11,320,384	99.75
2003	11,964,385	11,698,095	97.77	218,692	11,916,787	99.60
2004	12,379,468	12,124,901	97.94	266,290	12,391,191	100.09
2005	12,740,052	12,423,359	97.51	274,573	12,697,932	99.67
2006	14,033,157	13,660,396	97.34	323,441	13,983,837	99.65
2007	14,443,049	13,923,377	96.40	316,822	14,240,199	98.60
2008	14,931,695	14,474,262	96.94	446,046	14,920,308	99.92
2009	14,249,802	13,789,085	96.77	460,717	14,249,802	100.00
2010	14,465,586	13,993,400	96.74	472,187	14,465,587	100.00

(1) Figure includes delinquent taxes turned over to Wayne County for collections on March 1 of each year.

(2) Prior to 2004, the amount reported is adjusted for delinquent taxes collected for that year during subsequent years.

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Revenue Capacity Information Assessed Value and Actual Value of Taxable Property Last Ten Years

Taxable Value by Property Type (1)								
Real Property								
Tax Year	Residential	Commercial	Industrial	Personal	Total Value	Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percent of Total
2001	\$ 631,897,260	\$ 40,995,150	\$ 79,210	\$ 13,525,090	\$ 686,496,710	15.9601	\$ 1,587,632,780	43.24%
2002	884,043,630	56,054,000	100,800	14,554,200	954,752,630	15.9324	1,909,505,260	50.00%
2003	900,917,728	58,588,300	104,000	15,204,870	974,814,898	16.0301	1,949,629,796	50.00%
2004	926,166,500	59,918,650	105,300	17,757,800	1,003,948,250	15.8159	2,007,896,500	50.00%
2005	943,491,400	65,834,100	110,100	19,677,000	1,029,112,600	17.2597	2,058,225,200	50.00%
2006	937,491,730	70,116,000	114,500	15,270,200	1,022,992,430	17.2368	2,045,984,860	50.00%
2007	935,577,570	74,871,700	118,200	16,723,700	1,027,291,170	17.2368	2,054,582,340	50.00%
2008	832,163,456	79,091,000	121,400	14,187,800	925,563,656	16.7917	1,851,127,312	50.00%
2009	703,687,882	63,418,163	99,310	13,775,117	780,980,472	18.5417	1,561,960,944	50.00%
2010	622,799,835	61,345,908	99,012	15,022,091	699,266,846	18.5417	1,398,533,692	50.00%

(1) Under Michigan law, the revenue base is referred to as "taxable value." This amount represents assessed value (50% of true cash value), limited for each property by the lower of 5% or inflation.

Taxes levied in a particular "tax year" become revenue in the subsequent fiscal year.

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Millage Rates - Direct City Taxes (1)

Overlapping

Tax Year	General		Voted Park	Statutory	Ch 20/21		Total Direct Taxes	County	H.C.M.A.
	Operating	Voted EMS	Bond	Solid Waste	Milk River	Drain			
2001	9.1892	0.4986	0.6688	2.0935	3.5100		15.9601	8.1800	0.2200
2002	9.2010	0.4980	0.6555	2.1179	3.4600		15.9324	8.1900	0.2200
2003	9.2306	0.4551	0.6559	2.1485	3.5400		16.0301	8.4200	0.2161
2004	9.3983	0.4526	0.6710	1.9280	3.3660		15.8159	8.4200	0.2154
2005	10.2108	0.3690	0.5656	1.8443	4.2700		17.2597	8.4200	0.2146
2006	10.1847	0.3578	0.5665	1.8807	4.2471		17.2368	8.4120	0.2146
2007	10.1847	0.3578	0.5665	1.8807	4.2471		17.2958	8.4120	0.2146
2008	10.1847	0.3578	0.5665	1.8807	3.9986		17.0473	8.5120	0.2146
2009	11.2957	0.3578	0.5665	1.8807	2.6320		16.7917	8.5120	0.2146
2010	12.5012	0.3578	0.5665	1.8807	3.8050		19.1702	8.5120	0.2146

(3)

(1) Includes general operating, public safety, recreation, and culture

(2) Previously termed homestead and nonhomestead

(3) 2010 Wayne County millage estimate at 2009 numbers, since no new information available

Note: Michigan law restricts the maximum millage that may be levied by the City without a vote of our residents as follows:

2006	15.0469	0.4476	0.6100	2.6859	n/a
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Source: Comptroller's office

**Revenue Capacity Information
Direct and Overlapping Property Tax Rates
Last Ten Years**

Taxes					Total Tax Rate (2)	
Community College	Grosse Pointe Library	Intermediate School District	School District Principal	School District Nonprincipal	Principal	Non-principal
2.4995	1.6321	1.9753	13.1340	23.4207	43.6010	53.8877
2.4862	1.6074	3.4643	13.7291	24.2632	45.6294	56.1635
2.4862	1.5829	3.4643	13.0431	23.3187	45.2427	55.5183
2.4844	1.5000	3.4643	14.8384	25.1152	46.7384	57.0152
2.4769	1.5000	3.4643	14.5498	26.2851	47.8853	59.6206
2.4769	1.5413	3.4643	14.5498	26.2851	47.8957	59.6310
2.4769	1.5412	3.4643	14.5498	26.2851	47.9546	59.6899
2.4769	1.5412	3.4643	14.0165	26.2499	47.2728	59.5062
2.4769	1.5412	3.4643	14.2900	26.3496	47.2907	59.3503
2.4769	1.5412	3.4643	14.2900	26.3496	49.6692	61.7288
(3)	(3)	(3)	(3)	(3)		

