
City of Grosse Pointe Woods, Michigan

Prepared by the Office of the City's Finance Department

Comprehensive Annual Financial Report with Supplemental Information June 30, 2018

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CITY OF GROSSE POINTE WOODS

20025 Mack Plaza Drive

Grosse Pointe Woods, Michigan 48236-2397

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

The Comprehensive Annual Financial Report (CAFR) of the City of Grosse Pointe Woods, Michigan for the fiscal year ended June 30, 2018 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, 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 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 unmodified 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 refunding of the 2013 Water and Sewer Revenue Bonds, the 2015 Road Construction Bonds and the 2017 Road Construction Bonds.

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 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 December 11, 2018, on the basic financial statements and individual fund statements and schedules is included in the financial section of this report. There is not a separately issued Single Audit Report for the Federal Grant Fund under the 2 CFR 200 regulations because the total federal grant expenditures were less than the threshold of \$750,000, which is the minimum expenditure limit needed to be subject to the regulations of the Single Audit Act. Through the Wayne County Community Development Block Grant (CDBG) Program, the City is designated as a sub-grantee and coordinates its program.

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 revenues 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, and a budget summary published in the local newspaper and in the annual City calendar.

Fiscal Policies/Major Initiatives

One of the most elemental functions of our City is to establish practices to guide us through good times and challenging times. Clearly, the last decade has been challenging but through costs cutting initiatives and better efficiencies we have been able to build a strong cash reserve.

Currently, we have an unassigned fund balance of 42 percent of actual expenses. Our cash reserves are acceptable based upon the GFOA recommendation of a 10-15 percent fund balance. We are ever cognizant of the delicate balancing that is required to maintain adequate operational reserves while maintaining essential city services and funding infrastructure improvements. City administration continues to look for efficiencies, expanding community partnerships and alternative sources of revenue to keep our City financially strong and maintain our desirability as one of the premier communities in southeast Michigan to live, work and play.

The City's long-term financial stability is the result of a strong and continuous commitment to fundamental principles of fiscal integrity. The City's current administration has taken many steps over the last several years toward improved budgeting, cost containment, and improved efficiency, which has helped in dealing with the current economic conditions. The City has developed a cautious but proactive strategy to evaluating the needs of our community. Excess reserve funds have been budgeted throughout the course of fiscal year 2017 – 2018 to accomplish numerous projects that include:

- City contractors began the final phase of construction on the restoration and/or re-surfacing of local streets where funding was available through the issuance of the 2015 Unlimited Tax General Obligation Bond approved by voters in 2014. The final bond issuance of \$2.875 million was expended throughout the year on the following streets throughout the City: Anita from Mack to Charlevoix; N. Oxford from Fairway to Morningside; Wedgewood from Vernier to the city limits; Oxford from Jackson to Mack; Huntington from Mack to Holiday; Maple Lane from Wedgewood to Wedgewood; Stanhope from Mack and Chester; S. Renaud from the Milk River to N. Renaud. The final phase of construction will be completed in the spring 2019.
- In 2014, the City of Grosse Pointe Woods in collaboration with the Village of Grosse Pointe Shores received a CGAP (Competitive Grant Assistance Program) grant through the Michigan Department of Treasury. The purpose of this grant program is to provide incentive-based grants to stimulate smaller, more efficient local government and encourage mergers, consolidations, and cooperation between two or more qualified jurisdictions. Additionally, these grant funds are to offset the costs associated with mergers, inter-local agreements, and cooperative efforts for cities, villages, townships, counties, authorities, school districts, intermediate school districts, public community colleges, and public universities that elect to combine government operations.

In March 2018, the City started renovations of our Public Safety Department to accommodate the partnership and transition of Grosse Pointe Shores dispatch and prisoner housing to the Grosse Pointe Woods Public Safety facility. Updates include: the demolition, replacement and expansion of the prisoner cell block area with a state-of-the-art facility, the re-design of the Public Safety garage, which includes a secure area for the movement and transportation of individuals in police custody, and the re-design and upgrade of our existing dispatch center to accommodate the consolidation. The E-911 system was purchased through the grant to update aging equipment and facilitate the merger.

- Numerous public parking lots throughout the city were re-surfaced during fiscal year 2017-2018. Parking fund reserves were allocated during the fiscal year to fully fund the public parking lots located throughout the City and general fund reserve dollars were utilized for lots not accessible to the general public. Parking lot re-surfacing included the following locations: City Hall employee lot, the Community Center public parking lot, the Department of Public Works employee and public parking lot, the Ghesquiere Park Jackson lot, the Ghesquiere Park Bramcaster lot, the Broadstone lot and the north and south Ridgemont lots.
- Throughout fiscal year 2017-2018 City Council, administration and engineers finalized the evaluation of infrastructure updates on several sites and at Lake Front Park. Discussions regarding the issuance of debt were held throughout the year between elected officials, city administration, city auditors and city financial advisors. A \$2.5 million, 15-year capital improvement bond was approved to fund infrastructure updates. Roof replacement and repairs, as well as heating and cooling system improvements, will take place at City Hall, the Department of Public Safety, the Department of Public Works and Lake Front Park. These improvements, scheduled to begin in fiscal year 2018–2019, will move us forward into the future and ensure our facilities provide a clean and enjoyable environment to visit. Fiscal year 2018-2019 is going to be a busy time for staff and we will be working to minimize inconveniences that our visitors are exposed to during this trying time.
- City Council, administration and engineers deliberated over additional local street repairs that were not included in the 2015 road bond. In May 2018, City Council approved a local road project totaling \$2.46 million to be allocated from the city's fund balance in general fund and the water and sewer fund. The following local streets are scheduled for repair and/or re-surfacing: Anita from Mack to the west city limits; Brys from Mack to Helen; Lochmoor from Sunningdale Park to Fairway; Re-construction of Stanhope from Chester to west city limit; Joint repair of Cook Road from Mack to Wedgewood. The City is

committed to continuing the local street repair and maintenance program that has been in place since 2015.

- The City has realized a large growth in our General Fund balance in fiscal year 2017-2018. Actual revenues exceeded actual expenditures by \$1.6 million.
- City administration continues to look for funding opportunities, cost containment initiatives, community partnerships and potential grant funds to fund and maintain the high level of public services provided to our community. Significant amenities the City provides include Lake Front Park, where you can spend the day with your family poolside, host a picnic or special event, or take a stroll on the boardwalk that overlooks Lake St. Clair. In addition, the Community Center offers programs for all ages, where members of the community can participate.
- Through the generosity of local businesses, city vendors and our residents, the City continues to support community events including Music on the Lawn, Fall Fest and Winterfest. The ability to organize and support these wonderful events support the sense of community that Grosse Pointe Woods residents enjoy.

Additionally, maintaining a strong cash reserve is paramount in order to continue with our Water/Sewer bond rating of AA allowing for the City to make the costs of borrowing lower and allow us to better invest in our city. Just as importantly, we need to build our savings so that we can pay our bills in the event of a fiscal emergency or natural disaster. Lastly, increasing our reserves would demonstrate to businesses, governmental organizations, and ratings agencies that we have prudent, disciplined fiscal practices and that we are good stewards of our taxpayers' money. This stability is good for business and good for the people of Grosse Pointe Woods.

City Council, administration and engineers, evaluated sections of the City's aged water mains with a recommendation made to the Construction Committee to begin replacement of city water mains. The replacement of our water and sewer infrastructure is critical in order to ensure the integrity of the system. At fiscal year-end 2018 City Council approved the project and bids were being finalized for the replacement of 5,195 feet of an eight (8") inch 65 year-old water main that will cost approximately \$1.5 million. The mains included in the project are below Fairholme Road from Mack to Fairford, and include the cul-de-sacs to the south including Marford Court, Baltree Court, Ghesquiere Court and Berns Court.

Work has also continued throughout the fiscal year to the City's water and sewer lines through grant funds received from the State of Michigan through the Storm Water Management and

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

December 10, 2018

Wastewater (SAW) program. This grant of \$1.1 million has provided the financial resources to our water and sewer system which has enabled staff to investigate the condition of storm sewer and trunk lines. These images will assist city administration in the development of a long-term plan for repair and replacement of our storm sewer infrastructure.

Economic Conditions

The City has struggled over the last decade as a result of a low inflation rate multiplier used to calculate taxable value on all properties. Low inflation rates significantly impact property tax revenue and the funding of essential City services. In tax year 2017, the inflation rate factor was 0.09 percent, an upward trend that hasn't been seen since 2007.

Continued re-development and re-investment within the City will add value in 2019. The City is pleased to see one major re-investment in our community at the University Liggett School. The John and Marlene Boll Campus Center added 30,200 square feet of building space that includes a new gymnasium, complete with collegiate floor and a community gathering space for students and alumni. Re-investment is key to maintaining the health and welfare of established communities.

In accordance with the City Charter, the City may levy up to 20 mills. 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 13.9732 mills.

The general fund balance has an unassigned balance of \$5.31 million and \$538,746 assigned to the Cable Fund.

Administrative Summary

The City's strengths continue to be strong financial management, sound finances, and low debt levels. Because of this, the City's Water and Sewer Fund enjoys an outstanding bond rating of "AA" and the City's overall rating is "AA+" from Standard & Poor's. This outstanding bond rating allows the City to borrow at the lowest possible interest rate, saving taxpayers thousands of dollars in future costs.

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

December 10, 2018

The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2017. This is the 45th consecutive year that the City of Grosse Pointe Woods received this prestigious award. In fact, our City is the longest-standing recipient in GFOA's history.

In 2017, GFOA awarded the City with a Popular Annual Financial Reporting Award (PAFR). This is the fifth consecutive year the City has received this award which is presented to local governments that successfully extract information from their Comprehensive Annual Financial Report (CAFR) and produce a high-quality report specifically designed to be readily accessible and easily understandable to the general public and others who do not have a background in public finance.

The City continues to maintain our well respected status and is proud to be labeled as one of the most desired areas to live in southeast Michigan. The challenge to the City is to continue to provide a multitude of public services, while complying with increased state regulations for accountability and transparency. Administration also remains confident that City Council and the employees possess the capability, foresight, and resolve necessary to successfully meet these challenges.

Sincerely,

A handwritten signature in blue ink, appearing to read "Bruce J. Smith".

Bruce J. Smith
City Administrator

A handwritten signature in blue ink, appearing to read "Cathrene A. Behrens".

Cathrene A. Behrens
Treasurer/Comptroller



Government Finance Officers Association

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for Excellence
in Financial
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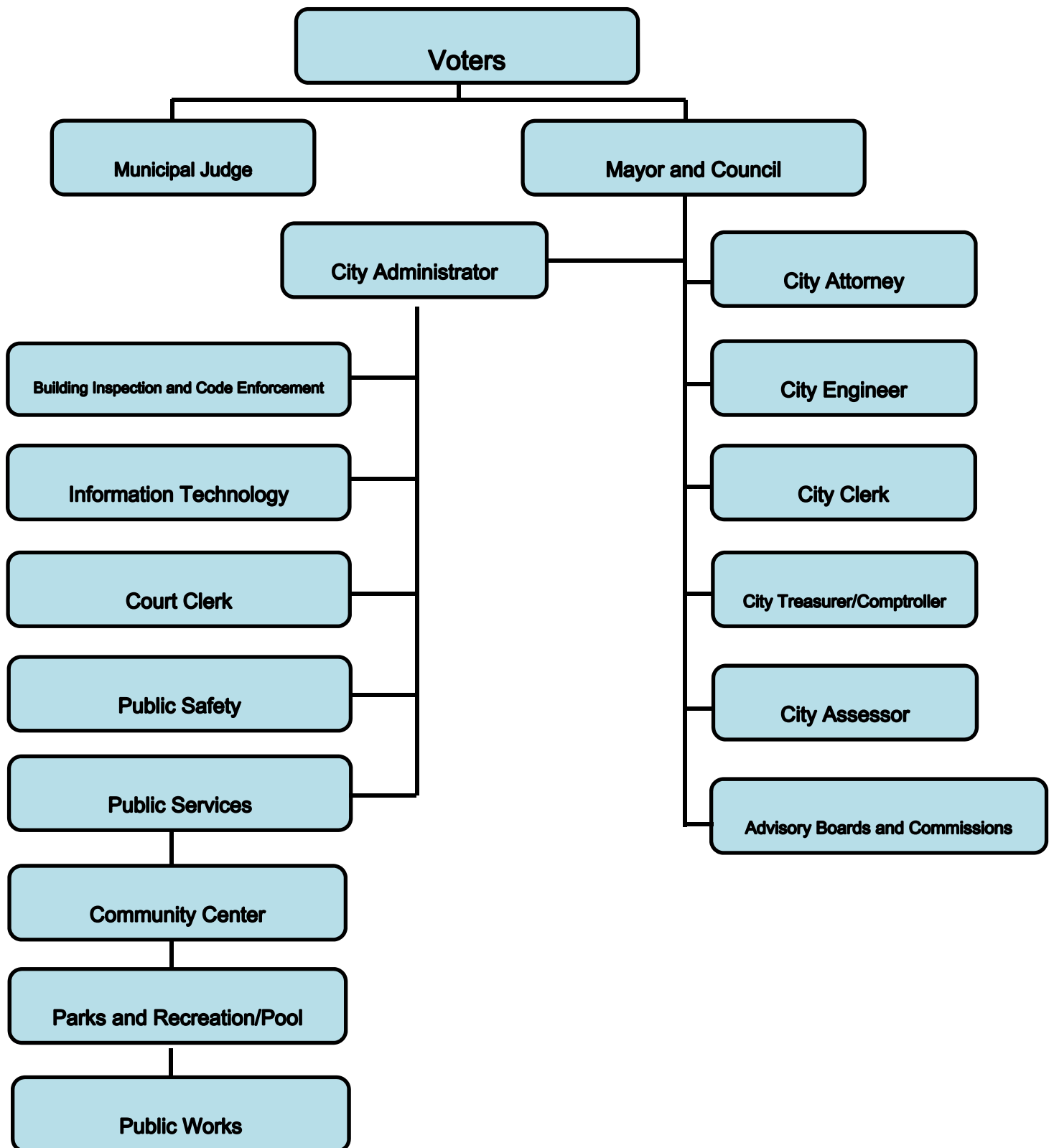
**City of Grosse Pointe Woods
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrell

Executive Director/CEO



Elected Officials

Mayor

Robert E. Novitke

Council Member

Michael Koester

Council Member

Victoria A. Granger

Council Member

Arthur W. Bryant

Council Member

Richard Shetler Jr.

Council Member

George R. McMullen Jr.

Council Member

Todd A. McConaghy

Municipal Judge

Municipal Judge

Theodore Metry

Administrator's Office

Administrator

Bruce J. Smith

Clerk's Office

Clerk

Lisa K. Hathaway

City Treasurer/Comptroller's Office

Treasurer

Cathrene Behrens

City Attorney

City Attorney

Don R. Berschback

City Attorney

Chip Berschback

Independent Auditor's Report

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

Report on the Financial Statements

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, Michigan (the "City") as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the City of Grosse Pointe Woods, Michigan's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan as of June 30, 2018 and the respective changes in its financial position and, where applicable, cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 15 to the basic financial statements, in the fiscal year ended June 30, 2018, the City adopted the provisions of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which established accounting and financial reporting standards for defined benefit OPEB plans provided to the employees of governmental employers. Our opinion is not modified with respect to this matter.

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

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City of Grosse Pointe Woods, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, as well as the introductory section and the statistical section are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and the statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Plante & Moreau, PLLC

December 10, 2018

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis

Our discussion and analysis of the City of Grosse Pointe Woods, Michigan's (the "City") financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2018. Please read it in conjunction with the City's financial statements.

Financial Highlights

The following represents the most significant financial highlights for the year ended June 30, 2018:

- Property taxes continue to be the City's largest source of revenue, slow but steady increases have been realized for the last three fiscal years. After the 2007 housing market decline, the City has had incremental increases with a CPI of 1.021 percent for fiscal year 2017-2018. Although the millage rate is essentially at the Headlee cap, the general operating property tax revenue remained consistent with 2016-2017.
- Revenue sharing from the State of Michigan remains our second largest revenue source. The City continues to meet all requirements of accountability and transparency with the State and received 100 percent of our state-shared revenue allocation in 2017-2018.
- The City remains vigilant with property maintenance enforcement to ensure properties are maintained. Maintaining property values and minimizing the decline through an effective property maintenance and rental inspection program is an important component to our overall financial plan and maintaining the quality of life within our community.
- Road repair and reconstruction continue to be a priority for the City. With the completion of the 2017 road program, funded through the issuance of a road debt bond in 2015, the City has approved additional road projects in fiscal year 2018-2019. The road projects include resurfacing of Anita, Brys, Lochmoor, and Stanhope and the joint repair on Cook Road. Funding of \$2.460 million for this project will come from the General Fund Balance and the Water and Sewer Fund balance.
- The public safety dispatch and police lockup services project has been funded through a 500,000 CGAP (Competitive Grant Assistance Program) grant and will be completed in the fall of 2018. The grant provided for equipment and retrofitting of the Grosse Pointe Woods Public Safety Department to accommodate the partnerships between the City of Grosse Pointe Woods, Michigan and the Village of Grosse Pointe Shores, Michigan. Construction updates included the demolition, replacement, and expansion of our cell block area and the redesign of the public safety garage, which includes a secure area for the movement and transportation of individuals in police custody. Grant funds also were used to replace our aged E-911 system with state of the art equipment.
- The City has realized an increase our General Fund balance, exclusive of the Cable Franchise and Local Street funds in fiscal year 2017-2018. Actual revenue exceeded actual expenditures by \$1.6 million.

Using this Annual Report

This annual report consists of a series of financial statements. The statement of net position 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 position as of the current date as compared to the prior year.

Summary Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets						
Current and other assets	\$ 17,214,062	\$ 17,885,130	\$ 16,267,115	\$ 13,491,250	\$ 33,481,177	\$ 31,376,380
Capital assets	44,813,588	34,224,770	27,300,827	27,576,313	72,114,415	61,801,083
Total assets	62,027,650	52,109,900	43,567,942	41,067,563	105,595,592	93,177,463
Deferred Outflows of Resources	18,471,827	7,946,065	1,553,477	598,170	20,025,304	8,544,235
Liabilities						
Current liabilities	1,252,360	1,244,767	888,924	621,953	2,141,284	1,866,720
Noncurrent liabilities	93,675,318	55,294,228	15,126,135	12,875,214	108,801,453	68,169,442
Total liabilities	94,927,678	56,538,995	16,015,059	13,497,167	110,942,737	70,036,162
Deferred Inflows of Resources	19,595,699	4,700,186	1,933,048	401,229	21,528,747	5,101,415
Net Position						
Net investment in capital assets	27,441,437	26,874,942	18,830,410	18,507,826	46,271,847	45,382,768
Restricted	3,853,062	3,519,549	198,090	223,500	4,051,152	3,743,049
Unrestricted	(65,318,399)	(31,577,707)	8,144,812	9,036,011	(57,173,587)	(22,541,696)
Total net position	<u>\$ (34,023,900)</u>	<u>\$ (1,183,216)</u>	<u>\$ 27,173,312</u>	<u>\$ 27,767,337</u>	<u>\$ (6,850,588)</u>	<u>\$ 26,584,121</u>

Capital assets and debt in governmental activities increased by approximately \$9.0 million primarily due to the City's ongoing work in the Milk River Drainage District. The remaining increase in capital assets of approximately \$1.6 million related to the City's continued investment in the road improvement projects and other infrastructure assets.

Increases in long-term liabilities, deferred outflows, and deferred inflows related to decreases in the City's net position. Primarily unfunded pension liabilities and other postemployment benefits (OPEB) liabilities are the largest contributor to this decrease. The City continues to make the required contributions to the pension plans, but market conditions and changes in the governmental accounting standards have changed the manner in how these liabilities are reported on the City's balance sheet.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

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

Summary Condensed Statement of Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenue						
Program revenue:						
Charges for services	\$ 991,991	\$ 1,000,150	\$ 9,435,771	\$ 8,435,877	\$ 10,427,762	\$ 9,436,027
Operating grants	1,641,799	1,201,992	-	-	1,641,799	1,201,992
Capital grants	13,777	147,823	-	-	13,777	147,823
General revenue:						
Property taxes	14,116,610	14,229,532	-	-	14,116,610	14,229,532
Intergovernmental	1,715,312	1,564,983	-	-	1,715,312	1,564,983
Investment earnings	171,696	38,764	147,189	74,006	318,885	112,770
Other revenue	1,184,378	1,001,272	-	-	1,184,378	1,001,272
Total revenue	19,835,563	19,184,516	9,582,960	8,509,883	29,418,523	27,694,399
Expenses						
General government	2,132,039	3,508,241	-	-	2,132,039	3,508,241
Public safety	5,667,873	8,318,311	-	-	5,667,873	8,318,311
Public works	5,388,938	6,498,697	-	-	5,388,938	6,498,697
Solid waste	1,666,746	1,328,475	-	-	1,666,746	1,328,475
Municipal improvement	811,929	260,432	-	-	811,929	260,432
Parks and recreation	1,758,972	1,905,019	-	-	1,758,972	1,905,019
Debt service	186,192	160,231	-	-	186,192	160,231
Water and Sewer Fund	-	-	6,147,744	5,897,189	6,147,744	5,897,189
Parking Utility Fund	-	-	235,753	136,057	235,753	136,057
Boat Dock Rental Fund	-	-	432,292	89,793	432,292	89,793
Commodity Sales Fund	-	-	10,922	35,713	10,922	35,713
Total expenses	17,612,689	21,979,406	6,826,711	6,158,752	24,439,400	28,138,158
Change in Net Position	\$ 2,222,874	\$ (2,794,890)	\$ 2,756,249	\$ 2,351,131	\$ 4,979,123	\$ (443,759)

Governmental Activities

The City's governmental revenue totaled approximately \$19.8 million, with the greatest revenue source being property taxes. Total revenue for governmental activities increased approximately \$651,000, as compared to fiscal year 2016-2017. Most of this increase related to an increase in operating grants of approximately \$440,000. The operating grant increase is from approximately \$225,000 of a \$500,000 grant award for Public Safety and an increase of \$224,000 in ACT 51 Gas and Weight Tax revenue.

Property taxes make up approximately 71 percent of total governmental revenue. That percentage decreased slightly from 74 percent in fiscal year 2016-2017. The City experienced an increase of 1.3 percent in taxable value for 2017-2018.

Total governmental expenses for the City were approximately \$17.6 million. This is down \$4.4 million, as compared to fiscal year 2016-2017. Overall expenses decreased this year due to a decrease in OPEB liabilities as a result of the implementation of GASB 75.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Business-type Activities

The City's business-type activities consist of the funds for water and sewer, parking utility, commodity sales, and boat dock.

Water and sewer utility system revenue is primarily from fees paid by customers, based on use. Water and Sewer rates were increased in the current year to cover increased costs to purchase water and to fund required infrastructure improvements.

The remaining business-type funds continue to be funded exclusively by user fees, and there were no significant changes in revenue or expenses in the current year.

In the business-type activities, revenue increased by approximately \$1.1 million primarily due to an increase in water and sewer revenue in the current year. Expenses increased approximately \$668,000 due to an increase of \$571,000 in contractual services and \$97,000 in personnel costs.

The City's Funds

An analysis of the City's major funds begins on page 12, following the government-wide financial statements. The fund financial statements provide detailed information about the most significant funds, not the City as a whole. The City Council 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 2017-2018 include the General Fund, the Grosse-Gratiot Drain Fund, and the 2015 Road Construction Fund. Since the Local Street Fund and the Cable Fund receive the majority of their revenue from unrestricted sources, they can no longer be classified as special revenue funds. Therefore, they are included in the General 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, which account for \$8.2 million in expenses. The parks and recreation department accounted for \$1.7 million in expenses, with this department of the City being primarily funded through tax revenue and user fees.

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 revenue sharing to subsidize their operations.

In fiscal year 2017-2018, the General Fund's fund balance increased by approximately \$1.5 million. The increase was due to an increase in property tax revenue and various cost containment efforts of the City Council, appointed officials, and department directors.

The City's General Fund year-end fund balance is approximately \$9.2 million; \$3.9 million is committed, assigned, or nonspendable, leaving \$5.3 million unassigned. The unassigned amount represents approximately 42 percent of fiscal year 2017-2018 actual expenditures. This level of fund balance is 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 maintain superior city services and retain a favorable bond rating.

Road Bond Construction Fund

Prior to the start of fiscal year 2017-2018, City contractors began the final phase of construction on the restoration and/or resurfacing of the final sections of local streets where funding was available through the issuance of the 2015 Unlimited Tax General Obligation Bond approved by voters in 2014. The final bond issuance of \$2.875 million was expended throughout the year on the following streets throughout the City: Anita from Mack to Charlevoix; N. Oxford from Fairway to Morningside; Wedgewood from Vernier to the City limits; Oxford from Jackson to Mack; Huntington from Mack to Holiday; Maple Lane from Wedgewood to Wedgewood; Stanhope from Mack and Chester; and S. Renaud from the Milk River to N. Renaud. The final phase of construction will be completed in fall 2018.

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 operations and maintenance costs, as well as the Grosse-Gratiot Drain improvements financed by issuance of debt. In 2017, the Milk River Inter-County Drain Drainage Board issued debt in the amount of \$36 million for system updates and improvements, with the City's first principal payment due in 2020. The City continues to make estimated interest payments each year, which are being funded through use of the Grosse-Gratiot Drain fund balance.

In fiscal year 2017-2018, the fund derived revenue from property taxes of approximately \$1.8 million, and expenditures of approximately \$1.7 million related to drain operations and maintenance provided by Wayne County, Michigan.

This Grosse-Gratiot Drain Fund's fund balance increased \$124,420; fund balance at year end is \$2,566,468 and will be used to cover the City's portion of future principal and interest payments on the debt issuance.

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 that 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 increased over the past three fiscal years to adjust the fees charged to system users based upon their demand to the system. These increases have been done in a step process so as not to impose large bimonthly increases all in one fiscal year. These fees cover the expenses imposed by the Great Lakes Water Authority; Wayne County, Michigan; city billing staff; city operations and maintenance staff; and for infrastructure improvements financed by issuance of debt and the use of fund reserves.

The City Council and administration review revenue and expenditures annually 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 infrastructure improvements to the water system and sewer systems, which have been funded by low-interest loans from the State of Michigan Drinking Water Revolving Fund and Sewer Revolving Fund.

General Fund Budgetary Highlights

The City's General Fund ended fiscal year 2017-2018 with continued concessions from all of the four labor unions and nonunion employees. Facing a slow rebound in taxable value, the City Council and administration review expenditures to determine if appropriate funding levels from property taxes and revenue sharing will adequately cover expenditures. Revenue for fiscal year 2017-2018 exceeded expenditures by \$1.6 million.

The largest budget to actual fluctuations were in public safety and parks and recreation due to increases in personnel costs.

Local Streets Activity

The Local Streets Fund accounts for the maintenance and replacement of all local streets within the City. The City has approximately 42 miles of local streets within our municipal boundaries. The primary source of financing this fund is provided by distribution of gas tax proceeds from the State under Public Act 51, with the City receiving just over \$390,000 in fiscal year 2017-2018. The other primary income source is through a transfer from the General Fund. Expenditures exceeded revenue in local roads by \$372,417, and this shortfall was covered through a transfer in from the General Fund in the amount of \$256,987 and \$115,430 being expensed from the Local Streets Fund balance. The department additionally receives a small amount of its revenue from fees, other state funding, special assessment, and interest on investments. Expenditures for fiscal year 2017-2018 increased by \$215,905 as a result of an increase in construction, engineering, and operating costs.

The Local Streets Fund's fund balance decreased by \$115,430 with a year-end balance of \$426,212. For reporting purposes, this fund balance has been classified as "committed" and rolled into the General Fund. This decrease is a result of expenditures exceeding revenue, and fund balance was used to cover the deficit.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Cable Franchise Activity

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.

The Cable Franchise Fund's fund balance is \$538,746 and is reported in the General Fund as "assigned."

Capital Asset and Debt Administration

The City did not issue any new general obligation debt during fiscal year 2017-2018. The City continues to make installment payments for the vehicles purchases made over the last three fiscal years with \$303,927 remaining. Overall, the City's debt remains low. 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.

The City is in the final stages of financing \$2.5 million in Capital Improvement Bonds. During the past decade, City staff and elected officials have worked hard at cost containment and cost cutting through various methods. Capital improvement needs throughout the City were placed on hold as one method of cost cutting. These cost containment measures have allowed the City to build the fund balance and look toward the issuance of capital improvement debt to address various needs throughout city campuses. Improvements will include roof and HVAC replacement at city hall, department of public safety, and department of public works and the replacement of our bathhouse boiler at Lake Front Park. The annual payments for this bond issuance would initially be made from the General Fund balance. Funding for the bond is expected in July 2018, construction will begin, and completion of the improvements will be by the end of 2018.

Economic Factors

Property tax values increased slightly in fiscal year 2017-2018, resulting in an increase in property tax revenue. The City remains hopeful that the rebound from the 2007 decline in taxable values continues and has learned that a 2.4 percent inflation rate factor is in place for 2019, an increase of 0.30 percent. Prudent fiscal management continues to be a top priority, as the City continues to implement cost-saving measures. Reducing discretionary spending, evaluating and prioritizing capital projects, working to establishment partnerships with other agencies, and the elimination of vacant positions continue with the City's hard-working staff providing the same excellent service with less manpower.

The City was awarded a Storm Water Asset Management and Wastewater (SAW) Grant. This grant will fund the investigation of the City's sewer lines, manholes, and catch basins; an asset management system to properly inventory and rate the condition of each sewer asset and develop a long-term capital improvement plan. City staff is working closely with our engineers on this project, and great strides are being made to accomplish these important goals.

Contacting the City's Management

This financial report is intended to provide our 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 Position

June 30, 2018

	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 15,827,774	\$ 14,123,455	\$ 29,951,229
Receivables:			
Property taxes receivable	242,254	-	242,254
Customer receivables	-	1,823,624	1,823,624
Accrued interest receivable	21,887	41,020	62,907
Other receivables	4,515	-	4,515
Due from other governments	944,912	121,391	1,066,303
Internal balances	42,990	(42,990)	-
Prepaid expenses and other assets	82,652	2,525	85,177
Restricted assets	-	198,090	198,090
Investment in Grosse Pointes-Clinton Refuse Disposal Authority (Note 13)	47,078	-	47,078
Capital assets: (Note 4)			
Assets not subject to depreciation	10,958,427	111,623	11,070,050
Assets subject to depreciation - Net	33,855,161	27,189,204	61,044,365
Total assets	62,027,650	43,567,942	105,595,592
Deferred Outflows of Resources			
Deferred pension costs	18,458,853	1,552,216	20,011,069
Deferred OPEB costs	12,974	1,261	14,235
Total deferred outflows of resources	18,471,827	1,553,477	20,025,304
Liabilities			
Accounts payable	736,849	654,326	1,391,175
Accrued liabilities and other:			
Accrued salaries and wages	201,437	16,132	217,569
Payroll taxes and withholdings	38,438	4,053	42,491
Accrued interest payable	60,773	41,303	102,076
Accrued other	214,863	173,110	387,973
Noncurrent liabilities:			
Due within one year:			
Compensated absences (Note 6)	711,883	42,610	754,493
Provision for claims (Note 6)	469,662	17,252	486,914
Current portion of long-term debt (Note 6)	991,831	735,000	1,726,831
Due in more than one year:			
Compensated absences (Note 6)	184,941	9,734	194,675
Net pension liability (Note 8)	42,303,780	3,440,976	45,744,756
Net OPEB liability (Note 10)	32,361,758	3,145,146	35,506,904
Long-term debt - Net of current portion (Note 6)	16,651,463	7,735,417	24,386,880
Total liabilities	94,927,678	16,015,059	110,942,737
Deferred Inflows of Resources			
Deferred pension cost reductions	2,986,603	318,857	3,305,460
Deferred OPEB cost reductions	16,609,096	1,614,191	18,223,287
Total deferred inflows of resources	19,595,699	1,933,048	21,528,747
Net Position (Deficit)			
Net investment in capital assets	27,441,437	18,830,410	46,271,847
Restricted:			
Roads	1,054,745	-	1,054,745
Debt service	2,566,468	198,090	2,764,558
Public safety	151,267	-	151,267
Community events	80,582	-	80,582
Unrestricted	(65,318,399)	8,144,812	(57,173,587)
Total net position (deficit)	\$ (34,023,900)	\$ 27,173,312	\$ (6,850,588)

City of Grosse Pointe Woods, Michigan

		Program Revenue		
		Charges for	Operating	Capital Grants
	Expenses	Services	Grants and	and
			Contributions	Contributions
Functions/Programs				
Primary government:				
Governmental activities:				
General government	\$ 2,132,039	\$ 452,764	\$ 180,996	\$ -
Public safety	5,667,873	397,502	-	-
Public works	5,388,938	-	1,460,803	13,777
Solid waste	1,666,746	-	-	-
Municipal improvement	811,929	-	-	-
Recreation and culture	1,758,972	141,725	-	-
Interest on long-term debt	186,192	-	-	-
Total governmental activities	17,612,689	991,991	1,641,799	13,777
Business-type activities:				
Water and Sewer Fund	6,147,744	8,763,915	-	-
Parking Utility Fund	235,753	473,826	-	-
Boat Dock Rental Fund	432,292	172,091	-	-
Commodity Sales Fund	10,922	25,939	-	-
Total business-type activities	6,826,711	9,435,771	-	-
Total primary government	\$ 24,439,400	\$ 10,427,762	\$ 1,641,799	\$ 13,777
General revenue:				
Property taxes				
Unrestricted state-shared revenue				
Unrestricted investment income				
Franchise fees				
Other miscellaneous income				
Total general revenue				
Change in Net Position				
Net Position - Beginning of year, as restated (Note 15)				
Net Position - End of year				

Statement of Activities

Year Ended June 30, 2018

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (1,498,279)	\$ -	\$ (1,498,279)
(5,270,371)	-	(5,270,371)
(3,914,358)	-	(3,914,358)
(1,666,746)	-	(1,666,746)
(811,929)	-	(811,929)
(1,617,247)	-	(1,617,247)
(186,192)	-	(186,192)
(14,965,122)	-	(14,965,122)
-	2,616,171	2,616,171
-	238,073	238,073
-	(260,201)	(260,201)
-	15,017	15,017
-	2,609,060	2,609,060
(14,965,122)	2,609,060	(12,356,062)
14,116,610	-	14,116,610
1,715,312	-	1,715,312
171,696	147,189	318,885
362,235	-	362,235
822,143	-	822,143
17,187,996	147,189	17,335,185
2,222,874	2,756,249	4,979,123
(36,246,774)	24,417,063	(11,829,711)
\$ (34,023,900)	\$ 27,173,312	\$ (6,850,588)

City of Grosse Pointe Woods, Michigan

Governmental Funds Balance Sheet

June 30, 2018

		Special Revenue Fund	Debt Service Fund		
	General Fund	2015 Road Bond Construction	Grosse-Gratiot Drain Fund	Nonmajor Funds	Total Governmental Funds
Assets					
Cash and investments (Note 3)	\$ 8,442,714	\$ 342,821	\$ 2,541,437	\$ 2,135,633	\$ 13,462,605
Receivables:					
Property taxes receivable	159,055	-	45,314	37,885	242,254
Accrued interest receivable	12,257	-	1,550	1,052	14,859
Other receivables	-	-	-	3,511	3,511
Due from other governments	489,230	-	-	455,682	944,912
Due from other funds (Note 5)	955,145	-	-	35,490	990,635
Prepaid expenses and other assets	24,890	-	-	3,636	28,526
Total assets	\$ 10,083,291	\$ 342,821	\$ 2,588,301	\$ 2,672,889	\$ 15,687,302
Liabilities					
Accounts payable	\$ 363,976	\$ 71,678	\$ -	\$ 287,283	\$ 722,937
Due to other funds (Note 5)	-	-	-	947,645	947,645
Accrued liabilities and other:					
Accrued salaries and wages	191,290	-	-	7,091	198,381
Payroll taxes and withholdings	35,789	-	-	1,772	37,561
Accrued other	169,724	-	21,833	21,423	212,980
Provision for claims	161,816	-	-	25,577	187,393
Total liabilities	922,595	71,678	21,833	1,290,791	2,306,897
Deferred Inflows of Resources -					
Unavailable revenue	4,658	-	-	189,605	194,263
Fund Balances					
Nonspendable	24,890	-	-	3,636	28,526
Restricted:					
Roads	-	271,143	-	781,903	1,053,046
Public safety	-	-	-	151,267	151,267
Debt service	-	-	2,566,468	-	2,566,468
Community development	-	-	-	79,582	79,582
Committed:					
Repairs and equipment	-	-	-	20,006	20,006
Local streets	424,329	-	-	-	424,329
Assigned:					
Subsequent year's budget	2,802,482	-	-	-	2,802,482
Public safety	50,000	-	-	61,349	111,349
Capital projects	-	-	-	209,906	209,906
Parkway beautification	-	-	-	91,870	91,870
Cable	538,746	-	-	-	538,746
Unassigned	5,315,591	-	-	(207,026)	5,108,565
Total fund balances	9,156,038	271,143	2,566,468	1,192,493	13,186,142
Total liabilities, deferred inflows of resources, and fund balances	\$ 10,083,291	\$ 342,821	\$ 2,588,301	\$ 2,672,889	\$ 15,687,302

See notes to financial statements.