City of Grosse Pointe Woods, Michigan

Revenue Capacity Information Principal Property Taxpayers (Major Taxpayers) Current Year and Nine Years Ago

Taxpayer	Type of Business	2010 Taxable Value	Percentage of Total City Value	2000 Taxable Value	Percentage of Total City Value	2000 Rank (1)
1 Sunrise of Grosse Pointe Woods	Assisted Living	\$ 4,646,647	0.15	\$ -	-	N/A
2 Pointe Plaza	Office Bldg	4,352,503	0.14	3,605,660	0.20	3
3 Lochmoor Club	Private Club	4,222,442	0.14	4,057,830	0.22	2
4 Colliers International	Rental	4,038,495	0.13	-	-	N/A
5 Kroger Co. of Mich.	Grocery	2,861,225	0.10	3,138,970	0.17	4
6 Detroit Edison	Utility	2,733,300	0.09	4,090,340	0.22	1
7 AL U.S. / GP Woods II	Senior Housing	2,698,800	0.09	-	-	N/A
8 Michigan Cons. Gas Co.	Utility	1,769,891	0.06	2,415,790	0.13	5
9 Grosse Pointe Hunt Club	Private Club	1,527,660	0.05	1,043,540	0.06	6
10 St. John Hospital	Hospital	1,500,256	0.05	-	-	N/A
Total		<u>\$ 30,351,219</u>	<u>1.00</u>	<u>\$ 18,352,130</u>	<u>1.00</u>	
Total City Taxable Value		<u>\$ 699,266,846</u>		<u>\$ 630,386,880</u>		

(1) A complete rank of top ten taxpayers in 1999 is unavailable

Source: City of Grosse Pointe Woods Assessing Department records

City of Grosse Pointe Woods, Michigan

	2001	2002	2003	2004
Governmental Activities				
General obligation bonds (GOB)	\$ 3,475,000	\$ 3,025,000	\$ 2,745,000	\$ 4,610,000
GOB installment note	200,530	158,182	107,182	55,426
GOB contract - Wayne County Drain	<u>12,605,139</u>	<u>11,709,741</u>	<u>10,784,094</u>	<u>9,834,246</u>
Total	16,280,669	14,892,923	13,636,276	14,499,672
Business-type Activities				
Installment purchase agreements	1,409,470	1,111,818	757,262	389,574
2010 DWRP Bonds	-	-	-	-
Revenue bonds	<u>1,155,000</u>	<u>985,000</u>	<u>6,095,000</u>	<u>5,910,000</u>
Total	<u>2,564,470</u>	<u>2,096,818</u>	<u>6,852,262</u>	<u>6,299,574</u>
Total debt of the government	<u>\$ 18,845,139</u>	<u>\$ 16,989,741</u>	<u>\$ 20,488,538</u>	<u>\$ 20,799,246</u>
Total taxable value (I)	\$ 652,775,780	\$ 722,061,149	\$ 747,023,290	\$ 778,377,290
Ratio of total debt to taxable value	2.89%	2.35%	2.74%	2.67%
Total population	17,080	17,080	17,080	17,080
Total debt per capita	\$ 1,103	\$ 995	\$ 1,200	\$ 1,218

(I) Personal income is not available

Source: City annual financial statements; population data reported from demographics schedule

**Debt Capacity Information
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years**

2005	2006	2007	2008	2009	2010
\$ 2,155,000	\$ 1,750,000	\$ 1,320,000	\$ 880,000	\$ 420,000	\$ -
-	-	1,325,000	-	-	-
8,860,199	7,858,927	6,830,430	5,771,683	4,679,661	3,560,414
11,015,199	9,608,927	9,475,430	6,651,683	5,099,661	3,560,414
-	-	-	-	-	-
-	-	-	-	-	1,976,488
5,705,000	5,510,000	5,300,000	5,050,000	4,795,000	4,530,000
5,705,000	5,510,000	5,300,000	5,050,000	4,795,000	6,506,488
<u>\$ 16,720,199</u>	<u>\$ 15,118,927</u>	<u>\$ 14,775,430</u>	<u>\$ 11,701,683</u>	<u>\$ 9,894,661</u>	<u>\$ 10,066,902</u>
\$ 813,304,250	\$ 838,542,390	\$ 867,467,911	\$ 847,756,558	\$ 780,980,472	\$ 699,266,846
2.06%	1.80%	1.70%	1.38%	1.27%	1.44%
17,080	17,080	17,080	17,080	17,080	17,080
\$ 979	\$ 885	\$ 865	\$ 685	\$ 579	\$ 589

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Pledged-revenue Coverage Last Ten Fiscal Years

Debt Service Requirements (3)

Fiscal Years Ended June 30	Gross Revenue (1)	Applicable Expenses (2)	Net Revenue	Principal	Interest	Total	Coverage
2001	\$ 3,885,071	\$ 3,299,632	\$ 585,439	\$ 170,000	\$ 80,916	\$ 250,916	2.33
2002	3,830,999	2,988,262	842,737	467,652	116,671	584,323	1.44
2003	4,112,139	4,079,550	32,589	544,556	85,940	630,496	0.05 (4)
2004	4,007,523	4,413,105	(405,582)	552,688	210,941	763,629	- (4)
2005	4,523,148	4,463,250	59,898	205,000	196,933	401,933	0.15 (4)
2006	4,558,523	4,255,169	303,354	195,000	186,296	381,296	0.80 (4)
2007	4,696,657	4,310,669	385,988	210,000	172,524	382,524	1.01
2008	4,594,730	4,430,308	164,422	-	170,079	170,079	0.97 (4)
2009	4,878,913	4,414,039	464,874	-	164,167	164,167	2.83
2010	4,856,083	4,031,251	824,832	265,000	160,115	425,115	1.94

Notes

- (1) Exclusive of nonoperating revenue
- (2) Exclusive of depreciation charges and nonoperating expenditures
- (3) Includes principal and interest of revenue bonds only
- (4) The Water/Sewer Fund had operating transfers in from other funds in an amount which would cover the debt service requirement.