City of Grosse Pointe Woods, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2018

Fund Balances Reported in Governmental Funds	\$ 13,186,142
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	43,775,144
Receivables that are not collected soon after year end are not available to pay for current period expenditures and, therefore, are reported as unavailable revenue in the funds	194,263
Investments in joint ventures are not financial resources and are not reported in the funds	47,078
Bonds payable and capital lease obligations are not due and payable in the current period and are not reported in the funds	(17,339,367)
Accrued interest is not due and payable in the current period and is not reported in the funds	(60,773)
Some employee fringe benefits are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities:	
Employee compensated absences	(869,242)
Pension benefits	(25,889,563)
Retiree healthcare benefits (OPEB)	(47,548,288)
Internal service funds are included as part of governmental activities	480,706
Net Position of Governmental Activities	<u>\$ (34,023,900)</u>

City of Grosse Pointe Woods, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances

Year Ended June 30, 2018

	Combining General Fund	Special Revenue Fund 2015 Road Bond Construction	Debt Service Fund Grosse-Gratiot Drain Fund	Nonmajor Funds	Total Governmental Funds
Revenue					
Property taxes:					
Property taxes	\$ 10,237,999	\$ -	\$ 1,819,483	\$ 2,345,808	\$ 14,403,290
Franchise fees	362,235	-	-	-	362,235
Intergovernmental:					
Federal grants	-	-	-	13,777	13,777
State and local sources	2,116,510	-	9,474	1,041,522	3,167,506
Charges for services	699,489	-	-	-	699,489
Fines and forfeitures	397,502	-	-	-	397,502
Investment income	113,792	2,184	22,394	8,123	146,493
Other revenue	581,918	-	-	235,567	817,485
Total revenue	14,509,445	2,184	1,851,351	3,644,797	20,007,777
Expenditures					
Current services:					
General government	2,632,154	-	-	68,226	2,700,380
Public safety	5,492,603	-	-	86,035	5,578,638
Public works	2,665,347	2,065,374	10,724,170	2,470,366	17,925,257
Municipal improvement	218,823	-	-	396,182	615,005
Parks and recreation	1,650,430	-	-	49,614	1,700,044
Debt service:					
Principal	-	-	-	750,000	750,000
Interest on long-term debt	-	-	-	237,679	237,679
Total expenditures	12,659,357	2,065,374	10,724,170	4,058,102	29,507,003
Excess of Revenue Over (Under) Expenditures	1,850,088	(2,063,190)	(8,872,819)	(413,305)	(9,499,226)
Other Financing Sources (Uses)					
Transfers in	-	-	-	333,586	333,586
Transfers out	(333,586)	-	-	-	(333,586)
New debt issued	-	-	8,997,239	-	8,997,239
Total other financing (uses) sources	(333,586)	-	8,997,239	333,586	8,997,239
Net Change in Fund Balances	1,516,502	(2,063,190)	124,420	(79,719)	(501,987)
Fund Balances - Beginning of year	7,639,536	2,334,333	2,442,048	1,272,212	13,688,129
Fund Balances - End of year	\$ 9,156,038	\$ 271,143	\$ 2,566,468	\$ 1,192,493	\$ 13,186,142

City of Grosse Pointe Woods, Michigan

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

Year Ended June 30, 2018

Net Change in Fund Balance Reported in Governmental Funds	\$ (501,987)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures; however, in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(1,415,974)
Capital outlay	12,155,496
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in the funds until it is available	(92,417)
Issuing debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position	(8,997,239)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	802,447
Interest expense is recognized in the government-wide statements as it accrues	(960)
Some employee costs (pension, OPEB, and compensated absences) do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds	447,968
Change in investment in a joint Grosse Pointes-Clinton Refuse Disposal Authority is not recorded in the funds	5,324
Internal service funds are included as part of governmental activities	(179,784)
Change in Net Position of Governmental Activities	<u>\$ 2,222,874</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Net Position

June 30, 2018

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Nonmajor Enterprise	Total	Internal Service Funds
Assets				
Current assets:				
Cash and investments	\$ 11,676,480	\$ 2,446,975	\$ 14,123,455	\$ 2,365,169
Receivables:				
Customer receivables	1,823,624	-	1,823,624	-
Accrued interest receivable	34,023	6,997	41,020	7,028
Other receivables	-	-	-	1,004
Due from other governments	121,391	-	121,391	-
Prepaid expenses and other assets	2,036	489	2,525	54,126
Total current assets	13,657,554	2,454,461	16,112,015	2,427,327
Noncurrent assets:				
Restricted assets	198,090	-	198,090	-
Capital assets:				
Assets not subject to depreciation	74,970	36,653	111,623	-
Assets subject to depreciation - Net	26,881,667	307,537	27,189,204	1,038,444
Total noncurrent assets	27,154,727	344,190	27,498,917	1,038,444
Total assets	40,812,281	2,798,651	43,610,932	3,465,771
Deferred Outflows of Resources				
Deferred pension costs	1,200,193	352,023	1,552,216	667,962
Deferred OPEB costs	1,005	256	1,261	374
Total deferred outflows of resources	1,201,198	352,279	1,553,477	668,336
Liabilities				
Current liabilities:				
Accounts payable	652,477	1,849	654,326	13,912
Due to other funds	-	42,990	42,990	-
Accrued liabilities and other	226,428	8,170	234,598	5,816
Compensated absences	33,440	9,170	42,610	27,582
Provision for claims	15,677	1,575	17,252	282,269
Current portion of long-term debt	735,000	-	735,000	241,831
Total current liabilities	1,663,022	63,754	1,726,776	571,410
Noncurrent liabilities:				
Compensated absences	7,639	2,095	9,734	-
Net pension liability	2,646,318	794,658	3,440,976	1,467,522
Net OPEB liability	2,507,492	637,654	3,145,146	931,758
Long-term debt - Net of current portion	7,735,417	-	7,735,417	62,096
Total noncurrent liabilities	12,896,866	1,434,407	14,331,273	2,461,376
Total liabilities	14,559,888	1,498,161	16,058,049	3,032,786
Deferred Inflows of Resources				
Deferred pension cost reductions	255,610	63,247	318,857	142,407
Deferred OPEB cost reductions	1,286,926	327,265	1,614,191	478,208
Total deferred inflows of resources	1,542,536	390,512	1,933,048	620,615
Net Position				
Net investment in capital assets	18,486,220	344,190	18,830,410	734,517
Restricted - Debt service	198,090	-	198,090	-
Unrestricted	7,226,745	918,067	8,144,812	(253,811)
Total net position	\$ 25,911,055	\$ 1,262,257	\$ 27,173,312	\$ 480,706

See notes to financial statements.

City of Grosse Pointe Woods, Michigan

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

Year Ended June 30, 2018

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Nonmajor Enterprise	Total	Internal Service Funds
Operating Revenue				
Water sales and charges for services	\$ 8,003,904	\$ -	\$ 8,003,904	\$ -
Interest and penalty charges	133,413	-	133,413	-
Fees and violations	-	467,166	467,166	-
Dockings and launching fees	-	172,091	172,091	-
Commodity sales	-	25,939	25,939	-
Other revenue	598,327	6,660	604,987	9,039
Charges to other funds	-	-	-	835,543
Total operating revenue	8,735,644	671,856	9,407,500	844,582
Operating Expenses				
Cost of water	3,785,849	-	3,785,849	-
Cost of insurance claims	-	-	-	173,331
General and administrative	174,261	289,814	464,075	357,389
Operation and maintenance	1,062,707	332,241	1,394,948	-
Charges from internal service funds	50,000	-	50,000	-
Vehicle operation and maintenance	-	-	-	300,043
Depreciation	813,161	56,912	870,073	211,646
Total operating expenses	5,885,978	678,967	6,564,945	1,042,409
Operating Income (Loss)	2,849,666	(7,111)	2,842,555	(197,827)
Nonoperating Revenue (Expense)				
Investment income	128,055	19,134	147,189	15,706
Interest expense	(261,766)	-	(261,766)	(14,143)
Gain on sale of assets	-	-	-	16,480
Amortization of debt premium	28,271	-	28,271	-
Total nonoperating (expense) revenue	(105,440)	19,134	(86,306)	18,043
Change in Net Position	2,744,226	12,023	2,756,249	(179,784)
Net Position - Beginning of year, as restated (Note 15)	23,166,829	1,250,234	24,417,063	660,490
Net Position - End of year	\$ 25,911,055	\$ 1,262,257	\$ 27,173,312	\$ 480,706

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Cash Flows

Year Ended June 30, 2018

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Nonmajor Enterprise	Total	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 8,574,569	\$ 671,856	\$ 9,246,425	\$ 9,039
Receipts from interfund services and reimbursements	-	500	500	835,543
Payments to suppliers	(2,719,991)	(57,467)	(2,777,458)	(28,483)
Payments to employees and fringes	(2,255,339)	(288,496)	(2,543,835)	(614,576)
Payments from other funds	-	56,373	56,373	-
Claims paid	-	-	-	(136,807)
Other payments	(69,882)	-	(69,882)	(1,004)
Net cash and cash equivalents provided by operating activities	3,529,357	382,766	3,912,123	63,712
Cash Flows from Capital and Related Financing Activities				
Issuance of bonds	140,201	-	140,201	123,610
Proceeds from sale of capital assets	-	-	-	50,408
Purchase of capital assets	(534,990)	(59,597)	(594,587)	(94,869)
Principal and interest paid on capital debt	(1,010,666)	-	(1,010,666)	(373,412)
Debt service charge	28,271	-	28,271	-
Net cash and cash equivalents used in capital and related financing activities	(1,377,184)	(59,597)	(1,436,781)	(294,263)
Cash Flows Provided by Investing Activities - Interest received on investments	114,144	14,800	128,944	11,085
Net Increase in Cash and Cash Equivalents	2,266,317	337,969	2,604,286	(219,466)
Cash and Cash Equivalents - Beginning of year	9,608,253	2,109,006	11,717,259	2,584,635
Cash and Cash Equivalents - End of year	\$ 11,874,570	\$ 2,446,975	\$ 14,321,545	\$ 2,365,169
Classification of Cash and Cash Equivalents				
Cash and investments	\$ 11,676,480	\$ 2,446,975	\$ 14,123,455	\$ 2,365,169
Restricted cash	198,090	-	198,090	-
Total cash and cash equivalents	\$ 11,874,570	\$ 2,446,975	\$ 14,321,545	\$ 2,365,169
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 2,849,666	\$ (7,111)	\$ 2,842,555	\$ (197,827)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	813,161	56,912	870,073	211,646
Changes in assets and liabilities:				
Receivables	(230,957)	-	(230,957)	(1,004)
Due to and from other funds	-	81,873	81,873	-
Prepaid and other assets	4,756	1,213	5,969	1,933
Net pension or OPEB asset	1,554,175	247,719	1,801,894	674,756
Accounts payable	(1,461,444)	585	(1,460,859)	(658,832)
Estimated claims liability	-	1,575	1,575	33,040
Total adjustments	679,691	389,877	1,069,568	261,539
Net cash and cash equivalents provided by operating activities	\$ 3,529,357	\$ 382,766	\$ 3,912,123	\$ 63,712

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Position

June 30, 2018

	Pension and Other Employee Benefits	Agency
Assets		
Cash and cash equivalents	\$ 723,461	\$ 386,846
Investments:		
Stocks	20,657,956	-
Pooled investments	12,835,756	-
Bond funds	6,063,801	-
Receivables	444	-
Total assets	40,281,418	<u><u>\$ 386,846</u></u>
Liabilities - Payables	<u>-</u>	<u><u>\$ 386,846</u></u>
Net Position	<u><u>\$ 40,281,418</u></u>	

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2018

	Pension and Other Employee Benefits
Additions	
Investment income:	
Interest and dividends	\$ 195,750
Net increase in fair value of investments	<u>2,054,879</u>
Net investment income	2,250,629
Contributions:	
Employer contributions	1,579,038
Employee contributions	<u>313,777</u>
Total contributions	<u>1,892,815</u>
Total additions	4,143,444
Deductions	
Benefit payments	3,600,995
Administrative expenses	<u>68,613</u>
Total deductions	<u>3,669,608</u>
Net Increase in Net Position Held in Trust	473,836
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>39,807,582</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 40,281,418</u></u>

Note 1 - Significant Accounting Policies

Reporting Entity

The City of Grosse Pointe Woods, Michigan (the "City") is governed by an elected mayor and six-member city council. In accordance with government accounting principles, there are no separate legal entities appropriate to be reported within these financial statements.

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 16,135 per the 2010 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's limits.

Accounting and Reporting Principles

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

Report Presentation

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

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

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

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

Note 1 - Significant Accounting Policies (Continued)

Basis of Accounting

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

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

Revenue is not recognized until it is collected, or collected soon enough after the end of the year that it is available to pay for obligations outstanding at the end of the year. For this purpose, the City considers amounts collected within 60 days of year end to be available for recognition. The following major revenue sources meet the availability criterion: state-shared revenue, state gas and weight tax revenue, court fines, and interest associated with the current fiscal period. Conversely, amounts collected after the period of availability are recorded as a "deferred inflow," along with a corresponding receivable.

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

Fund Accounting

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

Governmental Funds

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide government services other than those specifically assigned to another fund.
- The 2015 Road Bond Construction Fund is used to account for the proceeds and expenditures related to road repairs. Financing is provided through bonds issued by the City.
- The Grosse-Gratiot Drain Fund is used to account for revenue received that is used to pay principal and interest on the Grosse-Gratiot Drain long-term debt. Funding is provided by a specific property tax millage.

Proprietary Funds

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

- The Water and Sewer Fund provides water to customers and disposes of sanitary sewage in exchange for quarterly user charges.

Note 1 - Significant Accounting Policies (Continued)

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

Fiduciary Funds

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

- The Pension and Other Employee Benefit Trust Funds account for the activities of the employee benefit plans, which accumulate resources for pension benefit payments to retirees and other postemployment benefit payments to qualified employees.
- The Other Postemployment Benefit Trust Fund accounts for mandatory employee and voluntary employer contributions to a retiree healthcare trust account.
- The agency funds primarily record tax collections received and remitted to other units of government (the County of Wayne, Michigan; community colleges; school districts; 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.

Interfund Activity

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

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

Specific Balances and Transactions

Cash 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 based on quoted market prices.

Note 1 - Significant Accounting Policies (Continued)

Prepaid Items

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements, when applicable.

Restricted Assets

The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. These amounts have been classified as restricted assets. The balance of the restricted asset account for revenue bond restriction for debt payments is \$198,090 at June 30, 2018. These amounts have also been classified as restricted assets.

Capital Assets

Capital assets, which include property, plant, equipment, intangible assets, and infrastructure assets (e.g., roads, 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 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Interest incurred during the construction of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

Capital Asset Class	Depreciable Life - Years
Infrastructure	10-50
Buildings	25
Equipment	5
Vehicles	3-7
Land improvements	10-40

Long-term Obligations

In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances and premiums as an "other financing source" and bond discounts as "other financing uses." The General Fund, Water and Sewer Fund, and debt service funds are generally used to liquidate governmental long-term debt.

Deferred Outflows/Inflows of Resources

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

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

Note 1 - Significant Accounting Policies (Continued)

The City reports the following deferred outflows of resources and deferred inflows of resources:

	Outflows	Inflows
Unavailable revenue (those not collected within the period of availability) - Reported only at the modified accrual level		✓
Deferred pension costs (or cost reductions)	✓	✓
Deferred OPEB costs (or cost reductions)	✓	✓

Net Position

Net position of the City is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

Net Position Flow Assumption

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

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

June 30, 2018

Note 1 - Significant Accounting Policies (Continued)

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

Property Tax Revenue

Property taxes are levied on each December 31. The related property taxes are billed and become a lien on July 1 of the following year. Taxes are considered delinquent on February 28 of the following year, at which time they are added to the county tax rolls.

The City's 2017 property tax revenue was levied and collectible on July 1, 2017 and is recognized as revenue in the year ended June 30, 2018 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2017 taxable valuation of the City totaled \$659 million. Taxes were levied as follows:

Purpose	Millage Rate	Revenue
General operating	13.8974 \$	9,221,000
Public relations	0.0758	50,000
Solid waste disposal	2.0251	1,345,000
Road bond debt	1.53	1,016,000
Grosse-Gratiot Drain	2.6070	1,731,000
Total		<u>\$ 13,363,000</u>

Pension

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

Other Postemployment Benefit Costs

The City offers retiree healthcare benefits to retirees. The City records a net OPEB liability for the difference between the total OPEB liability calculated by the actuary and the OPEB plan's fiduciary net position. For the purpose of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the OPEB plan's fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Significant Accounting Policies (Continued)

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). The General Fund, Water and Sewer Fund, and each nonmajor proprietary fund are generally used to liquidate compensated absences.

Proprietary Funds Operating Classification

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

Use of Estimates

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

Upcoming Accounting Pronouncements

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations*, which establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the 2018-2019 fiscal year.

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. This statement establishes criteria for identifying fiduciary activities of all state and local governments. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2020.

In June 2017, the GASB issued Statement No. 87, *Leases*, which improves accounting and financial reporting for leases by governments. This statement requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this statement are effective for the City's financial statements for the year ending June 30, 2021.

June 30, 2018

Note 2 - Stewardship, Compliance, and Accountability

Construction Code Fees

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

Cumulative shortfall at July 1, 2017	\$ (612,602)
Current year permit revenue	435,021
Related expenses - Direct costs	<u>(471,461)</u>
Current year net loss	<u>(36,440)</u>
Cumulative shortfall June 30, 2018	<u><u>\$ (649,042)</u></u>

Fund Deficits and Management's Plan

The City had fund balance deficits in the Solid Waste Fund and Grants Fund of \$89,109 and \$26,140, respectively, at June 30, 2018. The deficit in the Solid Waste Fund was the result of equipment purchases in the current year and will be corrected by revenue transferred in the following year. The deficit in the Grants Fund was the result of amounts received after the period of availability and will be corrected when the funds are received.