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Ratios of General Bonded Debt Outstanding Last Ten Years

Fiscal Years Ended June 30	Population Per Federal Census	Adjusted Taxable Equalized Valuation	General Obligation Bonds Outstanding	Percent Debt to Assessed Value	Debt Per Capita
2001	17,080 (1)	\$ 652,775,780	\$ 16,280,669	2.49%	\$ 953
2002	17,080	722,061,149	14,892,924	2.06%	872
2003	17,080	747,023,290	13,636,276	1.83%	798
2004	17,080	778,377,290	14,499,672	1.86%	849
2005	17,080	813,304,250	11,015,199	1.35%	645
2006	17,080	838,542,390	9,608,927	1.15%	563
2007	17,080	867,467,911	9,475,430	1.09%	555
2008	17,080	847,756,558	6,651,683	0.78%	389
2009	17,080	780,980,472	5,099,661 (2)	0.65%	299
2010	17,080	699,266,846	3,560,414 (2)	0.51%	208

Source: Comptroller's Office

(1) Based upon 2000 federal census

(2) 2003 recreation funding
County contractual

	\$ -
	<u>3,560,414</u>
Total	<u>\$ 3,560,414</u>

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Direct and Overlapping Debt June 30, 2010

	Debt Outstanding	Percent Applicable to City	Estimated Share of Overlapping Debt
Direct debt, general obligation debt	\$ 10,066,902	100.00	\$ 10,066,902
Overlapping debt:			
Grosse Pointe Public Library	16,500,000	25.89	4,271,850
Grosse Pointe Public Schools	55,220,000	25.89	14,296,458
County of Wayne Building Authority and Debt Fund	190,293,152	1.53	2,911,485
Wayne County Community College	20,130,000	2.40	483,120
Total overlapping debt	<u>282,143,152</u>		<u>21,962,913</u>
Total direct and overlapping debt	<u>\$ 292,210,054</u>		<u>\$ 32,029,815</u>

Source: Municipal Advisory Council of Michigan

City of Grosse Pointe Woods, Michigan

	2001	2002	2003	2004
Calculation of Debt Limit (1)				
Taxable valuation	\$ 652,775,780	\$ 687,858,080	\$ 723,570,576	\$ 747,023,290
Debt limit (10% of equalized value)	65,277,578	68,785,808	72,357,058	74,702,329
Calculation of Debt Subject to Limit				
Total debt	19,015,139	17,119,741	20,578,538	20,844,246
Less Debt Not Subject to Charter Limitations				
Michigan Transportation Fund Bonds	190,000	-	-	-
Water and Sewer Revenue Bonds 1993	1,155,000	985,000	795,000	610,000
Grosse-Gratiot Drain/Milk River Debt	12,605,139	11,709,742	10,784,094	9,834,247
Water/Sewer Installment Note	-	-	757,262	389,574
2010 DWRF Bonds	-	-	-	-
Water/Sewer Revenue Bonds 2003	1,409,470	1,111,818	5,300,000	5,300,000
Total debt not subject to Charter limitations	<u>15,359,609</u>	<u>13,806,560</u>	<u>17,636,356</u>	<u>16,133,821</u>
Total net debt (2)	<u>3,655,530</u>	<u>3,313,181</u>	<u>2,942,182</u>	<u>4,710,425</u>
Legal debt margin	<u>\$ 61,622,048</u>	<u>\$ 65,472,627</u>	<u>\$ 69,414,876</u>	<u>\$ 69,991,904</u>
Net debt subject to limit as percentage of debt limit	5.93%	5.06%	4.24%	6.73%

(1) The legal debt limit continues to be derived from state equalized value (SEV), not Taxable Value (TV).

(2) Amount does not include water and sewer and County contractual obligations.

Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years

2005	2006	2007	2008	2009	2010
\$ 778,377,290	\$ 813,304,250	\$ 867,467,911	\$ 847,756,558	\$ 780,980,472	\$ 699,266,846
77,837,729	81,330,425	86,746,791	84,775,656	78,098,047	69,926,685
16,720,199	15,118,927	14,775,430	11,701,684	9,894,661	10,280,414
-	-	-	-	-	-
405,000	210,000	-	-	-	-
8,860,199	7,858,927	6,830,430	5,771,684	4,679,661	3,560,414
-	-	-	-	-	-
-	-	-	-	-	1,976,488
<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,050,000</u>	<u>4,795,000</u>	<u>4,530,000</u>
<u>14,565,199</u>	<u>13,368,927</u>	<u>12,130,430</u>	<u>10,821,684</u>	<u>9,474,661</u>	<u>10,066,902</u>
<u>2,155,000</u>	<u>1,750,000</u>	<u>2,645,000</u>	<u>880,000</u>	<u>420,000</u>	<u>213,512</u>
<u>\$ 75,682,729</u>	<u>\$ 79,580,425</u>	<u>\$ 84,101,791</u>	<u>\$ 83,895,656</u>	<u>\$ 77,678,047</u>	<u>\$ 69,713,173</u>
2.85%	2.20%	3.14%	1.05%	0.54%	0.31%

City of Grosse Pointe Woods, Michigan

Demographic and Economic Information Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (in thousands)	Estimated Number of Households	Per Capita Personal Income	Median Age	Unemployment Rate	School Enrollment
2001	17,080 (2)	(5)	(5)	\$ 30,050	(5)	1.25%	8,873
2002	17,080	(5)	(5)	38,653	(5)	1.50%	8,900
2003	17,080	(5)	(5)	42,364	(5)	1.40%	8,900 (3)
2004	17,080	(5)	(5)	43,600	(5)	1.50%	9,182 (3)
2005	17,080	(5)	(5)	44,720	(5)	1.74%	8,986
2006	17,080	(5)	(4)	46,151	(4)	3.26%	8,912
2007	16,437 (1)	(5)	6,420	(5)	(5)	4.60%	8,873
2008	17,080	(5)	(5)	(5)	(5)	9.30%	8,900 (3)
2009	17,080	(5)	(5)	(5)	(5)	14.10%	8,900 (3)
2010	17,080	(5)	(5)	(5)	(5)	14.10%	8,900 (3)

(1) Information obtained from SEMCOG

(2) 2000 population from U.S. Census

(3) Estimate

(4) 2005 Census Department - American Community Survey Data Profile Review

(5) Information not available

City of Grosse Pointe Woods, Michigan

Demographic and Economic Information Principal Employers

Taxpayer	Enterprise	2010 Employees	Percentage of Total Employment	2000 Employees	2000 Rank
1 Van Elslander Center	Medical	250	24.41%	(I)	(I)
2 University of Liggett	School	128	12.50%	(I)	(I)
3 Great Lakes Cancer Mgt Specialist	Medical	103	10.06%	(I)	(I)
4 St. John I.T. & Desktop Support	Medical Business	100	9.77%	(I)	(I)
5 Lochmoor Club	Country Club	100	9.77%	(I)	(I)
6 City of Grosse Pointe Woods	Municipal	98	9.57%	(I)	(I)
7 Grosse Pointe Hunt Club	Private Club	80	7.81%	(I)	(I)
8 Big Boy-Curtis Restaurant Group	Restaurant	60	5.86%	(I)	(I)
9 G.P. Physicians X-Ray, Inc.	Medical	55	5.37%	(I)	(I)
10 Original Pancake House	Restaurant	50	4.88%	(I)	(I)

(I) Data from nine years earlier is not readily available

Source: City Business License Registry

City of Grosse Pointe Woods, Michigan

Operating Information Full-time Equivalent Government Employees by Function (1) Last Ten Fiscal Years

Department	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	Percent of Total for 2010
Supervisor	(2)	(2)	(2)	(2)	(2)	3	3	2	2	2	3
Assessing	(2)	(2)	(2)	(2)	(2)	2	2	2	2	1	3
Clerk's Office	(2)	(2)	(2)	(2)	(2)	3	3	3	3	3	3
Treasurer's Office	(2)	(2)	(2)	(2)	(2)	6	5	5	4	5	5
Municipal Court	(2)	(2)	(2)	(2)	(2)	3	3	3	3	3	3
Information Systems	(2)	(2)	(2)	(2)	(2)	2	2	2	2	2	2
Building	(2)	(2)	(2)	(2)	(2)	3	3	3	3	3	3
Parks and Recreation	(2)	(2)	(2)	(2)	(2)	4	4	4	3	2	4
Public Safety	(2)	(2)	(2)	(2)	(2)	52	54	54	52	50	52
Public Works	(2)	(2)	(2)	(2)	(2)	27	25	25	25	28	24
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>104</u>	<u>103</u>	<u>99</u>	<u>99</u>	<u>102</u>

(1) Full-time employees reported only; data is not available for equivalent part-time positions.

(2) Data not available

Source: City personnel records

City of Grosse Pointe Woods, Michigan

Function/Program	2001	2002	2003
Public safety (calendar year Jan 1 - Dec 31):			
Police physical arrests	518	583	542
Police traffic violations	5,817	7,056	5,183
Fire runs	84	81	79
Fire actual fires	24	12	12
Fire basic ambulance runs	443	418	439
Fire Advance Life Support ambulance runs	145	206	197
Fire inspections		84	97
Parks and recreation (estimated):			
Recreation programs - Lake Front Park	242	238	265
Community center programs	24	24	24
Water:			
New connections (calendar year Jan 1 - Dec 31)	19	2	2
Water main breaks	(1)	(1)	(1)
Total consumption (billed - HCF)	860,965	950,135	990,645

(1) Information not available

(2) Information not applicable, as function reports operating indicators on a calendar year

(3) Information is reported on calendar year.

Source: City Departmental Operational Reports

Operating Information
Operating Indicators by Function
Last Ten Fiscal Years

2004	2005	2006	2007	2008	2009	2010
			(3)		(3)	(3)
477	770	478	805	676	(2)	(2)
5,857	6,045	2,887	4,181	4,635	(2)	(2)
77	80	39	55	71	(2)	(2)
8	16	4	4	14	(2)	(2)
481	466	466	424	368	(2)	(2)
193	263	169	328	356	(2)	(2)
53	53	66	215	180	(2)	(2)
345	338	428	406	426	415	392
22	22	24	24	40	41	41
5	5	3	5	1	-	0
(1)	(1)	(1)	(1)	36	19	20
954,848	920,271	1,006,841	887,693	1,064,580	804,221	750,096

City of Grosse Pointe Woods, Michigan

Operating Information Capital Asset Statistics by Function

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	8	8	8
Fire trucks	3	3	3	3	3	3	3	3	3	3
Ambulances	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Acreage	92	92	92	92	92	92	92	92	92	92
Playgrounds	5	5	5	5	5	5	5	5	5	5
Soccer fields	2	2	2	2	2	2	2	2	2	2
Baseball/Softball diamonds	5	5	5	5	5	5	5	5	5	5
Water:										
Mains (miles)	60	60	60	60	60	60	63	63	63	63
Fire hydrants	603	603	603	603	603	603	606	603	603	603
Sewer - Miles of sanitary sewers	75	75	75	75	75	75	78	78	78	78