Note 3 - Deposits and Investments

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

The pension trust funds and retiree healthcare fund 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, real estate, 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 City Council 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 purchase within the three highest classifications established by not less than two standard rating services. The City's deposits and investments are in accordance with statutory authority.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

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

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that, in the event of a 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 \$18,866,295 of bank deposits (certificates of deposit and checking and savings accounts) that were uninsured and uncollateralized. The City believes that, due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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 minimizes interest rate risk by restricting investment maturities to securities maturing three years or less from the date of purchase, unless matched to a specific cash flow requirement. However, the 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 City had the following investments and maturities:

Primary Government	Carrying Value	0-5 Years	5-15 Years	More Than 15 Years
Municipal Bonds	\$ 734,405	\$ 734,405	\$ -	\$ -
Negotiable certificates of deposit	4,215,661	4,215,661	-	-
Federal Home Loan Mortgage Corporation	1,723,627	1,723,627	-	-
Federal National Mortgage Association	4,965,743	4,965,743	-	-
Federal Home Loan Bank	737,663	737,663	-	-
Federal Farm Credit Bank	1,472,410	1,472,410	-	-
Total	<u>\$ 13,849,509</u>	<u>\$ 13,849,509</u>	<u>\$ -</u>	<u>\$ -</u>
Fiduciary Funds	Carrying Value	0-5 Years	5-15 Years	More than 15 Years
Loomis Sayles Bond Fund	\$ 6,063,801	\$ 6,063,801	\$ -	\$ -

June 30, 2018

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 June 30, 2018, the credit quality ratings of debt securities (other than the U.S. government) are as follows:

Investment	Carrying Value	Rating	Rating Organization
Primary Government			
Negotiable CDs	\$ 4,215,662	Unrated	N/A
Federal Home Loan Mortgage Corporation	1,723,627	AAA	Moody's
Federal National Mortgage Association	4,228,338	AAA	Moody's
Federal National Mortgage Association - Fixed	737,405	AAA	Moody's
Federal Home Loan Bank - Fixed	737,663	AAA	Moody's
Federal Farm Credit Bank	1,472,410	AAA	Moody's
Municipal bonds	734,405	AAA	Moody's
Other	387,472	AF1/P1/F1	S&P

Investment	Carrying Value	Rating	Rating Organization
Fiduciary Funds			
Loomis Sayles Bond Fund	\$ 6,063,801	Not Rated	N/A

Concentration of Credit Risk

The City's investment policy minimizes concentration of credit risk by placing limits on the amount that the City may invest in any one issuer or security type to no more than 50 percent of the total investment portfolio invested in a single security type or 25 percent invested with a single financial institution. The City has more than 5 percent of its investments in the following:

Primary Government	Percent
Federal National Mortgage Association	49.25 %
Federal Home Loan Bank	7.32
Federal Home Loan Mortgage Corporation	17.09
Federal Farm Credit Bank	14.60
Fiduciary Funds	
iShares	25.24 %
DFA Emerging Markets	9.24
American Fund Europacific	9.64
John Hancock Global Absolute	9.10

June 30, 2018

Note 3 - Deposits and Investments (Continued)

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances whereby inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City has the following recurring fair value measurements as of June 30, 2018:

	Assets Measured at Carrying Value on a Recurring Basis at June 30, 2018			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Balance at June 30, 2018
Debt securities - Bond funds	\$ 6,063,802	\$ -	\$ -	\$ 6,063,802
Equity securities:				
Money market funds	486,287	-	-	486,287
Equity funds	33,493,711	-	-	33,493,711
Total equity securities	33,979,998	-	-	33,979,998
Governmental securities:				
U.S. governmental bonds	-	8,899,443	-	8,899,443
Municipal bonds	-	734,405	-	734,405
Total governmental securities	-	9,633,848	-	9,633,848
Certificates of deposit	-	4,215,661	-	4,215,661
Total investments by fair value	\$ 40,043,800	\$ 13,849,509	\$ -	\$ 53,893,309

Debt and equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

The fair value of governmental securities and certificates of deposit at June 30, 2018 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs, such as interest rates and yield curves, that are observable at commonly quoted intervals.

The valuation method for investments measured at net asset value (NAV) per share (or its equivalent) is presented in the table below.

June 30, 2018

Note 3 - Deposits and Investments (Continued)

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies whereby the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

At June 30, 2018, the fair value of those investments is as follows:

	<u>Carrying Value</u>
Comerica J Fund	\$ 387,472

The Comerica J Fund is not registered with the SEC and does not issue a separate report. The fair value of the position in the pool is not the same as the value of the pool shares since the pool does not meet the requirements under GASB Statement No. 79 to report its value for financial reporting purposes at amortized cost.

There were no unfunded commitments or redemptions associated with these investments.

Note 4 - Capital Assets

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

Governmental Activities

	<u>Balance July 1, 2017</u>	<u>Reclassifications</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated:					
Land	\$ 1,547,967	\$ -	\$ -	\$ -	\$ 1,547,967
Construction in progress	1,229,524	(1,229,524)	9,410,460	-	9,410,460
Subtotal	2,777,491	(1,229,524)	9,410,460	-	10,958,427
Capital assets being depreciated:					
Infrastructure	36,152,271	1,229,524	2,259,314	-	39,641,109
Buildings	9,227,141	-	48,190	-	9,275,331
Equipment and vehicles	8,105,883	-	515,637	(341,687)	8,279,833
Land improvements	508,127	-	9,470	-	517,597
Subtotal	53,993,422	1,229,524	2,832,611	(341,687)	57,713,870
Accumulated depreciation:					
Infrastructure	9,611,406	-	863,454	-	10,474,860
Buildings	5,317,037	-	301,910	-	5,618,947
Equipment and vehicles	7,371,411	-	434,869	(315,054)	7,491,226
Land improvements	246,289	-	27,387	-	273,676
Subtotal	22,546,143	-	1,627,620	(315,054)	23,858,709
Net capital assets being depreciated	31,447,279	1,229,524	1,204,991	(26,633)	33,855,161
Net governmental activities capital assets	<u>\$ 34,224,770</u>	<u>\$ -</u>	<u>\$ 10,615,451</u>	<u>\$ (26,633)</u>	<u>\$ 44,813,588</u>

June 30, 2018

Note 4 - Capital Assets (Continued)

Business-type Activities

	Balance July 1, 2017	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2018
Capital assets not being depreciated - Construction in progress	\$ 375,055	\$ -	\$ 592,032	\$ (855,464)	\$ 111,623
Capital assets being depreciated:					
Water and sewer lines	41,133,167	-	527,668	307,407	41,968,242
Land improvements	1,914,692	-	22,944	-	1,937,636
Subtotal	43,047,859	-	550,612	307,407	43,905,878
Accumulated depreciation:					
Water and sewer lines	14,273,414	-	813,161	-	15,086,575
Land improvements	1,573,187	-	56,912	-	1,630,099
Subtotal	15,846,601	-	870,073	-	16,716,674
Net capital assets being depreciated	27,201,258	-	(319,461)	307,407	27,189,204
Net business-type activity capital assets	<u>\$ 27,576,313</u>	<u>\$ -</u>	<u>\$ 272,571</u>	<u>\$ (548,057)</u>	<u>\$ 27,300,827</u>

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

Governmental activities:	
General government	\$ 83,727
Public safety	57,000
Public works	973,559
Recreation and culture	301,688
Internal Service Funds	211,646
Total governmental activities	<u>\$ 1,627,620</u>
Business-type activities:	
Water and sewer	\$ 813,161
Parking utility	27,569
Boat dock	29,343
Total business-type activities	<u>\$ 870,073</u>

Construction Commitments

The City has active construction projects at year end. At June 30, 2018, the City has spent \$5,625,779 in connection with active road construction projects, and the City's commitment with contractors was \$3,733,155.

June 30, 2018

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	Nonmajor governmental funds	\$ 947,645
	Nonmajor enterprise funds	7,500
	Total General Fund	955,145
Nonmajor governmental funds	Nonmajor enterprise funds	35,490
	Total	\$ 990,635

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

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

Paying Fund (Transfer Out)	Receiving Fund (Transfer In)	Amount
General Fund	Nonmajor governmental funds	\$ 333,586

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

June 30, 2018

Note 6 - Long-term Debt

Long-term debt activity for the year ended June 30, 2018 can be summarized as follows:

Governmental Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Debt:							
State Revolving Fund, Series 5446-01 - Maturing through 2039	2.50%	\$712,050 - \$1,146,350	\$ -	\$ 8,997,239	\$ -	\$ 8,997,239	\$ -
Installment loan - Comerica Vehicle Loans	2.60%	\$62,096- \$241,831	539,586	-	(235,659)	303,927	241,831
General obligation bonds - 2015 Road Construction bonds:							
Amount of issue - \$6,600,000	2.00% -	\$500,000-					
Maturing through 2025	4.00%	\$1,000,000	5,850,000	-	(750,000)	5,100,000	750,000
General obligation bonds - 2017 Road Construction bonds:							
Amount of issue - \$2,875,000		\$295,000-	2,875,000	-	-	2,875,000	-
Maturing through 2028	2.36%	\$345,000	419,575	-	(52,447)	367,128	-
Reoffering premium							
Total debt			9,684,161	8,997,239	(1,038,106)	17,643,294	991,831
Long-term obligations:							
Employee compensated absences			844,910	722,589	(670,675)	896,824	711,883
Estimated liability for workers' compensation and health claims (Note 14)			312,886	1,605,430	(1,448,654)	469,662	469,662
Total governmental activities long-term debt			<u>\$ 10,841,957</u>	<u>\$ 11,325,258</u>	<u>\$ (3,157,435)</u>	<u>\$ 19,009,780</u>	<u>\$ 2,173,376</u>

June 30, 2018

Note 6 - Long-term Debt (Continued)

Business-type Activities

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Bonds:							
2013 Revenue Refunding Bond:							
Amount of refunding - \$3,190,000	2.00% -	\$350,000 -					
Maturing through 2023	4.00%	\$415,000	\$ 2,235,000	\$ -	\$ (335,000)	\$ 1,900,000	\$ 350,000
2010 Drinking Water Revolving Fund Bond-7301-01:							
Amount of issue - \$1,915,991		\$100,000 -					
Maturing through 2030	2.50%	\$135,000	1,460,606	-	(95,000)	1,365,606	100,000
2010 Drinking Water Revolving Fund - 7332-01:							
Amount of issue - \$60,497		\$160,000 -					
Maturing through 2029	2.50%	\$220,000	2,706,192	140,201	(160,000)	2,686,393	160,000
2012 State Revolving Fund Bond - 5365-01:							
Amount of issue - \$3,525,000		\$125,000 -					
Maturing through 2033	2.50%	\$177,065	2,497,065	-	(120,000)	2,377,065	125,000
Bond premium			169,626	-	(28,273)	141,353	-
Total bonds			9,068,489	140,201	(738,273)	8,470,417	735,000
Long-term obligations:							
Compensated absences			73,981	38,587	(60,224)	52,344	42,610
Estimated liability for workers' compensation and health claims (Note 14)			5,458	17,252	(5,458)	17,252	17,252
Total business-type activities long-term debt			\$ 9,147,928	\$ 196,040	\$ (803,955)	\$ 8,540,013	\$ 794,862

General Obligation Bonds and Contracts

The City issues general obligation bonds to provide for the construction of roads. General obligations have been issued for governmental activities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. County contractual agreements and installment purchase agreements are also general obligations of the City.

Other Long-term Liabilities

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. Net pension obligations and net OPEB obligations are typically paid from the funds from which the individual employee's salaries and wages are paid. The City has pledged substantially all revenue of the Water and Sewer Fund, net of operating expenses, to repay the above water and sewer 2013 Revenue Refunding 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 \$2,075,350. During the current year, net revenue of the system was \$2,849,533 compared to the annual debt requirements of \$388,250.

June 30, 2018

Note 6 - Long-term Debt (Continued)

Debt Service Requirements to Maturity

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2019	\$ 991,832	\$ 344,592	\$ 1,336,424	\$ 735,000	\$ 247,087	\$ 982,087
2020	1,569,145	428,534	1,997,679	755,000	226,737	981,737
2021	1,529,725	382,769	1,912,494	780,000	203,950	983,950
2022	1,654,925	336,086	1,991,011	805,000	180,400	985,400
2023	1,827,600	283,791	2,111,391	840,000	155,862	995,862
2024-2028	7,808,525	777,894	8,586,419	2,295,000	459,292	2,754,292
2029-2033	1,894,414	121,051	2,015,465	1,942,102	139,120	2,081,222
2034-2038	-	-	-	176,962	2,213	179,175
Total	<u>\$ 17,276,166</u>	<u>\$ 2,674,717</u>	<u>\$ 19,950,883</u>	<u>\$ 8,329,064</u>	<u>\$ 1,614,661</u>	<u>\$ 9,943,725</u>

Note 7 - Milk River Drainage District

The City is member of the Milk River Drainage District, administered by Wayne County, Michigan. The drainage district serves Wayne County, Michigan; the State of Michigan; and the cities of Grosse Pointe Woods, Harper Woods, and St. Clair Shores, Michigan. At June 30, 2018, the drainage district had issued \$17,816,314 of debt to make improvements to the system. The total estimated cost of the project is \$36,170,000 and it is expected to be completed in 2019. The City of Grosse Pointe Woods, Michigan is responsible for funding 50.5 percent of the project. As of June 30, 2018, the City has recorded \$8,997,239 for its share of the debt and completed capital improvements. The City records the activity in the Grosse-Gratiot Drain Fund.

Note 8 - Pension Plans

Plan Description

The City of Grosse Pointe Woods, Michigan provides a monthly retirement benefit to employees who meet the eligibility requirements, including age and years of service. The benefits are provided through the City of Grosse Pointe Woods Pension Plan (the "Pension Plan") and the City of Grosse Pointe Woods Pension Plan Supplemental Annuity (the "Supplemental Annuity"), which are single-employer plans administered by the Pension Board.

The financial statements of each pension system are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the plans is vested in the pension board, which consists of five members - the mayor, one member of City Council, a resident appointed by the mayor, and two employees - one general and one public safety. The city treasurer serves as the treasurer of the retirement system and is the custodian of the cash and investments. The city attorney is the legal advisor to the pension board.

Benefits Provided

City of Grosse Pointe Woods Pension Plan and City of Grosse Pointe Woods Pension Plan Supplemental Annuity provide retirement, disability, and death benefits. Benefit terms for the Pension Plan are established by negotiation with the City's competitive bargaining units and the Retirement System Ordinance. Benefit terms for the Supplemental Annuity are established as a negotiable item within various union contracts. Retirement benefits for plan members ranges from \$3,000 annually for 10 years of services to a maximum of \$4,800 annually for 25 years of service

June 30, 2018

Note 8 - Pension Plans (Continued)

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	City of Grosse Pointe Woods Pension Plan	City of Grosse Pointe Woods Pension Plan Supplemental Annuity
Date of member count	June 30, 2018	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	98	57
Inactive plan members entitled to but not yet receiving benefits	13	-
Active plan members	73	44
Total employees covered by the plan	184	101

Contributions

State law requires public employers to make pension contributions in accordance with an actuarial valuation. The City hires an independent actuary for this purpose and annually contributes the amount determined to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employees are required to make pension contributions based on the City's collective bargaining units. The City's required contribution is determined after consideration of the required contribution rate of employees. For the year ended June 30, 2018, the average active employee contribution rate was 5.5 percent and 0.0 percent of covered payroll and the City's contribution rate was 27.1 percent and 13.3 percent of covered payroll for the various employee groups for the Pension Plan and Supplemental Annuity, respectively.

Net Pension Liability

The City chooses a date for each pension plan to measure its net pension liability. This is based on the measurement date of each pension plan, which may be based on a comprehensive valuation as of that date or based on an earlier valuation that has used procedures to roll the information forward to the measurement date.

	City of Grosse Pointe Woods Pension Plan	City of Grosse Pointe Woods Pension Plan Supplemental Annuity
Measurement date used for the City's NPL	June 30, 2018	June 30, 2018

June 30, 2018

Note 8 - Pension Plans (Continued)

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

City of Grosse Pointe Woods Pension Plan

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2017	\$ 60,316,215	\$ 37,614,854	\$ 22,701,361
Changes for the year:			
Service cost	872,705	-	872,705
Interest	3,739,452	-	3,739,452
Differences between expected and actual experience	1,898,141	-	1,898,141
Changes in assumptions	17,877,664	-	17,877,664
Contributions - Employer	-	1,230,649	(1,230,649)
Contributions - Employee	-	249,835	(249,835)
Net investment income	-	2,128,175	(2,128,175)
Benefit payments, including refunds	(3,354,997)	(3,354,997)	-
Administrative expenses	-	(62,843)	62,843
Miscellaneous other charges	-	22,728	(22,728)
Net changes	21,032,965	213,547	20,819,418
Balance at June 30, 2018	<u>\$ 81,349,180</u>	<u>\$ 37,828,401</u>	<u>\$ 43,520,779</u>

The plan's fiduciary net position represents 46.50 percent of the total pension liability.

City of Grosse Pointe Woods Pension Plan Supplemental Annuity

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Net Position	Net Pension Liability
Balance at July 1, 2017	\$ 3,190,039	\$ 1,610,134	\$ 1,579,905
Changes for the year:			
Service cost	59,640	-	59,640
Interest	239,740	-	239,740
Differences between expected and actual experience	161,463	-	161,463
Changes in assumptions	567,907	-	567,907
Contributions - Employer	-	298,389	(298,389)
Net investment income	-	91,098	(91,098)
Benefit payments, including refunds	(242,921)	(242,921)	-
Administrative expenses	-	(5,769)	5,769
Miscellaneous other charges	-	960	(960)
Net changes	785,829	141,757	644,072
Balance at June 30, 2018	<u>\$ 3,975,868</u>	<u>\$ 1,751,891</u>	<u>\$ 2,223,977</u>

The plan's fiduciary net position represents 44.06 percent of the total pension liability.

June 30, 2018

Note 8 - Pension Plans (Continued)

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

For the year ended June 30, 2018, the City Council recognized pension expense of \$9,729,736 from all pension plans.

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,816,457	\$ (1,331,993)
Changes in assumptions	16,043,673	(1,973,467)
Net difference between projected and actual earnings on pension plan investments	2,150,939	-
Total	<u>\$ 20,011,069</u>	<u>\$ (3,305,460)</u>

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

Years Ending June 30	Amount
2019	\$ 6,730,009
2020	4,814,305
2021	4,993,822
2022	167,473
Total	<u>\$ 16,705,609</u>

Actuarial Assumptions

The total pension liability in each actuarial valuation was determined using the following actuarial assumptions applied to all periods included in the measurement:

	City of Grosse Pointe Woods Pension Plan	City of Grosse Pointe Woods Pension Plan Supplemental Annuity
Inflation	2.5%	2.5%
Salary increases (including inflation)	3.5% - 7.3%	0%
Investment rate of return (net of investment expenses)	7.75%	7.75%
Mortality rates	RP-2014 Mortality Table with MP 2017	RP-2014 Mortality Table with MP 2017

June 30, 2018

Note 8 - Pension Plans (Continued)

Discount Rate

The discount rate used to measure the total pension liability of the City of Grosse Pointe Woods Pension Plan and City of Grosse Pointe Woods Pension Plan Supplemental Annuity was 5.12 percent and 6.73 percent, respectively. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

Based on those assumptions, the pension plans' fiduciary net position was not projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate incorporates a municipal bond rate, which was 2.92 percent. The source of that bond rate was the Standard & Poor's Municipal Bond 20-year high-grade index as of June 29, 2018. The long-term expected rate of return was applied to projected benefit payments from June 30, 2018 through July 1, 2117.

The long-term expected rate of return on both plans' investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Investment Rate of Return

Best estimates of geometric real rates of return as of the June 30, 2018 measurement date for each major asset class included in the pension plan's target asset allocation, as disclosed in the investment footnote for both the City of Grosse Pointe Woods Pension Plan and City of Grosse Pointe Woods Pension Plan Supplemental Annuity, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. large-cap equity	4.50 %
U.S. mid-cap equity	5.50
U.S. small-cap equity	5.50
International developed equity	7.00
International developed small cap	7.00
International emerging markets	9.00
Hedged equity	4.50
U.S. core bonds	2.60
Public real estate (REITS)	5.00
High-yield bonds	4.50
Commodities	4.00
Energy/MLPs	9.00
Liquid diversifying strategies	4.00
Cash or cash equivalents	1.60

June 30, 2018

Note 8 - Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the City, calculated using the current discount rate, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (4.12 percent or 5.73 percent for the Pension Plan or Supplemental Annuity, respectively) or 1 percentage point higher (6.12 percent or 7.73 percent for the Pension Plan or Supplemental Annuity, respectively) than the current rate:

	1 Percent Decrease	Current Discount Rate	1 Percent Increase
Net pension liability of the City of Grosse Pointe Woods Pension Plan	\$ 56,934,728	\$ 43,520,779	\$ 32,825,772
Net pension liability of the City of Grosse Pointe Woods Pension Plan Supplemental Annuity	2,699,575	2,223,977	1,829,915

Assumption Changes

The discount rate was updated to reflect the current and expected economic conditions. The mortality tables were updated to reflect current mortality expectations.

Investment Policy

The Pension Plan's policy in regard to the allocation of invested assets is established and may be amended by the pension board by a majority vote of its members. It is the policy of the pension board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Pension Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the pension board's adopted asset allocation policy as of June 30, 2018:

Asset Class	Target Allocation
U.S. large-cap equity	15.00 %
U.S. mid-cap equity	4.00
U.S. small-cap equity	6.00
International developed equity	10.00
International developed small cap	5.00
International emerging markets	15.00
Hedged equity	5.00
U.S. core bonds	10.00
Public real estate (REITS)	3.00
High-yield bonds	10.00
Commodities	3.00
Energy/MLPs	3.00
Liquid diversifying strategies	10.00
Cash or cash equivalents	1.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments and the supplemental annuity investments, net of pension plan investment expense, was 4.84 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

June 30, 2018

Note 9 - Aggregate Pension Related Balances

The following table presents the aggregate balances for the net pension liability, deferred inflows related to pensions, deferred outflows related to pensions, and pension expense for the year ended June 30, 2018. Detailed information for each pension plan can be found in Note 8.

	Total Pension Liability	Plan Net Position	Net Pension Liability	Deferred Outflows	Deferred Inflows	Pension Expense
City of Grosse Pointe Woods Pension Plan	\$ 81,349,180	\$ 37,828,401	\$ 43,520,779	\$ 19,326,850	\$ 3,099,291	\$ 9,317,923
City of Grosse Pointe Woods Pension Plan Supplemental Annuity	3,975,868	1,751,891	2,223,977	684,219	206,169	411,813
Total	<u>\$ 85,325,048</u>	<u>\$ 39,580,292</u>	<u>\$ 45,744,756</u>	<u>\$ 20,011,069</u>	<u>\$ 3,305,460</u>	<u>\$ 9,729,736</u>

Note 10 - Other Postemployment Benefit Plan

Plan Description

The City provides the Gross Pointe Woods Retiree Health Plan (the "Plan"), a single-employer defined benefit OPEB plan that is used to provide postemployment benefits other than pensions (OPEB) for all eligible general, public safety, and fire plan members and their beneficiaries. The benefits are provided through the Grosse Pointe Woods Retiree Healthcare Plan, a single-employer plan administered by the Grosse Pointe Woods Retiree Health Plan Board.

The financial statements of the OPEB plan are included in these financial statements as a pension and other employee benefit trust fund (a fiduciary fund).

Management of the Plan is vested in the Retiree Health Care Board, which consists of five members - the mayor, one member of the City Council, a resident appointed by the mayor, and two employees - one general and one public safety. The city treasurer shall be the treasurer of the Retiree Health Plan and shall be the custodian of the cash and investments. The city attorney shall be legal advisor to the Retiree Health Care Board.

Benefits Provided

Grosse Pointe Woods Retiree Healthcare Plan provides healthcare, dental, prescription, and vision benefits for retirees hired prior to 2012 and their dependents. Members are vested at 10 years of service. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan.

City Ordinance 543 grants the authority to establish and amend the benefit terms to the board.

Employees Covered by Benefit Terms

The following members were covered by the benefit terms:

	Grosse Pointe Woods Retiree Healthcare Plan
Date of member count	June 30, 2018
Inactive plan members or beneficiaries currently receiving benefits	98
Inactive plan members entitled to but not yet receiving benefits	14
Active plan members	<u>47</u>
Total plan members	<u><u>159</u></u>

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

Contributions

City Ordinance 543 grants the authority to establish and amend the contribution requirements of the City and employees to the board. The board establishes contribution rates based on an actuarially determined rate per a funding valuation. For the year ended June 30, 2018, the City's contribution was \$1,628,411. Certain plan members are required to contribute based on the terms of their union contract. Total employee contributions were \$64,057.

Net OPEB Liability

The City has chosen to use the June 30 measurement date as its measurement date for the net OPEB liability. The June 30, 2018 fiscal year end reported net OPEB liability was determined using a measure of the total OPEB liability and the OPEB net position as of the June 30, 2018 measurement date. The June 30, 2018 measurement date total OPEB liability was determined by an actuarial valuation performed as of that date.

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

Changes in Net OPEB Liability	Increase (Decrease)		
	Total OPEB Liability	Plan Net Position	Net OPEB Liability
Balance at July 1, 2017	\$ 62,894,718	\$ 582,594	\$ 62,312,124
Changes for the year:			
Service cost	1,861,554	-	1,861,554
Interest	1,973,036	-	1,973,036
Differences between expected and actual experience	(3,809,187)	-	(3,809,187)
Changes in assumptions	(25,133,680)	-	(25,133,680)
Contributions - Employer	-	1,628,411	(1,628,411)
Contributions - Employee	-	63,942	(63,942)
Net investment income	-	4,590	(4,590)
Benefit payments, including refunds	(1,578,411)	(1,578,411)	-
Net changes	(26,686,688)	118,532	(26,805,220)
Balance at June 30, 2018	<u>\$ 36,208,030</u>	<u>\$ 701,126</u>	<u>\$ 35,506,904</u>

The plan's fiduciary net position represents 1.94 percent of the total OPEB liability.

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$(6,967,758).

At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ (2,398,377)
Changes in assumptions	-	(15,824,910)
Net difference between projected and actual earnings on OPEB plan investments	14,235	-
Total	<u>\$ 14,235</u>	<u>\$ (18,223,287)</u>

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

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

Years Ending June 30	Amount
2019	\$ (10,716,022)
2020	(7,500,148)
2021	3,559
2022	3,559
Total	<u>\$ (18,209,052)</u>

Actuarial Assumptions

The total OPEB liability in the June 30, 2018 actuarial valuation was determined using an investment rate of return (net of investment expenses) of 6.8 percent; a healthcare cost trend rate of 6.0 percent for the first year, decreasing 0.1 percent per year to an ultimate rate of 5.0 percent; and the RP-2014 mortality tables with the MP-2017 improvement scale. These assumptions were applied to all periods included in the measurement.

Discount Rate

The discount rate used to measure the total OPEB liability was 6.8 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that city contributions will be made at rates equal to the difference between actuarially determined contribution rates and the employee rate.

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

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and adding expected inflation. Best estimates of arithmetic real rates of return as of the June 30, 2018 measurement date for each major asset class included in the OPEB plan's target asset allocation, as disclosed in the investment footnote, are summarized in the following table:

Asset Class	Long-term Expected Real Rate of Return
U.S. large-cap equity	4.50 %
U.S. mid-cap equity	5.50
U.S. small-cap equity	5.50
International developed equity	7.00
Emerging markets equity	9.00
U.S. core bonds	2.60
TIPs	2.60

June 30, 2018

Note 10 - Other Postemployment Benefit Plan (Continued)

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

The following presents the net OPEB liability of the City, calculated using the discount rate of 6.8 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.8%)	Current Discount Rate (6.8%)	1 Percent Increase (7.8%)
Net OPEB liability of the Grosse Pointe Woods Retiree Healthcare Plan	\$ 41,631,837	\$ 35,506,904	\$ 30,668,156

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following presents the net OPEB liability of the City, calculated using the healthcare cost trend rate of 6.0 percent the first year, decreasing in 0.1 percent increments over the following 10 years to an ultimate assumed rate of 5.0 percent, as well as what the City's net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

	1 Percent Decrease (5.0 - 4.0%)	Current Healthcare Cost Trend Rate (6.0 - 5.0%)	1 Percent Increase (7.0 - 6.0%)
Net OPEB liability of the Grosse Pointe Woods Retiree Healthcare Plan	\$ 30,515,133	\$ 35,506,904	\$ 41,855,338

Investment Policy

The OPEB plan's policy in regard to the allocation of invested assets is established and may be amended by the OPEB board by a majority vote of its members. It is the policy of the OPEB board to pursue an investment strategy that manages risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The OPEB plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the OPEB board's adopted asset allocation policy as of June 30, 2018:

Grosse Pointe Woods Retiree Healthcare Plan

Asset Class	Target Allocation
U.S. large-cap equity	25.00 %
U.S. mid-cap equity	15.00
U.S. small-cap equity	10.00
International developed equity	15.00
Emerging markets equity	5.00
U.S. core bonds	25.00
TIPs	5.00
Total	100.00 %

Rate of Return

For the year ended June 30, 2018, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 0.68 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

June 30, 2018

Note 11 - Deferred Compensation

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, and is administered by ICMA. Payment of the deferred compensation is not available to employees until retirement, death, or unforeseeable emergency. As of June 30, 2018, employees who had elected to participate in the Plan had total assets of \$5,795,081.

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.

Note 12 - Pension and Other Employee Benefit Trust Funds

The following are condensed financial statements for the individual pension plans and postemployment healthcare plans:

	Pension Trust Fund	Supplementary Annuity Fund	OPEB Trust Fund
Statement of Net Position			
Cash and cash equivalents	\$ 683,403	\$ 31,636	\$ 8,422
Stocks	19,743,592	914,364	-
Bonds	11,337,179	805,873	692,704
Other assets	426	18	-
Net position	<u>\$ 31,764,600</u>	<u>\$ 1,751,891</u>	<u>\$ 701,126</u>
Statement of Changes in Net Position			
Investment income	\$ 2,150,904	\$ 95,135	\$ 4,590
Contributions	1,480,484	298,389	113,942
Benefit payments	3,354,997	245,998	-
Other deductions	62,844	5,769	-
Net change in net position	<u>\$ 213,547</u>	<u>\$ 141,757</u>	<u>\$ 118,532</u>

Note 13 - 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, and Grosse Pointe Woods, Michigan 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 position of the Authority totaled \$47,078 at June 30, 2018 and is reported as part of the governmental activities in the statement of net position. 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.

Note 14 - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The City has purchased commercial insurance for 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 the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

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 Park, Grosse Pointe Farms, and Grosse Pointe, Michigan and the Village of Grosse Pointe Shores, Michigan. The City of Grosse Pointe Woods, Michigan 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 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 Fund and within the governmental activities and business-type activities columns of the statement of net position for workers' compensation and in the modified accrual funds for medical claims.

Changes in the estimated liability for the past two fiscal years were as follows:

	Workers' Compensation		Medical Claims	
	2018	2017	2018	2017
Estimated liability - Beginning of year	\$ 247,457	\$ 145,763	\$ 70,887	\$ 2,080
Estimated claims incurred, including changes in estimates	255,849	274,208	1,366,833	1,232,869
Claim payments	(227,391)	(172,514)	(1,226,721)	(1,164,062)
Estimated liability - End of year	<u>\$ 275,915</u>	<u>\$ 247,457</u>	<u>\$ 210,999</u>	<u>\$ 70,887</u>

Note 15 - Change in Accounting Principle

During the current year, the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As a result, the government-wide statements and the proprietary funds now include a liability for the unfunded portion of the City's retiree healthcare costs. Some of the change in this net OPEB liability will be recognized immediately as part of the OPEB expense measurement, and part will be deferred and recognized over future years. Refer to the other postemployment benefit plan footnote for further details (see Note 10).

June 30, 2018

Note 15 - Change in Accounting Principle (Continued)

As a result of implementing this statement, the beginning net position of the governmental activities, business-type activities, and component units has been restated as follows:

	Net Position		
	As Previously Reported	As Restated	Effect of Change
Governmental activities	\$ (1,183,216)	\$ (36,246,774)	\$ (35,063,558)
Business-type activities	27,767,337	24,417,063	(3,350,274)
Water and Sewer Fund	25,832,425	23,166,829	(2,665,596)
Nonmajor Enterprise Funds	1,934,912	1,250,234	(684,678)
Internal Service Funds	1,639,834	660,490	(979,344)

Note 16 - Subsequent Events

On July 31, 2018, the City issued limited tax general obligation capital improvement bonds in the amount of \$2,500,000, with a premium of \$123,436. These will be paid through June 2034, with principal payments ranging from \$130,000 to \$210,000 and interest from 3.125 to 5.000 percent.

Required Supplemental Information

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes:				
Property taxes	\$ 9,729,190	\$ 10,291,082	\$ 10,237,999	\$ (53,083)
Franchise fees	310,000	365,862	362,235	(3,627)
Intergovernmental -				
State and local sources:				
State-shared revenue	1,468,551	1,589,359	1,599,713	10,354
Other state grants	40,000	21,790	23,426	1,636
Charges for services	598,978	649,803	699,489	49,686
Fines and forfeitures	340,000	393,019	397,502	4,483
Investment income	25,000	103,634	108,731	5,097
Other revenue	297,628	278,714	545,726	267,012
Total revenue	12,809,347	13,693,263	13,974,821	281,558
Expenditures				
Current services:				
General government:				
City Council	62,880	58,029	57,766	263
City comptroller	380,424	360,320	368,735	(8,415)
Commission	21,047	13,979	12,165	1,814
Municipal court	439,225	428,886	427,154	1,732
Assessing	174,256	88,009	80,492	7,517
Clerk	355,547	327,114	338,676	(11,562)
Building inspection	477,373	460,150	471,461	(11,311)
Attorney	261,726	155,885	170,573	(14,688)
Administration	242,852	238,452	243,041	(4,589)
Fringe benefits	316,354	262,367	252,610	9,757
Other services and charges	177,873	203,215	209,481	(6,266)
Public safety:				
Police service	3,408,750	3,127,272	3,233,876	(106,604)
Fire prevention and inspection	49,855	30,208	31,106	(898)
Fringe benefits	1,657,328	1,497,510	1,491,626	5,884
Support services	148,306	131,286	134,403	(3,117)
Administration	350,892	304,948	310,923	(5,975)
Other services and charges	269,157	298,480	290,669	7,811
Public works:				
Management information system	388,288	364,293	350,775	13,518
Street maintenance	211,957	189,647	195,871	(6,224)
Other services and charges	871,940	823,872	880,616	(56,744)
Supervision and engineering	90,185	89,847	91,623	(1,776)
Forestry services	123,186	84,212	83,471	741
Fringe benefits	215,710	227,180	227,307	(127)
City building and grounds	168,598	146,723	145,086	1,637
Parks and recreation:				
Other services and charges	23,879	23,639	23,639	-
Supervision and engineering	12,878	11,511	12,044	(533)
Lake Front Park	1,250,285	1,155,307	1,180,518	(25,211)
Fringe benefits	176,668	157,638	156,912	726
Community center	277,724	204,145	205,413	(1,268)
City parks	54,204	71,064	71,904	(840)
Total expenditures	12,659,347	11,535,188	11,749,936	(214,748)

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule General Fund (Continued)

Year Ended June 30, 2018

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Excess of Revenue Over Expenditures	\$ 150,000	\$ 2,158,075	\$ 2,224,885	\$ 66,810
Other Financing Uses - Transfers out	<u>(150,000)</u>	<u>(731,725)</u>	<u>(590,573)</u>	<u>141,152</u>
Net Change in Fund Balance	-	1,426,350	1,634,312	207,962
Fund Balance - Beginning of year	<u>6,556,768</u>	<u>6,556,768</u>	<u>6,556,768</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 6,556,768</u>	<u>\$ 7,983,118</u>	<u>\$ 8,191,080</u>	<u>\$ 207,962</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Fund 2015 Road Bond Construction

Year Ended June 30, 2018

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Investment income	\$ 2,500	\$ 2,500	\$ 2,184	\$ (316)
Expenditures - Current - Street construction	3,453,046	3,453,046	2,065,374	1,387,672
Excess of Expenditures Over Revenue	(3,450,546)	(3,450,546)	(2,063,190)	1,387,356
Other Financing Sources - Face value of debt issue	3,459,739	3,459,739	-	(3,459,739)
Net Change in Fund Balance	9,193	9,193	(2,063,190)	(2,072,383)
Fund Balance - Beginning of year	2,334,333	2,334,333	2,334,333	-
Fund Balance - End of year	<u>\$ 2,343,526</u>	<u>\$ 2,343,526</u>	<u>\$ 271,143</u>	<u>\$ (2,072,383)</u>