Source: Departmental annual reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure State-shared Revenue Last Ten Fiscal Years

<u>Fiscal Years Ended</u>	<u>Modified Accrual and Accrual Basis of Accounting</u>
2001	\$ 2,107,637
2002	1,956,485
2003	1,842,388
2004	1,656,709
2005	1,655,968
2006	1,682,170
2007	1,570,567
2008	1,584,047
2009	1,514,040
2010	1,339,744

Source: Comptroller's office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Gas and Weight Taxes Last Ten Fiscal Years

Fiscal Years Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major	Local	
2001	\$ 638,177	\$ 258,901	\$ 897,078
2002	628,429	255,868	884,297
2003	633,886	258,345	892,231
2004	675,278	275,469	950,747
2005	665,770	273,506	939,276
2006	656,119	269,835	925,954
2007	700,767	288,920	989,687
2008	636,344	261,441	897,785
2009	612,785	251,769	864,554
2010	602,084	247,497	849,581

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Labor Agreements June 30, 2010

Bargaining Unit	Expiration Date	Number of Employees
Police Officers Association of Michigan Represents police officers	6/30/2010	28
Command Officers Association of Michigan Represents police corporals, sergeants, and lieutenants	6/30/2010	9
Police Officers Labor Council Represents all paramedics/fire specialists and dispatchers	6/30/2010	13
Technical, Professional and Office Workers Assn of MI TPOAM Represents clerical, public works employees, building, and ordinance officers	6/30/2010	38
Nonunion Employees		
City Administrator	N/A	1
Confidential Secretary to City Administrator	N/A	1
City Assessor	N/A	0
Deputy City Assessor	N/A	1
Treasurer/Comptroller	N/A	1
Assistant to the Comptroller	N/A	1
Accounting Assistant to the Treasurer	N/A	1
Utility Billing Manager	N/A	1
City Clerk	N/A	1
Assistant to the City Clerk	N/A	1
Public Safety Director	N/A	1
Court Clerk	N/A	1
Probation Officer	N/A	1
Information Technology Manager	N/A	1
Information Systems Technician	N/A	1
Building Official	N/A	1
Director of Public Works	N/A	1
Assistant Director of PW	N/A	1
Foreman	N/A	2
Facilities Manager	N/A	0
Community Center Supervisor	N/A	0
Recreation Supervisor	N/A	1
Confidential Administrative Assistant	N/A	2
Total		22

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Water and Sewer Customers and Consumption June 30, 2010

<u>User Type</u>	<u>Number of Meters</u>	<u>Water Consumption Volume (100 cubic feet)</u>	<u>Percentage of Consumption</u>
Residential	6,545	41,148	88.75%
Commercial	285	3,593	7.75%
Churches, schools, and government	26	1,621	3.50%
Total	6,856	46,362	100%

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Historical Net Earnings, Cash Flow, and Debt Service Coverage June 30, 2010

Fiscal Years Ended June 30	Operating Revenue	Operating Expenses Exclusive of Depreciation	Net Operating Income (Loss)	Other Non-operating Income (I)	Annual Income Available for Debt Service	Annual Revenue Debt Service Requirements	Annual Coverage
2001	\$ 3,885,071	\$ 3,299,632	\$ 585,439	\$ 454,617	\$ 1,040,056	\$ 250,916	4.15
2002	3,830,999	2,988,262	842,737	261,808	1,104,545	584,323	1.89
2003	4,112,139	4,079,550	32,589	181,807	214,396	630,496	0.34
2004	4,007,523	4,413,105	(405,582)	183,034	(222,548)	763,629	(0.29)
2005	4,523,148	4,463,250	59,898	251,133	311,031	401,933	0.77
2006	4,558,523	4,255,169	303,354	504,551	807,905	381,296	2.12
2007	4,696,657	4,310,669	385,988	52,093	438,081	262,789	1.67
2008	4,594,730	4,430,308	164,422	26,241	190,663	420,079	0.45
2009	4,878,913	4,414,039	464,874	19,799	484,673	164,167	2.95
2010	4,856,083	4,031,251	824,832	10,393	835,225	425,115	1.96

(I) Nonoperating income except connection fees net of nonoperating expenses other than interest expense

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Water Usage and Revenue of the Ten Largest Customers June 30, 2010

Customer	Usage in Dollars	Volume of Water Used (in 100 cubic feet)
Lochmoor Club	\$ 47,663	10,794
Grosse Pointe North High School	45,439	8,090
Shorepointe Condos	23,264	5,014
Grosse Pointe Board of Education	17,866	3,844
Sunrise Development	16,626	3,601
Berkshire Condo Association	16,215	3,219
Ank Enterprises	15,522	3,685
Original Pancake House	11,589	2,838
A H Peters Funeral Home	10,649	1,311
St John Hospital	9,961	1,166

Source: City of Grosse Pointe Woods financial reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Metered Water Rates June 30, 2010

Fiscal Year 2010-2011

Meter Size	Residential	Commercial*
5/8"	\$ 21.00	\$ 6.85
3/4"	21.00	10.28
1"	29.26	17.13
1 1/2"	37.64	37.68
2"	60.73	54.80
3"	229.98	99.33
4"	292.70	137.00
6"	439.04	205.50
8"	606.28	318.50
10"	1,218.91	479.50
Billing Charge	1.70	1.70
Capital Improvement Charge	15.00	15.00
Water Rate per 100 cubic feet used	2.45	2.45
Sewer Rate per 100 cubic feet used	1.65	1.65