City of Grosse Pointe Woods, Michigan

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

	Last Five Fiscal Years				
	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 872,705	\$ 812,794	\$ 893,380	\$ 692,961	\$ 675,799
Interest	3,739,452	3,713,413	3,802,189	3,521,128	3,499,326
Differences between expected and actual experience	1,898,141	(1,943,674)	(509,341)	501,262	(579,977)
Changes in assumptions	17,877,664	(3,946,934)	7,000,034	5,686,156	-
Benefit payments, including refunds	(3,354,997)	(3,215,776)	(3,187,512)	(3,315,548)	(3,092,014)
Net Change in Total Pension Liability	21,032,965	(4,580,177)	7,998,750	7,085,959	503,134
Total Pension Liability - Beginning of year	60,316,215	64,896,392	56,897,642	49,811,683	44,308,549
Total Pension Liability - End of year	\$ 81,349,180	\$ 60,316,215	\$ 64,896,392	\$ 56,897,642	\$ 44,811,683
Plan Fiduciary Net Position					
Contributions - Employer	\$ 1,230,649	\$ 1,076,052	\$ 925,683	\$ 889,829	\$ 888,696
Contributions - Member	249,835	243,096	252,579	258,967	275,808
Net investment income (loss)	2,128,175	3,992,724	(1,359,930)	15,073	6,669,874
Administrative expenses	(62,843)	(37,168)	(51,765)	(69,537)	(44,753)
Benefit payments, including refunds	(3,354,997)	(3,215,776)	(3,187,512)	(3,315,548)	(3,092,015)
Other	22,728	12,254	-	-	-
Net Change in Plan Fiduciary Net Position	213,547	2,071,182	(3,420,945)	(2,221,216)	4,697,610
Plan Fiduciary Net Position - Beginning of year	37,614,854	35,543,672	38,964,617	41,185,833	36,488,223
Plan Fiduciary Net Position - End of year	\$ 37,828,401	\$ 37,614,854	\$ 35,543,672	\$ 38,964,617	\$ 41,185,833
City's Net Pension Liability - Ending	\$ 43,520,779	\$ 22,701,361	\$ 29,352,720	\$ 17,933,025	\$ 3,625,850
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	46.50 %	62.36 %	55.02 %	68.48 %	82.69 %
Covered Payroll	\$ 4,544,155	\$ 4,493,845	\$ 4,592,611	\$ 4,651,563	\$ 4,411,702
City's Net Pension Liability as a Percentage of Covered Payroll	957.73 %	505.17 %	632.60 %	385.53 %	195.50 %

GASB Statement No. 67 was implemented for the FYE June 30, 2014 and does not required retroactive implementation. The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Schedule of Pension Investment Returns Pension Plan

	Last Five Fiscal Years				
	Years Ended June 30				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return - Net of investment expense	4.84 %	11.60 %	(3.50)%	0.10 %	8.00 %

GASB Statement No. 67 was implemented for the FYE June 30, 2014 and does not required retroactive implementation. The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Schedule of Pension Contributions Pension Plan

	Last Ten Fiscal Years Years Ended June 30									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 1,231,000	\$ 1,076,000	\$ 926,000	\$ 890,000	\$ 889,000	\$ 768,000	\$ 743,000	\$ 786,000	\$ 452,000	\$ 1,037,000
Contributions in relation to the actuarially determined contribution	1,231,000	1,076,000	926,000	890,000	889,000	768,000	743,000	786,000	452,000	1,037,000
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 4,544,155	\$ 4,494,000	\$ 4,592,000	\$ 4,652,000	\$ 5,210,000	\$ 5,249,000	\$ 5,546,000	\$ 6,214,000	\$ 5,739,000	\$ 5,740,000
Contributions as a Percentage of Covered Payroll	27.09 %	23.94 %	20.17 %	19.13 %	17.06 %	14.63 %	13.40 %	12.65 %	7.88 %	18.07 %

Notes to Schedule of Pension Contributions - Pension Plan

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Covered payroll is as of June 30 of the current fiscal year.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percent of payroll, open
Remaining amortization period	25 years
Asset valuation method	Five years smoothed market
Inflation	2.5 percent
Salary increase	7.3 - 3.5 percent, including inflation
Investment rate of return	7.75 percent, net of expense
Mortality	RP 2014

City of Grosse Pointe Woods, Michigan

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

Last Five Fiscal Years

	2018	2017	2016	2015	2014
Total Pension Liability					
Service cost	\$ 59,640	\$ 39,299	\$ 37,233	\$ 28,387	\$ 33,212
Interest	239,740	254,061	269,224	234,285	236,533
Differences between expected and actual experience	161,463	(227,980)	(232,788)	(399,452)	(42,908)
Changes in assumptions	567,907	-	86,953	831,276	-
Benefit payments, including refunds	(242,921)	(257,534)	(263,715)	(247,158)	(257,888)
Net Change in Total Pension Liability	785,829	(192,154)	(103,093)	447,338	(31,051)
Total Pension Liability - Beginning of year	3,190,039	3,382,193	3,485,286	3,037,948	3,068,999
Total Pension Liability - End of year	\$ 3,975,868	\$ 3,190,039	\$ 3,382,193	\$ 3,485,286	\$ 3,037,948
Plan Fiduciary Net Position					
Contributions - Employer	\$ 298,389	\$ 290,000	\$ 297,360	\$ 286,439	\$ 277,776
Net investment income (loss)	91,098	159,415	3,963	(9,093)	230,642
Administrative expenses	(5,768)	(995)	-	(22,140)	-
Benefit payments, including refunds	(242,921)	(257,534)	(263,715)	(247,158)	(257,888)
Other	960	-	-	-	-
Net Change in Plan Fiduciary Net Position	141,758	190,886	37,608	8,048	250,530
Plan Fiduciary Net Position - Beginning of year	1,610,133	1,419,247	1,381,639	1,373,591	1,123,061
Plan Fiduciary Net Position - End of year	\$ 1,751,891	\$ 1,610,133	\$ 1,419,247	\$ 1,381,639	\$ 1,373,591
City's Net Pension Liability - Ending	\$ 2,223,977	\$ 1,579,906	\$ 1,962,946	\$ 2,103,647	\$ 1,664,357
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	44.06 %	50.47 %	41.96 %	39.64 %	45.21 %
Covered Payroll	\$ 2,231,884	\$ 2,258,831	\$ 2,347,151	\$ 2,358,679	\$ 2,196,932
City's Net Pension Liability as a Percentage of Covered Payroll	99.65 %	69.94 %	83.63 %	89.19 %	75.76 %

GASB Statement No. 67 was implemented for the FYE June 30, 2014 and does not required retroactive implementation. The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Schedule of Pension Contributions Supplemental Annuity

**Last Ten Fiscal Years
Years Ended June 30**

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 298,000	\$ 290,000	\$ 297,360	\$ 286,439	\$ 277,776	\$ 245,862	\$ 238,579	\$ 227,345	\$ 213,202	\$ 246,823
Contributions in relation to the actuarially determined contribution	298,000	290,000	297,360	286,439	277,776	245,862	238,579	227,345	213,202	246,823
Contribution Deficiency	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ 2,231,884	\$ 2,258,831	\$ 2,347,151	\$ 2,358,679	\$ 2,196,932	\$ 2,376,609	\$ 2,636,547	\$ 2,769,200	\$ 3,085,293	\$ 3,407,360
Contributions as a Percentage of Covered Payroll	13.35 %	12.84 %	12.67 %	12.14 %	12.64 %	10.35 %	9.05 %	8.21 %	6.91 %	7.24 %

Notes to Schedule of Pension Contributions - Supplemental Annuity

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported. Covered payroll is as of June 30 of the fiscal year two years prior. Public safety members retiring after December 31, 1994 are not covered.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level dollar
Remaining amortization period	10 years open
Asset valuation method	Market
Inflation	2.5 percent
Salary increase	0.0 percent
Investment rate of return	7.75 percent, net of expense
Mortality	RP 2014

City of Grosse Pointe Woods, Michigan

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

	Last Fiscal Year
	2018
Total OPEB Liability	
Service cost	\$ 1,861,554
Interest	1,973,036
Differences between expected and actual experience	(3,809,187)
Changes in assumptions	(25,133,680)
Benefit payments, including refunds	(1,578,411)
Net Change in Total OPEB Liability	(26,686,688)
Total OPEB Liability - Beginning of year	62,894,718
Total OPEB Liability - End of year	\$ 36,208,030
Plan Fiduciary Net Position	
Contributions - Employer	\$ 1,628,411
Contributions - Active and inactive plan members not yet receiving benefits	63,942
Net investment income	4,590
Benefit payments, including refunds	(1,578,411)
Net Change in Plan Fiduciary Net Position	118,532
Plan Fiduciary Net Position - Beginning of year	582,594
Plan Fiduciary Net Position - End of year	\$ 701,126
Net OPEB Liability - Ending	\$ 35,506,904
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	1.94 %
Covered Payroll	\$ 3,333,571
Net OPEB Liability as a Percentage of Covered Payroll	1,065.13 %

The required supplemental information is intended to show information for 10 years, and additional years' information will be displayed as it becomes available.

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Schedule of OPEB Contributions

Last Ten Fiscal Years Years Ended June 30

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Actuarially determined contribution	\$ 3,083,916	\$ 3,230,383	\$ 3,767,017	\$ 3,622,132	\$ 3,482,819	\$ 4,192,613	\$ 4,031,359	\$ 5,093,267	\$ 4,873,940	\$ 4,664,057
Contributions in relation to the actuarially determined contribution	1,628,411	1,472,713	1,675,660	1,618,057	1,332,162	1,457,623	1,148,356	1,781,070	1,958,858	1,415,351
Contribution Deficiency	\$ (1,455,505)	\$ (1,757,670)	\$ (2,091,357)	\$ (2,004,075)	\$ (2,150,657)	\$ (2,734,990)	\$ (2,883,003)	\$ (3,312,197)	\$ (2,915,082)	\$ (3,248,706)
Covered Payroll	\$ 3,333,571	\$ 4,493,845	\$ 4,592,000	\$ 4,652,000	\$ 5,210,000	\$ 5,249,000	\$ 5,546,000	\$ 6,214,000	\$ 5,739,000	\$ 5,740,000
Contributions as a Percentage of Covered Payroll	48.85 %	32.77 %	36.49 %	34.78 %	25.57 %	27.77 %	20.71 %	28.66 %	34.13 %	24.66 %

Notes to Schedule of Contributions

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll
Remaining amortization period	30 years
Asset valuation method	Market
Healthcare cost trend rates	8.5 percent, graded down to 4.5 percent in 0.5 percent increments over eight years
Salary increase	N/A
Investment rate of return	3.5 percent
Mortality	RP 2014

City of Grosse Pointe Woods, Michigan

**Required Supplemental Information
Schedule of OPEB Investment Returns**

**Last Fiscal Year
Year Ended June 30**

2018

Annual money-weighted rate of return - Net of investment expense

0.68 %

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund, all special revenue funds, and debt service funds except for operating transfers, which are budgeted as revenue and expenditures and not other financing sources and 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 City Council. The budget must be adopted through a passage of a budget resolution no later than the third Monday in May.
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.

Amounts encumbered for purchase orders, contracts, etc. are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

As a result of GASB Statement No. 54, the Local Streets Fund and the Cable Franchise Fund are now merged with the General Fund for reporting purposes. The General Fund is budgeted for as a separate fund. The following table reconciles the balances presented in the operating statement with the balances presented in the General Fund's budgetary comparison schedule:

	Total Revenue	Total Expenditures
Amounts per operating statement	\$ 14,509,445	\$ 12,659,357
Local Streets Fund budgeted separately from the General Fund	(533,836)	(906,253)
Cable franchise funds budgeted separately from the General Fund	(788)	(3,168)
	<u>\$ 13,974,821</u>	<u>\$ 11,749,936</u>
Amounts per budget statement		

Excess of Expenditures Over Appropriations in Budgeted Funds

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

	Budget	Actual	Variance
General government	\$ 2,596,406	\$ 2,632,154	\$ (35,748)
Public safety	5,389,704	5,492,603	(102,899)
Public works	1,925,774	1,974,749	(48,975)
Parks and recreation	1,623,304	1,650,430	(27,126)
Total	<u>\$ 11,535,188</u>	<u>\$ 11,749,936</u>	<u>\$ (214,748)</u>

Other Supplemental Information

Special Revenue Funds

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

Major Street Fund

This fund accounts for the maintenance and replacement of all major streets within the City. Funding is provided by distribution of gas tax proceeds.

Solid Waste Fund

This 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.

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 AT&T 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 Funds

Debt service funds are used to account for the payment of principal and interest on long-term debt.

2015 Road Bond Debt Service Fund

This fund accounts for the debt service of the 2015 Road Bonds.

Capital Project 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.

Budgetary Funds

These funds are funds that were merged into the General Fund as a result of GASB Statement No. 54, but are budgeted as separate funds by the City Council.

Local Street Fund

This fund accounts for the maintenance and replacement of all local streets within the City. Funding is provided by distribution of gas tax proceeds.

Cable Franchise Fund

This 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.

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds					
	Major Street Fund	Solid Waste Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service	Drug Enforcement
Assets						
Cash and investments	\$ 645,834	\$ 236,699	\$ 45,767	\$ -	\$ 120,388	\$ 25,839
Receivables:						
Property taxes receivable	-	21,572	-	-	-	-
Accrued interest receivable	-	1,052	-	-	-	-
Other receivables	3,511	-	-	-	-	-
Due from other governments	164,526	-	-	40,818	25,651	-
Due from other funds	-	-	-	-	-	-
Prepaid expenses and other assets	1,699	721	-	-	216	-
Total assets	\$ 815,570	\$ 260,044	\$ 45,767	\$ 40,818	\$ 146,255	\$ 25,839
Liabilities						
Accounts payable	\$ 7,825	\$ 33,266	\$ -	\$ 28,419	\$ 235	\$ -
Due to other funds	-	296,851	-	3,726	-	-
Accrued liabilities and other	6,360	13,821	-	-	2,215	-
Provision for claims	17,783	5,215	-	-	2,579	-
Total liabilities	31,968	349,153	-	32,145	5,029	-
Deferred Inflows of Resources -						
Unavailable revenue	-	-	-	34,813	-	-
Total liabilities and deferred inflows of resources	31,968	349,153	-	66,958	5,029	-
Fund Balances						
Nonspendable	1,699	721	-	-	216	-
Restricted:						
Roads	781,903	-	-	-	-	-
Public safety	-	-	45,767	-	79,661	25,839
Community development	-	-	-	-	-	-
Committed - Repairs and equipment	-	-	-	-	-	-
Assigned	-	-	-	-	61,349	-
Unassigned	-	(89,830)	-	(26,140)	-	-
Total fund balances	783,602	(89,109)	45,767	(26,140)	141,226	25,839
Total liabilities, deferred inflows of resources, and fund balances	\$ 815,570	\$ 260,044	\$ 45,767	\$ 40,818	\$ 146,255	\$ 25,839

Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds

June 30, 2018

Special Revenue Funds	Debt Service Fund	Capital Project Funds		
Parkway Beautification Fund	2015 Road Bond Debt Service Fund	Municipal Improvement Fund	Capital Improvement Fund	Total
\$ 188,305	\$ -	\$ 800,436	\$ 72,365	\$ 2,135,633
-	16,313	-	-	37,885
-	-	-	-	1,052
-	-	-	-	3,511
-	-	224,687	-	455,682
-	-	-	35,490	35,490
1,000	-	-	-	3,636
\$ 189,305	\$ 16,313	\$ 1,025,123	\$ 107,855	\$ 2,672,889
\$ 16,853	\$ 13,934	\$ 140,351	\$ 46,400	\$ 287,283
-	-	500,068	147,000	947,645
-	7,890	-	-	30,286
-	-	-	-	25,577
16,853	21,824	640,419	193,400	1,290,791
-	-	154,792	-	189,605
16,853	21,824	795,211	193,400	1,480,396
1,000	-	-	-	3,636
-	-	-	-	781,903
-	-	-	-	151,267
79,582	-	-	-	79,582
-	-	20,006	-	20,006
91,870	-	209,906	-	363,125
-	(5,511)	-	(85,545)	(207,026)
172,452	(5,511)	229,912	(85,545)	1,192,493
\$ 189,305	\$ 16,313	\$ 1,025,123	\$ 107,855	\$ 2,672,889

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds					
	Major Street Fund	Solid Waste Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service	Drug Enforcement
Revenue						
Property taxes	\$ -	\$ 1,336,179	\$ -	\$ -	\$ -	\$ -
Intergovernmental:						
Federal grants	-	-	-	13,777	-	-
State and local sources:						
State-shared revenue	-	7,018	-	-	-	-
Act 51 gas and weight tax	961,831	-	-	-	-	-
Other state grants	-	-	2,778	-	-	-
Investment income	-	7,131	-	-	-	-
Other revenue	50,863	9,015	415	-	72,752	8,486
Total revenue	1,012,694	1,359,343	3,193	13,777	72,752	8,486
Expenditures						
Current services:						
General government	-	-	-	40,868	27,358	-
Public safety	-	-	5,925	-	77,777	2,333
Public works	723,620	1,746,746	-	-	-	-
Municipal improvement	-	-	-	-	-	-
Parks and recreation	-	-	-	-	-	-
Debt service:						
Principal	-	-	-	-	-	-
Interest on long-term debt	-	5,752	-	-	-	-
Total expenditures	723,620	1,752,498	5,925	40,868	105,135	2,333
Excess of Revenue Over (Under) Expenditures	289,074	(393,155)	(2,732)	(27,091)	(32,383)	6,153
Other Financing Sources - Transfers in	-	-	-	-	-	-
Net Change in Fund Balances	289,074	(393,155)	(2,732)	(27,091)	(32,383)	6,153
Fund Balances - Beginning of year	494,528	304,046	48,499	951	173,609	19,686
Fund Balances - End of year	\$ 783,602	\$ (89,109)	\$ 45,767	\$ (26,140)	\$ 141,226	\$ 25,839

Other Supplemental Information

Combining Statement of Revenue, Expenditures, and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2018

Special Revenue Funds	Debt Service Fund	Capital Project Funds		
Parkway Beautification Fund	2015 Road Bond Debt Service Fund	Municipal Improvement Fund	Capital Improvement Fund	Total
\$ -	\$ 1,009,629	\$ -	\$ -	\$ 2,345,808
-	-	-	-	13,777
-	-	-	-	7,018
-	-	-	-	961,831
-	-	69,895	-	72,673
992	-	-	-	8,123
56,587	-	37,449	-	235,567
57,579	1,009,629	107,344	-	3,644,797
-	-	-	-	68,226
-	-	-	-	86,035
-	-	-	-	2,470,366
-	-	271,232	124,950	396,182
49,614	-	-	-	49,614
-	750,000	-	-	750,000
-	231,927	-	-	237,679
49,614	981,927	271,232	124,950	4,058,102
7,965	27,702	(163,888)	(124,950)	(413,305)
-	-	294,181	39,405	333,586
7,965	27,702	130,293	(85,545)	(79,719)
164,487	(33,213)	99,619	-	1,272,212
\$ 172,452	\$ (5,511)	\$ 229,912	\$ (85,545)	\$ 1,192,493