*Commercial rate includes churches, schools, and government

The City of Grosse Pointe Woods

**Federal Awards
Supplemental Information
June 30, 2010**

The City of Grosse Pointe Woods

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Independent Auditor's Report

To the Honorable Mayor and Members of City Council
City of Grosse Pointe Woods

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods (the "City") as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2010. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Woods' basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this report has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

October 29, 2010

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

To the Honorable Mayor and Members of City Council
City of Grosse Pointe Woods

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements, and have issued our report thereon dated October 29, 2010. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as Finding 2010-1, that we consider to be a significant deficiency in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

To the Honorable Mayor and Members of City Council
City of Grosse Pointe Woods

Compliance and Other Matters

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

We also noted certain matters that we have reported to management of the City of Grosse Pointe Woods in a separate letter dated October 29, 2010.

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

This report is intended solely for the information and use of management, the Honorable Mayor and members of City Council, others within the entity, regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

October 29, 2010

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

To the Honorable Mayor and Members of City Council
City of Grosse Pointe Woods

Compliance

We have audited the compliance of the City of Grosse Pointe Woods with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2010. The major federal program of the City of Grosse Pointe Woods is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Grosse Pointe Woods' management. Our responsibility is to express an opinion on the City of Grosse Pointe Woods' compliance based on our audit.

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

In our opinion, the City of Grosse Pointe Woods complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2010.

To the Honorable Mayor and Members of City Council
City of Grosse Pointe Woods

Internal Control Over Compliance

The management of the City of Grosse Pointe Woods is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Grosse Pointe Woods' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis.

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

This report is intended solely for the information and use of management, the Honorable Mayor and members of City Council, others within the entity, regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Morse, PLLC

October 29, 2010

The City of Grosse Pointe Woods

Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency - Passed through State of Michigan Department of Environmental Quality - Capitalization Grants for Drinking Water State Revolving Funds - Drinking Water Relief Fund	66.468	\$ 6,180,000	\$ 1,585,591
U.S. Department of Housing and Urban Development - Passed through Wayne County, Michigan - Community Development Block Grant	14.218	11,090	<u>11,090</u>
Total federal expenditures			<u>\$ 1,596,681</u>

*Amount is recorded in long-term debt in the basic financial statements.

The City of Grosse Pointe Woods

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Revenue from federal sources - As reported on financial statements	\$ 11,090
Plus federal revenue not reported as such in the financial statements - Capitalization Grant proceeds for Drinking Water State Revolving Funds	<u>1,585,591</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 1,596,681</u>

The City of Grosse Pointe Woods

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2010

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Grosse Pointe Woods under programs of the federal government for the year ended June 30, 2010. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Because the schedule presents only a selected portion of the operations of the City of Grosse Pointe Woods, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the City of Grosse Pointe Woods.

The City of Grosse Pointe Woods

Schedule of Findings and Questioned Costs Year Ended June 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major program:

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

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

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

Identification of major program:

CFDA Number	Name of Federal Program or Cluster
66.468	Capitalization Grants for Drinking Water State Revolving Funds

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

Auditee qualified as low-risk auditee? Yes No

The City of Grosse Pointe Woods

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section II - Financial Statement Audit Findings

Reference Number	Findings
2010-01	<p>Finding Type - Significant deficiency</p> <p>Criteria - Management's goal was to accurately record all transactions in the general ledger.</p> <p>Condition - During the course of the audit process, Plante & Moran assisted with the recording of certain adjustments to the City's general ledger for purposes of publishing its year-end financial statements.</p> <p>Context - The adjustments were to account balances relating to accrued sick and vacation, payroll withholdings, Drinking Water Revolving Fund funding, and investments in the Supplemental Annuity Fund. We did not consider the impact of any of these individual entries to be material. It is worth noting that over the past three years, number of auditor-assisted adjustments has decreased notably. During the 2008 and 2009 audits, Plante & Moran would have sponsored approximately 40 and 15 journal entries, respectively.</p> <p>Cause and Effect - The City does not review in enough detail in order to ensure all account balances are in compliance with generally accepted accounting principles (GAAP). As a result, various adjustments were required to be made to the City's accounting records in order for the financial statements to be complete and in accordance with GAAP.</p> <p>Recommendation - The City of Grosse Pointe Woods should attempt to review all work papers and post all entries prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City of Grosse Pointe Woods will focus on adding additional procedures to correct and detect misstatements in the general ledger through a more rigorous review process.</p>

The City of Grosse Pointe Woods

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2010

Section III - Federal Program Audit Findings

Reference Number	Findings
None	

City of Grosse Pointe Woods, Michigan

Report to the City Council

June 30, 2010

To the City Council
City of Grosse Pointe Woods, Michigan

We have recently completed our audit of the basic financial statements of the City of Grosse Pointe Woods, Michigan (the "City") for the year ended June 30, 2010. In addition to our audit report, we are providing the following report on internal control, results of the audit, and informational comments which impact the City:

	<u>Page</u>
Report on Internal Control	1-2
Results of the Audit	3-6
Other Recommendations/Informational	7-12

We are grateful for the opportunity to be of service to the City of Grosse Pointe Woods, Michigan. Should you have any questions regarding the comments in this report, please do not hesitate to call.