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds Grosse-Gratiot Drain Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 2,737,311	\$ 1,719,186	\$ 1,819,483	\$ 100,297
Intergovernmental	-	-	9,474	9,474
Investment income	-	-	22,394	22,394
Total revenue	2,737,311	1,719,186	1,851,351	132,165
Expenditures				
Current services - Public works	1,866,748	1,702,168	10,724,170	(9,022,002)
Debt service	737,186	70,936	-	70,936
Total expenditures	2,603,934	1,773,104	10,724,170	(8,951,066)
Excess of Revenue Over (Under) Expenditures	133,377	(53,918)	(8,872,819)	(8,818,901)
Other Financing Sources - New debt issued	-	-	8,997,239	8,997,239
Net Change in Fund Balance	133,377	(53,918)	124,420	178,338
Fund Balance - Beginning of year	2,442,048	2,442,048	2,442,048	-
Fund Balance - End of year	<u>\$ 2,575,425</u>	<u>\$ 2,388,130</u>	<u>\$ 2,566,468</u>	<u>\$ 178,338</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
Major Street Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 968,327	\$ 968,327	\$ 961,831	\$ (6,496)
Other revenue	38,500	38,500	50,863	12,363
Total revenue	1,006,827	1,006,827	1,012,694	5,867
Expenditures				
Current services -				
Public works:				
Street construction	79,500	79,500	77,842	1,658
Routine maintenance	287,891	289,503	219,188	70,315
Winter maintenance	20,400	20,400	11,440	8,960
Traffic services	5,500	3,888	1,172	2,716
Administration	144,059	144,059	148,999	(4,940)
Fringe benefits	295,713	295,713	264,979	30,734
Total expenditures	833,063	833,063	723,620	109,443
Net Change in Fund Balance	173,764	173,764	289,074	115,310
Fund Balance - Beginning of year	494,528	494,528	494,528	-
Fund Balance - End of year	<u><u>\$ 668,292</u></u>	<u><u>\$ 668,292</u></u>	<u><u>\$ 783,602</u></u>	<u><u>\$ 115,310</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Solid Waste Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 1,335,452	\$ 1,335,452	\$ 1,336,179	\$ 727
Intergovernmental	-	-	7,018	7,018
Investment income	2,000	2,000	7,131	5,131
Other revenue	1,000	262,746	9,015	(253,731)
Total revenue	1,338,452	1,600,198	1,359,343	(240,855)
Expenditures				
Current services -				
Public works:				
Other services and charges	1,156,509	1,418,255	1,620,929	(202,674)
Fringe benefits	136,135	136,135	125,817	10,318
Debt service	-	-	5,752	(5,752)
Total expenditures	1,292,644	1,554,390	1,752,498	(198,108)
Excess of Revenue Over (Under)				
Expenditures	45,808	45,808	(393,155)	(438,963)
Other Financing Uses - Transfers out	(25,000)	(25,000)	-	25,000
Net Change in Fund Balance	20,808	20,808	(393,155)	(413,963)
Fund Balance - Beginning of year	304,046	304,046	304,046	-
Fund Balance - End of year	<u><u>\$ 324,854</u></u>	<u><u>\$ 324,854</u></u>	<u><u>\$ (89,109)</u></u>	<u><u>\$ (413,963)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Act 302 Training Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 7,500	\$ 7,500	\$ 2,778	\$ (4,722)
Other revenue	5,700	5,700	415	(5,285)
Total revenue	13,200	13,200	3,193	(10,007)
Expenditures - Current - Public safety	13,200	13,200	5,925	7,275
Net Change in Fund Balance	-	-	(2,732)	(2,732)
Fund Balance - Beginning of year	48,499	48,499	48,499	-
Fund Balance - End of year	<u>\$ 48,499</u>	<u>\$ 48,499</u>	<u>\$ 45,767</u>	<u>\$ (2,732)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Grants Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Federal grants	\$ 6,300	\$ 39,587	\$ 13,777	\$ (25,810)
Expenditures - Current - General government	6,300	39,587	40,868	(1,281)
Net Change in Fund Balance	-	-	(27,091)	(27,091)
Fund Balance - Beginning of year	951	951	951	-
Fund Balance - End of year	<u><u>\$ 951</u></u>	<u><u>\$ 951</u></u>	<u><u>\$ (26,140)</u></u>	<u><u>\$ (27,091)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) 911 Emergency Service

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Other revenue	\$ 102,055	\$ 102,055	\$ 72,752	\$ (29,303)
Expenditures				
Current services:				
General government	30,019	28,519	27,358	1,161
Public safety	72,036	73,536	77,777	(4,241)
Total expenditures	102,055	102,055	105,135	(3,080)
Net Change in Fund Balance	-	-	(32,383)	(32,383)
Fund Balance - Beginning of year	173,609	173,609	173,609	-
Fund Balance - End of year	<u><u>\$ 173,609</u></u>	<u><u>\$ 173,609</u></u>	<u><u>\$ 141,226</u></u>	<u><u>\$ (32,383)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Drug Enforcement

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Other revenue	\$ 4,000	\$ 4,000	\$ 8,486	\$ 4,486
Expenditures - Current - Public safety	4,000	4,000	2,333	1,667
Net Change in Fund Balance	-	-	6,153	6,153
Fund Balance - Beginning of year	19,686	19,686	19,686	-
Fund Balance - End of year	<u><u>\$ 19,686</u></u>	<u><u>\$ 19,686</u></u>	<u><u>\$ 25,839</u></u>	<u><u>\$ 6,153</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Parkway Beautification Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Investment income	\$ 550	\$ 550	\$ 992	\$ 442
Other revenue	40,197	58,747	56,587	(2,160)
Total revenue	40,747	59,297	57,579	(1,718)
Expenditures - Current - Recreation and culture	40,747	59,297	49,614	9,683
Net Change in Fund Balance	-	-	7,965	7,965
Fund Balance - Beginning of year	164,487	164,487	164,487	-
Fund Balance - End of year	<u><u>\$ 164,487</u></u>	<u><u>\$ 164,487</u></u>	<u><u>\$ 172,452</u></u>	<u><u>\$ 7,965</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information
Budgetary Comparison Schedules - Nonmajor Governmental Funds
(Continued)
2015 Road Bond Debt Service Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Property taxes	\$ 1,008,958	\$ 1,015,458	\$ 1,009,629	\$ (5,829)
Investment income	2,000	2,000	-	(2,000)
Total revenue	1,010,958	1,017,458	1,009,629	(7,829)
Expenditures				
Capital outlay	18,550	-	-	-
Debt service	981,427	981,427	981,927	(500)
Total expenditures	999,977	981,427	981,927	(500)
Net Change in Fund Balance	10,981	36,031	27,702	(8,329)
Fund Balance - Beginning of year	(33,213)	(33,213)	(33,213)	-
Fund Balance - End of year	<u><u>\$ (22,232)</u></u>	<u><u>\$ 2,818</u></u>	<u><u>\$ (5,511)</u></u>	<u><u>\$ (8,329)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Municipal Improvement Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Grant revenue	\$ 37,957	\$ 60,957	\$ 69,895	\$ 8,938
Other revenue	26,643	26,643	37,449	10,806
Total revenue	64,600	87,600	107,344	19,744
Expenditures - Current - Community and economic development	114,600	931,781	271,232	660,549
Excess of Expenditures Over Revenue	(50,000)	(844,181)	(163,888)	680,293
Other Financing Sources - Transfers in	50,000	844,181	294,181	(550,000)
Net Change in Fund Balance	-	-	130,293	130,293
Fund Balance - Beginning of year	99,619	99,619	99,619	-
Fund Balance - End of year	<u>\$ 99,619</u>	<u>\$ 99,619</u>	<u>\$ 229,912</u>	<u>\$ 130,293</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Local Street Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue				
Intergovernmental	\$ 397,152	\$ 397,152	\$ 493,371	\$ 96,219
Investment income	100	100	4,273	4,173
Other revenue	30,000	30,000	36,192	6,192
Total revenue	427,252	427,252	533,836	106,584
Expenditures				
Current services:				
Public works:				
Management information system	219,644	227,244	216,122	11,122
Administration	165,933	165,933	167,366	(1,433)
Traffic services	16,500	8,900	7,271	1,629
Winter maintenance	38,600	56,200	55,880	320
Fringe benefits	268,492	268,492	240,791	27,701
Municipal improvement	113,000	219,987	218,823	1,164
Total expenditures	822,169	946,756	906,253	40,503
Excess of Expenditures Over Revenue	(394,917)	(519,504)	(372,417)	147,087
Other Financing Sources - Transfers out	150,000	256,987	256,987	-
Net Change in Fund Balance	(244,917)	(262,517)	(115,430)	147,087
Fund Balance - Beginning of year	541,642	541,642	541,642	-
Fund Balance - End of year	<u>\$ 296,725</u>	<u>\$ 279,125</u>	<u>\$ 426,212</u>	<u>\$ 147,087</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Budgetary Comparison Schedules - Nonmajor Governmental Funds (Continued) Cable Franchise Fund

Year Ended June 30, 2018

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget (Unaudited)
Revenue - Investment income	\$ 3,500	\$ 3,500	\$ 788	\$ (2,712)
Expenditures - Current - Public works	3,500	3,500	3,168	332
Net Change in Fund Balance	-	-	(2,380)	(2,380)
Fund Balance - Beginning of year	541,126	541,126	541,126	-
Fund Balance - End of year	<u><u>\$ 541,126</u></u>	<u><u>\$ 541,126</u></u>	<u><u>\$ 538,746</u></u>	<u><u>\$ (2,380)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Local Streets Fund Fund-based Balance Sheet

	June 30, 2018
	Local Street Fund
Assets	
Cash and investments	\$ 412,633
Receivables	67,430
Prepaid expenses and other assets	1,883
Total assets	\$ 481,946
Liabilities	
Accounts payable	\$ 35,357
Accrued liabilities and other	6,651
Provision for claims	13,726
Total liabilities	55,734
Fund Balances - Committed - Roads	426,212
Total liabilities and fund balances	\$ 481,946

Note - As a result of GASB Statement No. 54, the Local Streets Fund is now merged with the General Fund for reporting purposes. The Local Streets Fund balance sheet is shown for supplemental purposes.

Parking Meter Utility Fund

This fund accounts 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

This fund accounts for boat dock rental units that are available to the citizens of the City of Grosse Pointe Woods, Michigan on an annual basis. Boat launch ramps and other watercraft maintenance services are available.

Commodity Sales Fund

This fund records 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 Position Nonmajor Enterprise Funds

June 30, 2018

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total Nonmajor Enterprise Funds
Assets				
Current assets:				
Cash and cash equivalents	\$ 1,800,593	\$ 391,029	\$ 154,640	\$ 2,346,262
Investments	-	100,713	-	100,713
Receivables - Accrued interest	5,486	1,511	-	6,997
Prepaid expenses and other assets	489	-	-	489
Total current assets	1,806,568	493,253	154,640	2,454,461
Noncurrent assets - Capital assets - Net	208,969	135,221	-	344,190
Total assets	2,015,537	628,474	154,640	2,798,651
Deferred Outflows of Resources				
Deferred pension costs	172,338	179,685	-	352,023
Deferred OPEB costs	246	10	-	256
Total deferred outflows of resources	172,584	179,695	-	352,279
Liabilities				
Current liabilities:				
Accounts payable	1,602	247	-	1,849
Due to other funds	35,490	7,500	-	42,990
Accrued liabilities and other	5,286	2,884	-	8,170
Compensated absences	9,170	-	-	9,170
Provision for claims	1,575	-	-	1,575
Total current liabilities	53,123	10,631	-	63,754
Noncurrent liabilities:				
Compensated absences	2,095	-	-	2,095
Net pension liability	390,037	404,621	-	794,658
Net OPEB liability	613,494	24,160	-	637,654
Total noncurrent liabilities	1,005,626	428,781	-	1,434,407
Total liabilities	1,058,749	439,412	-	1,498,161
Deferred Inflows of Resources				
Deferred pension cost reductions	34,432	28,815	-	63,247
Deferred OPEB cost reductions	314,865	12,400	-	327,265
Total deferred inflows of resources	349,297	41,215	-	390,512
Net Position				
Net investment in capital assets	208,969	135,221	-	344,190
Unrestricted	571,106	192,321	154,640	918,067
Total net position	<u>\$ 780,075</u>	<u>\$ 327,542</u>	<u>\$ 154,640</u>	<u>\$ 1,262,257</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Position Nonmajor Enterprise Funds

Year Ended June 30, 2018

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total Nonmajor Enterprise Funds
Operating Revenue				
Fees and violations	\$ 467,166	\$ -	\$ -	\$ 467,166
Dockings and launching fees	-	172,091	-	172,091
Commodity sales	-	-	25,939	25,939
Other revenue	6,660	-	-	6,660
Total operating revenue	473,826	172,091	25,939	671,856
Operating Expenses				
General and administrative	134,694	144,198	10,922	289,814
Operation and maintenance	73,490	258,751	-	332,241
Depreciation	27,569	29,343	-	56,912
Total operating expenses	235,753	432,292	10,922	678,967
Operating Income (Loss)	238,073	(260,201)	15,017	(7,111)
Nonoperating Revenue	12,199	5,300	1,635	19,134
Change in Net Position	250,272	(254,901)	16,652	12,023
Net Position - Beginning of year	529,803	582,443	137,988	1,250,234
Net Position - End of year	<u>\$ 780,075</u>	<u>\$ 327,542</u>	<u>\$ 154,640</u>	<u>\$ 1,262,257</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds

Year Ended June 30, 2018

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total Nonmajor Enterprise Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 473,826	\$ 172,091	\$ 25,939	\$ 671,856
Payments to suppliers	(6,475)	(50,992)	-	(57,467)
Payments to employees and fringes	(174,585)	(102,989)	(10,922)	(288,496)
Payments from (to) other funds	10,490	(3,617)	50,000	56,873
Net cash and cash equivalents provided by operating activities	303,256	14,493	65,017	382,766
Cash Flows Used in Financing Activities -				
Purchase of capital assets	(36,653)	(22,944)	-	(59,597)
Cash Flows Provided by Investing Activities -				
Interest received on investments	9,132	4,033	1,635	14,800
Net Increase (Decrease) in Cash and Cash Equivalents	275,735	(4,418)	66,652	337,969
Cash and Cash Equivalents - Beginning of year	1,524,858	496,160	87,988	2,109,006
Cash and Cash Equivalents - End of year	<u><u>\$ 1,800,593</u></u>	<u><u>\$ 491,742</u></u>	<u><u>\$ 154,640</u></u>	<u><u>\$ 2,446,975</u></u>
Classification of Cash and Cash Equivalents				
- Cash and investments	<u><u>\$ 1,800,593</u></u>	<u><u>\$ 491,742</u></u>	<u><u>\$ 154,640</u></u>	<u><u>\$ 2,446,975</u></u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 238,073	\$ (260,201)	\$ 15,017	\$ (7,111)
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	27,569	29,343	-	56,912
Changes in assets and liabilities:				
Due to and from other funds	35,490	(3,617)	50,000	81,873
Prepaid and other assets	1,213	-	-	1,213
Net pension or OPEB asset	(1,579)	249,298	-	247,719
Accounts payable	915	(330)	-	585
Estimated claims liability	1,575	-	-	1,575
Total adjustments	65,183	274,694	50,000	389,877
Net cash and cash equivalents provided by operating activities	<u><u>\$ 303,256</u></u>	<u><u>\$ 14,493</u></u>	<u><u>\$ 65,017</u></u>	<u><u>\$ 382,766</u></u>

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 department through fees.

Workers' Compensation Fund

This fund 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.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds

June 30, 2018

	Motor Vehicle Fund	Workers' Compensation Fund	Total Internal Service Funds
Assets			
Current assets:			
Cash and cash equivalents	\$ 1,079,460	\$ 37,383	\$ 1,116,843
Investments	1,042,181	206,145	1,248,326
Receivables:			
Accrued interest receivable	5,889	1,139	7,028
Other receivables	-	1,004	1,004
Prepaid expenses and other assets	748	53,378	54,126
Total current assets	2,128,278	299,049	2,427,327
Noncurrent assets - Capital assets - Net	1,038,444	-	1,038,444
Total assets	3,166,722	299,049	3,465,771
Deferred Outflows of Resources			
Deferred pension costs	667,962	-	667,962
Deferred OPEB costs	374	-	374
Total deferred outflows of resources	668,336	-	668,336
Liabilities			
Current liabilities:			
Accounts payable	11,834	2,078	13,912
Accrued liabilities and other	5,816	-	5,816
Compensated absences	27,582	-	27,582
Provision for claims	6,354	275,915	282,269
Current portion of long-term debt	241,831	-	241,831
Total current liabilities	293,417	277,993	571,410
Noncurrent liabilities:			
Net pension liability	1,467,522	-	1,467,522
Net OPEB liability	931,758	-	931,758
Long-term debt - Net of current portion	62,096	-	62,096
Total liabilities	2,754,793	277,993	3,032,786
Deferred Inflows of Resources			
Deferred pension cost reductions	142,407	-	142,407
Deferred OPEB cost reductions	478,208	-	478,208
Total deferred inflows of resources	620,615	-	620,615
Net Position			
Net investment in capital assets	734,517	-	734,517
Unrestricted	(274,867)	21,056	(253,811)
Total net position	\$ 459,650	\$ 21,056	\$ 480,706

City of Grosse Pointe Woods, Michigan**Other Supplemental Information**
Combining Statement of Revenue, Expenses, and Changes in Net Position
Internal Service Funds**Year Ended June 30, 2018**

	Motor Vehicle Fund	Workers' Compensation Fund	Total Internal Service Funds
Operating Revenue			
Other revenue	\$ 400	\$ 8,639	\$ 9,039
Charges to other funds	716,901	118,642	835,543
Total operating revenue	717,301	127,281	844,582
Operating Expenses			
Cost of insurance claims	5,400	167,931	173,331
General and administrative	328,261	29,128	357,389
Vehicle operation and maintenance	300,043	-	300,043
Depreciation	211,646	-	211,646
Total operating expenses	845,350	197,059	1,042,409
Operating Income (Loss)	(128,049)	(69,778)	(197,827)
Nonoperating Revenue (Expense)			
Investment income	12,976	2,730	15,706
Interest expense	(14,143)	-	(14,143)
Gain on sale of assets	16,480	-	16,480
Total nonoperating revenue (expense)	15,313	2,730	18,043
Change in Net Position	(112,736)	(67,048)	(179,784)
Net Position - Beginning of year	572,386	88,104	660,490
Net Position - End of year	\$ 459,650	\$ 21,056	\$ 480,706