Plante & Moran, PLLC

October 29, 2010

Report on Internal Control

October 29, 2010

To the City Council
City of Grosse Pointe Woods, Michigan

Dear Council Members:

In planning and performing our audit of the financial statements of the City of Grosse Pointe Woods as of and for the year ended June 30, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Government's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Government's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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

A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the government's internal control to be significant deficiencies:

Year-end Accrual Adjustments - During the course of the audit process, Plante & Moran assisted with the recording of approximately five adjustments to accrual accounts such as accrued sick and vacation, payroll withholdings, Drinking Water Revolving Fund funding, and investments in the Supplemental Annuity Fund. We did not consider the impact of any of these individual entries to be material. It is worth noting that over the past three years, the number of auditor-assisted adjustments has decreased notably. During the 2008 and 2009 audits, Plante & Moran would have sponsored approximately 40 and 15 journal entries, respectively. Furthermore, the current year adjusting entries were of lesser significance than amounts recorded in previous years.

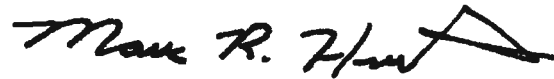
To the City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

This communication is intended solely for the information and use of management, the City Council, and others within the City and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Mark R. Hurst". The signature is written in a cursive style with a large, sweeping flourish at the end.

Mark R. Hurst

A handwritten signature in black ink that reads "Kari R. Shea". The signature is written in a cursive style with a large, sweeping flourish at the end.

Kari L. Shea

Results of the Audit

To the City Council
City of Grosse Pointe Woods, Michigan

We have audited the financial statements of the City of Grosse Pointe Woods, Michigan for the year ended June 30, 2010 and have issued our report thereon dated October 29, 2010 indicating an unqualified opinion on your audit. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 1, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. We are responsible for planning and performing the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal control of the City of Grosse Pointe Woods, Michigan. Our consideration of internal control was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters and our audit of the financial statements does not relieve you or management of your responsibilities.

Our audit of the City of Grosse Pointe Woods Michigan's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under those *Government Auditing Standards*, we have made some assessments of the City of Grosse Pointe Woods, Michigan's compliance with certain provisions of laws, regulations, contracts and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated October 29, 2010 regarding our consideration of the City of Grosse Pointe Woods, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements.

We also are obligated to communicate certain matters related to our audit to those responsible for the governance of the City of Grosse Pointe Woods, Michigan, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit.

In certain situations, *Government Auditing Standards* requires disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our letter about planning matters dated September 9, 2010.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Grosse Pointe Woods, Michigan are described in Note I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended June 30, 2010.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The most sensitive estimates affecting the financial statements were:

- OPEB (other postemployment benefits) costs - including the actuarial methods and assumptions, as well as the measurement of the "implied" healthcare costs actually incurred for 2010
- Pension costs (actuarial methods and assumptions)
- Potential Michigan tax tribunal refunds
- Unbilled water and sewer

- Self Insurance IBNR (incurred but not reported)

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There was an uncorrected misstatement of the financial statement, including an unrecorded accrual in the amount of approximately \$60,000 relating to a pending claim against the City from CMC Telecom. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated October 29, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

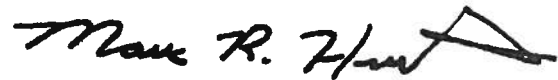
To the City Council
City of Grosse Pointe Woods, Michigan

October 29, 2010

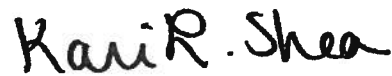
This information is intended solely for the use of the City Council and management of the City of Grosse Pointe Woods, Michigan and is not intended to be and should not be used by anyone other than these specified parties. We wish to thank the city council, management and the entire Finance Department for the assistance and professionalism shown to us during the course of the audit.

Very truly yours,

Plante & Moran, PLLC

A handwritten signature in black ink that reads "Mark R. Hurst". The signature is written in a cursive style with a large, sweeping flourish at the end.

Mark R. Hurst

A handwritten signature in black ink that reads "Kari L. Shea". The signature is written in a cursive style with a large, sweeping flourish at the end.

Kari L. Shea

Other Recommendations/Informational

Status of Prior Comments

In last year's letter to the City Council, we noted several significant areas for improvement. We are pleased to inform you that the City has done an excellent job at implementing the following suggestions: preparation of bank reconciliations in a timely manner, timely reconciliation of customer water and sewer receivable balance, and ensuring year-end accrual adjustments were properly made, including adjustments to state-shared revenue receivable, accrued interest payable, capital assets, accounts payable and unbilled water and sewer receivable balance. The City has made great strides in implementing these processes and procedures, resulting in just one significant deficiency and no material weaknesses this year.

Cost Allocations

Currently, the City allocates various expenses between different funds. The allocations in the current year are consistent with historic allocations that the finance staff had created in past years. We recommend that the City perform a study to review the allocations to ensure allocations are still appropriate.

Parkway Beautification Fund

It was noted that the City has not legally adopted a budget for the Parkway Beautification Fund, a non-major special revenue fund of the City. Michigan State law requires the legal adoption of a budget for all special revenue funds. We recommend that the City legally adopt a budget for the Parkway Beautification Fund for fiscal year ending June 30, 2011 and on a go-forward basis in order to comply with state law.

Governmental Funds - Unrestricted Net Deficit

Fiscal year 2010 will be the third year the City has recognized the other postemployment benefit ("OPEB") obligation in accordance with GASB statement #45. The OPEB liability recorded in the City's governmental funds within the government wide statements is expected to increase at a rate similar to the increase noted during the current year. The fiscal 2011 increase in this liability is expected to result in an unrestricted net deficit for the governmental activities within the City's government wide statements.

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Informational (Continued)

Property Tax Developments

The unprecedented decline in property tax values continues to be the most significant challenge faced by local governments in many years. Many communities have seen two years of declines in overall taxable value and it is still very uncertain how long the declines will continue and how severe they will be. The impact on each community and over what period of time will vary. The one constant, however, is that all communities affected will need to evaluate how their current expenditure structure can be altered to address the revenue that has been lost.

One important factor to consider is that the impact of changes in value (both the declines and eventual recovery) is not immediately felt by the City due to the length of time that elapses between the assessment of property values and when the taxes are available for appropriation. The following table illustrates the time lag related to property tax valuations:

Assessment date	12/31/07	12/31/08	12/31/09	12/31/10
Levy date	12/1/08	12/1/09	12/1/10	12/1/11
Budget year	6/30/09	6/30/10	6/30/11	6/30/12

More importantly, though, is the fact that when the recovery of property tax revenue begins, it will be very slow due to the impact of Headlee and Proposal A which limit the growth in property taxes to the lower of inflation or 5 percent, unless the millages are increased. In essence, we are experiencing a permanent downward adjustment in the resources available to fund government services (of between 20 percent and 35 percent, depending on location).

In response, many communities are considering steps to adjust their expenditures commensurate to the new levels of property tax revenue, including:

- Five-year financial forecasts
- Consolidation or contracting of services
- Establishment of authorities and joint ventures
- Multi-year budgets
- “Worst-case scenario” financial modeling
- Analysis of current user fees

We commend the City for efforts already made to address this situation by updating the five-year General Fund forecast. It is clear that there is not a singular approach that will fit all communities – each municipality will need to find a balance between cost cutting and revenue generating ideas that will best suit their residents’ needs. We are happy to offer our assistance with this process in whatever capacity is most beneficial to the City as you move forward.

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Informational (Continued)

Revenue Sharing

Revenue sharing continues to be an area of great uncertainty for local communities across the state. Adding to the mix for 2010/2011 is the impact of the 2010 census on the constitutional portion of distributions, which is determined based on a community's population per the census, and the uncertainty behind sales tax collections. There are currently three different proposals for the State's FY 2011 revenue sharing among the legislative and executive branches of government. One common theme among the proposals, however, is the continued methodology that has been followed since early this decade in the modification of the revenue sharing formula in an effort to keep revenue sharing in proportion to past distributions. In addition, all proposals attempt to minimize the impact of the 2010 census changes by adjusting the statutory distribution.

The governor's proposal, which appears to be drawing the most attention, would ensure that no local unit experiences a decline in revenue sharing, and for most communities, would hold them at the same level of revenue sharing as what was received during the state's 2010 fiscal year. In order to accomplish this, if a community were to have an increase in population (which would result in an increase to their constitutional distribution), an offsetting amount would be taken from their statutory revenue sharing to keep the total amount received the same as last year. If a community's population were to have decreased, thereby resulting in less constitutional revenue sharing, they would receive an increase in the statutory component. For local units who no longer are receiving statutory revenue sharing, an increase in population would actually result in an increase in the amount of revenue sharing being received.

We continue to recommend that local units of government be cautious when forecasting this revenue source for future years, even if an increase in population is anticipated. In addition, since the final population counts will not be released by the Census bureau until April 2011, the October 2010 through April 2011 revenue sharing payments will not reflect any census adjustments. Any adjustment to the total 2011 distribution for the census will be made on the June and August 2011 payments.

Additional information on this can be found at the following link:

http://www.michigan.gov/treasury/0,1607,7-121-1751_2197---,00.html . We will also continue to keep you apprised as we become aware of further developments as the State finalizes the 2011 budget.

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Informational (Continued)

GASB #54 - Time for Implementation

By now you're likely aware that GASB #54 - *Fund Balance Reporting and Governmental Fund Type Definitions* - is effective for the City's 2010-2011 fiscal year. The new standard eliminates the current use of the terms "reserved" and "designated" in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance: Non-spendable, restricted, committed, assigned, and unassigned, determined based on the availability for future appropriation (depending on the extent of externally and internally-imposed constraints on their use).

GASB 54 also modifies the definition of existing governmental fund types. The changes to the general fund, debt service fund, and capital project fund definitions are not likely to result in any significant changes to the fund types currently used. However, changes to the special revenue fund definition could result in some existing special revenue funds no longer meeting the criteria, resulting in fund reclassifications. Specifically, any fund that does not have a particular external revenue source as its foundation will likely no longer meet the definition of a special revenue fund and may need to be reported as a different fund type or reported within the general fund (although consideration could be given to continuing to budget separately, if the governing body finds that useful).

GASB 54 is required to be implemented for financial statements for periods beginning after June 15, 2010. Retroactive restatement is required for all periods presented, although there is an exception for the statistical section in a CAFR. At a minimum, governments will need to apply this change at the beginning of the year of implementation so that the MD&A disclosures are comparative. The standard also requires disclosure in the financial statements of any minimum fund balance policies, and the purposes for restrictions, commitments and assignments of fund balance.

We encourage the City to become familiar with the new terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the new requirements. You will likely want to consider what formal "commitments" you wish to create and adopt formal policies or approvals to document these decisions. Commitments or assignments of fund balance should be made prior to June 30, 2011.

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Informational (Continued)

Webinars

P&M regularly offers informative webinars on current events to our governmental clients. Invitations to these programs are typically distributed via email, as are our periodic publications on governmental topics. If you are not currently receiving these communications and would like to, please contact Pam Randall at Pam.Randall@plantemoran.com or a member of your P&M audit team to ensure that we have your correct email address. Over the past year, we have offered the following webinars, which can be replayed by accessing the Government Industry section of our website - www.plantemoran.com - and selecting Webinars in the Resources section:

- Government in Transition: Solutions and Support for Leaders (Sept 29, 2010)
- ARRA Impact On Your Single Audit
- Payment Card Industry Data Security Requirements for Local Governments
- Ideas for Balancing the Budget