**Other Supplemental Information
Combining Statement of Cash Flows
Internal Service Funds**

Year Ended June 30, 2018

	Motor Vehicle Fund	Workers' Compensation Fund	Total Internal Service Funds
Cash Flows from Operating Activities			
Receipts from customers	\$ 400	\$ 8,639	\$ 9,039
Receipts from interfund services and reimbursements	716,901	118,642	835,543
Payments to suppliers	(28,093)	(1,394)	(29,487)
Payments to employees and fringes	(581,964)	(32,612)	(614,576)
Claims paid	(818)	(135,989)	(136,807)
Net cash and cash equivalents provided by (used in) operating activities	106,426	(42,714)	63,712
Cash Flows from Capital and Related Financing Activities			
Proceeds from sale of capital assets	16,480	-	16,480
Purchase of capital assets	(60,941)	-	(60,941)
Principal and interest paid on capital debt	(249,802)	-	(249,802)
Net cash and cash equivalents used in capital and related financing activities	(294,263)	-	(294,263)
Cash Flows Provided by Investing Activities - Interest received on investments	8,675	2,410	11,085
Net Decrease in Cash and Cash Equivalents	(179,162)	(40,304)	(219,466)
Cash and Cash Equivalents - Beginning of year	2,300,803	283,832	2,584,635
Cash and Cash Equivalents - End of year	<u><u>\$ 2,121,641</u></u>	<u><u>\$ 243,528</u></u>	<u><u>\$ 2,365,169</u></u>
Classification of Cash and Cash Equivalents - Cash and investments	<u><u>\$ 2,121,641</u></u>	<u><u>\$ 243,528</u></u>	<u><u>\$ 2,365,169</u></u>
Reconciliation of Operating Loss to Net Cash from Operating Activities			
Operating loss	\$ (128,049)	\$ (69,778)	\$ (197,827)
Adjustments to reconcile operating loss to net cash from operating activities:			
Depreciation and amortization	211,646	-	211,646
Changes in assets and liabilities:			
Receivables	-	(1,004)	(1,004)
Prepaid and other assets	2,835	(902)	1,933
Net pension or OPEB asset	674,756	-	674,756
Accounts payable	(659,344)	512	(658,832)
Estimated claims liability	4,582	28,458	33,040
Total adjustments	234,475	27,064	261,539
Net cash and cash equivalents provided by (used in) operating activities	<u><u>\$ 106,426</u></u>	<u><u>\$ (42,714)</u></u>	<u><u>\$ 63,712</u></u>

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

Pension and Other Employee Benefit Trust Funds

The City operates one retirement system, one supplemental 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 Statement of Fiduciary Net Position Fiduciary Funds

June 30, 2018

	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	Total Pension and OPEB Funds
Assets				
Cash and cash equivalents	\$ 683,403	\$ 31,636	\$ 8,422	\$ 723,461
Investments:				
Stocks	19,743,592	914,364	-	20,657,956
Pooled investments	11,337,179	805,873	692,704	12,835,756
Bond funds	6,063,801	-	-	6,063,801
Receivables - Accrued interest receivable	426	18	-	444
Total assets	37,828,401	1,751,891	701,126	40,281,418
Liabilities	-	-	-	-
Net Position	\$ 37,828,401	\$ 1,751,891	\$ 701,126	\$ 40,281,418

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Statement of Changes in Fiduciary Net Position Fiduciary Funds

Year Ended June 30, 2018

	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	Total Pension and OPEB Funds
Additions				
Investment income:				
Interest and dividends	\$ 184,900	\$ 7,902	\$ 2,948	\$ 195,750
Net increase in fair value of investments	1,966,004	87,233	1,642	2,054,879
Net investment income	2,150,904	95,135	4,590	2,250,629
Contributions:				
Employer contributions	1,230,649	298,389	50,000	1,579,038
Employee contributions	249,835	-	63,942	313,777
Total contributions	1,480,484	298,389	113,942	1,892,815
Total additions	3,631,388	393,524	118,532	4,143,444
Deductions				
Benefit payments	3,354,997	245,998	-	3,600,995
Administrative expenses	62,844	5,769	-	68,613
Total deductions	3,417,841	251,767	-	3,669,608
Net Increase in Net Position Held in Trust	213,547	141,757	118,532	473,836
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	37,614,854	1,610,134	582,594	39,807,582
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 37,828,401	\$ 1,751,891	\$ 701,126	\$ 40,281,418

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Statement of Assets and Liabilities Agency Funds

June 30, 2018

	Wayne County Tax Fund	Cash Bond Escrow Fund	Total
Assets - Cash and Cash equivalents	\$ 381,521	\$ 5,325	\$ 386,846
Liabilities			
Due to other governmental units	\$ 381,521	\$ -	\$ 381,521
Court bonds payable	-	5,325	5,325
Total liabilities	\$ 381,521	\$ 5,325	\$ 386,846

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds

Year Ended June 30, 2018

Wayne County Tax Fund				
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets - Cash and investments	<u>\$ 41,148</u>	<u>\$ 32,679,473</u>	<u>\$ (32,339,100)</u>	<u>\$ 381,521</u>
Liabilities - Due to other governmental units	<u>\$ 41,148</u>	<u>\$ 32,679,473</u>	<u>\$ (32,339,100)</u>	<u>\$ 381,521</u>
Cash Bond Escrow Fund				
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets - Cash and investments	<u>\$ 21,358</u>	<u>\$ 286,908</u>	<u>\$ (302,941)</u>	<u>\$ 5,325</u>
Liabilities - Court bonds payable	<u>\$ 21,358</u>	<u>\$ 286,908</u>	<u>\$ (302,941)</u>	<u>\$ 5,325</u>
Total Agency				
	July 1, 2017	Additions	Deductions	June 30, 2018
Assets - Cash and investments	<u>\$ 62,506</u>	<u>\$ 32,966,381</u>	<u>\$ (32,642,041)</u>	<u>\$ 386,846</u>
Liabilities				
Due to other governmental units	\$ 41,148	\$ 32,679,473	\$ (32,339,100)	\$ 381,521
Court bonds payable	21,358	286,908	(302,941)	5,325
Total liabilities	<u>\$ 62,506</u>	<u>\$ 32,966,381</u>	<u>\$ (32,642,041)</u>	<u>\$ 386,846</u>

June 30, 2018

Budgetary Information

As a result of GASB Statement No. 54, the Local Streets Fund and Cable Franchise Fund are now merged with the General Fund for reporting purposes, but are budgeted as separate funds.

Statistical Section

Statistical Section

This part of the comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health

The statistical section is organized into the following main categories:

Financial trends

These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.

Revenue capacity

These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.

Debt capacity

These schedules present information to help the reader assess the affordability of the government's current level of outstanding debt and the government's ability to issue additional debt in the future.

Demographic and economic information

These schedules help the reader understand the environment within which the government's financial activities take place.

Operating information

These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides

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.

City of Grosse Pointe Woods

	2009	2010	2011	2012
Governmental Activities				
Net investment in capital assets	\$ 25,835,044	\$ 26,744,399	\$ 26,918,168	\$ 26,908,007
Restricted	782,422	727,050	772,268	923,644
Unrestricted	<u>1,596,786</u>	<u>64,083</u>	<u>(2,595,090)</u>	<u>(4,608,002)</u>
Total net position	<u>\$ 28,214,252</u>	<u>\$ 27,535,532</u>	<u>\$ 25,095,346</u>	<u>\$ 23,223,649</u>
Business-type Activities				
Net investment in capital assets	\$ 18,921,503	\$ 18,573,221	\$ 18,345,231	\$ 18,585,076
Restricted	453,789	453,789	425,500	397,500
Unrestricted	<u>1,191,484</u>	<u>1,802,604</u>	<u>2,461,914</u>	<u>3,213,270</u>
Total net position	<u>\$ 20,566,776</u>	<u>\$ 20,829,614</u>	<u>\$ 21,232,645</u>	<u>\$ 22,195,846</u>
Primary Government in Total				
Net investment in capital assets	\$ 44,756,547	\$ 45,317,620	\$ 45,263,399	\$ 45,493,083
Restricted	1,236,211	1,180,839	1,197,768	1,321,144
Unrestricted	<u>2,788,270</u>	<u>1,866,687</u>	<u>(133,176)</u>	<u>(1,394,732)</u>
Total net position	<u>\$ 48,781,028</u>	<u>\$ 48,365,146</u>	<u>\$ 46,327,991</u>	<u>\$ 45,419,495</u>

Source: City annual financial statements

Net Position by Component

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

2013	2014	2015	2016	2017	2018
\$ 27,096,926	\$ 26,303,935	\$ 27,569,120	\$ 25,064,363	\$ 22,206,276	\$ 27,441,437
924,572	835,294	7,500,582	2,946,510	3,380,839	3,853,062
<u>(6,341,023)</u>	<u>(7,745,764)</u>	<u>(28,560,231)</u>	<u>(26,399,199)</u>	<u>(26,770,331)</u>	<u>(65,318,399)</u>
<u>\$ 21,680,475</u>	<u>\$ 19,393,465</u>	<u>\$ 6,509,471</u>	<u>\$ 1,611,674</u>	<u>\$ (1,183,216)</u>	<u>\$ (34,023,900)</u>
\$ 18,451,087	\$ 18,458,605	\$ 18,185,073	\$ 18,154,537	\$ 18,507,826	\$ 18,830,410
349,500	319,000	306,500	256,000	223,500	198,090
<u>4,232,956</u>	<u>5,465,819</u>	<u>5,537,757</u>	<u>7,005,669</u>	<u>9,036,011</u>	<u>8,144,812</u>
<u>\$ 23,033,543</u>	<u>\$ 24,243,424</u>	<u>\$ 24,029,330</u>	<u>\$ 25,416,206</u>	<u>\$ 27,767,337</u>	<u>\$ 27,173,312</u>
\$ 45,548,013	\$ 44,762,540	\$ 45,754,193	\$ 43,218,900	\$ 40,714,102	\$ 46,271,847
1,274,072	1,154,294	7,807,082	3,202,510	3,604,339	\$ 4,051,152
<u>(2,108,067)</u>	<u>(2,279,945)</u>	<u>(23,022,474)</u>	<u>(19,393,530)</u>	<u>(17,734,320)</u>	<u>(57,173,587)</u>
<u>\$ 44,714,018</u>	<u>\$ 43,636,889</u>	<u>\$ 30,538,801</u>	<u>\$ 27,027,880</u>	<u>\$ 26,584,121</u>	<u>\$ (6,850,588)</u>

City of Grosse Pointe Woods, Michigan

	2009	2010	2011	2012
Expenses				
Governmental activities:				
General government	\$ 4,609,178	\$ 3,042,077	\$ 3,422,593	\$ 3,092,280
Public safety	7,525,431	7,899,396	7,912,560	7,153,532
Public works	5,027,700	5,215,575	5,655,876	6,016,942
Solid waste	1,366,272	1,315,293	1,087,987	1,121,417
Municipal improvement	386,989	59,724	130,849	191,180
Recreation and culture	2,370,954	2,181,206	1,967,708	1,717,327
Interest on long-term debt	153,736	113,653	72,814	40,214
Total governmental activities	21,440,260	19,826,924	20,250,387	19,332,892
Business-type activities:				
Water/Sewer	5,239,746	4,853,312	5,044,337	5,059,715
Parking	316,991	241,562	198,866	237,150
Boat dock	121,541	85,257	73,870	74,172
Commodity sales	45,185	68,571	30,689	26,018
Total business-type activities expenses	5,723,463	5,248,702	5,347,762	5,397,055
Total primary government expenses	27,163,723	25,075,626	25,598,149	24,729,947
Program Revenue				
Governmental activities:				
Charges for services				
Municipal court	831,454	894,768	774,390	909,241
Building inspections and related	-	-	-	-
Recreation and culture	-	69,507	102,037	120,304
Other activities	675,914	826,085	435,796	541,545
Total charges for services	1,507,368	1,790,360	1,312,223	1,571,090
Operating and capital grants and contributions	908,512	873,343	886,569	907,211
Total governmental activities program revenue	2,415,880	2,663,703	2,198,792	2,478,301
Business-type Activities				
Charges for services:				
Water/Sewer	4,878,913	4,856,083	5,405,036	5,976,950
Parking	242,765	221,657	201,166	193,812
Boat dock	146,872	141,338	132,715	130,778
Commodity sales	48,410	45,560	40,225	40,918
Capital grants and contributions	146,962	-	-	-
Total business-type program revenue	5,463,922	5,264,638	5,779,142	6,342,458
Total primary government program revenue	\$ 7,879,802	\$ 7,928,341	\$ 7,977,934	\$ 8,820,759
Net (Expense) Revenue				
Governmental activities	\$ (19,024,380)	\$ (17,163,221)	\$ (18,051,595)	\$ (16,854,591)
Business-type activities	(259,541)	15,936	431,380	945,403
Total primary government net expense	\$ (19,283,921)	\$ (17,147,285)	\$ (17,620,215)	\$ (15,909,188)

Source: City annual financial statements

Changes in Governmental Activities, Business-type Activities, and Primary Government Net Position

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

	2013	2014	2015	2016	2017	2018
\$	3,207,643	\$ 3,130,925	\$ 2,494,362	\$ 3,586,605	\$ 3,508,241	\$ 2,132,039
	6,869,020	6,553,852	7,777,514	9,321,147	8,318,311	5,667,873
	5,841,495	6,091,819	6,126,373	6,431,753	6,720,230	5,388,938
	1,152,236	1,150,743	1,193,308	1,126,483	1,108,370	1,666,746
	63,982	307,290	554,163	575,094	260,432	811,929
	1,827,426	1,554,898	1,773,961	1,855,328	1,905,019	1,758,972
	17,369	830,255	-	207,605	158,803	186,192
	18,979,171	19,619,782	19,919,681	23,104,015	21,979,406	17,612,689
	5,432,429	5,420,387	5,919,315	6,053,295	5,897,189	6,147,744
	207,597	195,791	246,050	304,826	136,057	235,753
	69,894	97,519	96,733	104,778	89,176	432,292
	40,085	-	36,955	23,940	35,713	10,922
	5,750,005	5,713,697	6,299,053	6,486,839	6,158,135	6,826,711
	24,729,176	25,333,479	26,218,734	29,590,854	28,137,541	24,439,400
	667,782	593,962	455,417	401,218	489,299	452,764
	-	-	-	-	-	-
	119,399	107,161	111,904	116,383	146,619	141,725
	639,214	614,984	321,151	379,099	364,232	397,502
	1,426,395	1,316,107	888,472	896,700	1,000,150	991,991
	912,762	943,540	1,091,214	1,009,509	1,306,687	1,655,576
	2,339,157	2,259,647	1,979,686	1,906,209	2,306,837	2,647,567
	6,144,410	6,339,551	6,241,351	7,202,849	7,818,095	8,763,915
	301,696	292,825	454,533	439,720	446,643	473,826
	129,805	126,052	140,986	150,625	142,843	172,091
	37,922	34,214	33,075	30,392	27,679	25,939
	-	-	-	-	-	-
	6,613,833	6,792,642	6,869,945	7,823,586	8,435,260	9,435,771
\$	8,952,990	\$ 9,052,289	\$ 8,849,631	\$ 9,729,795	\$ 10,742,097	\$ 12,083,338
\$	(16,640,014)	\$ (17,360,135)	\$ (17,939,995)	\$ (21,197,806)	\$ (19,672,569)	\$ (14,965,122)
	863,828	1,078,945	570,892	1,336,747	2,277,125	2,609,060
\$	(15,776,186)	\$ (16,281,190)	\$ (17,369,103)	\$ (19,861,059)	\$ (17,395,444)	\$ (12,356,062)

City of Grosse Pointe Woods, Michigan

	2009	2010	2011	2012
General Revenue				
Governmental activities:				
Property taxes	\$ 14,468,721	\$ 15,002,660	\$ 13,536,960	\$ 12,817,647
Income taxes	-	-	-	-
State-shared revenue	1,645,722	1,391,898	1,420,431	1,482,102
Investment earnings	153,512	44,655	63,272	63,694
Donations	-	-	-	-
Franchise fees	271,953	295,688	320,426	262,837
Other	-	-	234,820	368,060
Gain on sale of fixed assets	-	-	-	-
Transfers	(218,060)	(250,400)	35,500	(11,446)
Total governmental activities	16,321,848	16,484,501	15,611,409	14,982,894
Business-type activities:				
Unrestricted investment earnings	21,534	11,960	7,151	6,352
Other	-	-	-	-
Transfers	218,060	250,400	(35,500)	11,446
Total business-type activities	239,594	262,360	(28,349)	17,798
Total primary government	16,561,442	16,746,861	15,583,060	15,000,692
Change in Net Position				
Governmental activities	(2,702,532)	(678,720)	(2,440,186)	(1,871,697)
Business-type activities	(19,947)	278,296	403,031	963,201
Total primary government	<u><u>\$ (2,722,479)</u></u>	<u><u>\$ (400,424)</u></u>	<u><u>\$ (2,037,155)</u></u>	<u><u>\$ (908,496)</u></u>

Source: City annual financial statements

Changes in Governmental Activities, Business-type Activities, and Primary Government Net Position (Continued)

Last Ten Fiscal Years
June 30, 2018
(Unaudited)

	2013	2014	2015	2016	2017	2018
\$	12,869,618	\$ 12,971,861	\$ 12,089,662	\$ 13,450,544	\$ 14,229,532	\$ 14,116,610
	1,500,662	1,521,267	1,568,207	1,640,461	1,564,983	1,715,312
	27,817	46,301	43,238	82,738	38,764	171,696
	-	-	-	-	-	-
	380,964	340,268	315,723	427,964	379,362	362,235
	287,779	301,260	507,807	627,485	665,038	822,143
	-	-	7,850	23,684	-	-
	<u>30,000</u>	<u>(107,832)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	15,096,840	15,073,125	14,532,487	16,252,876	16,877,679	17,187,996
	3,869	21,104	28,735	50,129	74,006	147,189
	-	2,000	-	-	-	-
	<u>(30,000)</u>	<u>107,832</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>(26,131)</u>	<u>130,936</u>	<u>28,735</u>	<u>50,129</u>	<u>74,006</u>	<u>147,189</u>
	<u>15,070,709</u>	<u>15,204,061</u>	<u>14,561,222</u>	<u>16,303,005</u>	<u>16,951,685</u>	<u>17,335,185</u>
	(1,543,174)	(2,287,010)	(3,407,508)	(4,944,930)	(2,794,890)	2,222,874
	837,697	1,209,881	599,627	1,386,876	2,351,131	2,756,249
\$	<u>(705,477)</u>	\$ <u>(1,077,129)</u>	\$ <u>(2,807,881)</u>	\$ <u>(3,558,054)</u>	\$ <u>(443,759)</u>	\$ <u>4,979,123</u>

City of Grosse Pointe Woods

	As of June 30,			
	2009	2010	2011	2012
General Fund				
Prior to adoption of GASB 54:				
Reserved	\$ -	\$ -	\$ -	\$ -
Designated	-	-	-	-
Unreserved and undesignated	2,311,090	3,205,975	-	-
Subsequent to adoption of GASB 54:				
Nonspendable	37,750	99,767	6,111	4,325
Restricted	-	-	-	-
Committed	-	-	125,329	143,811
Assigned	-	-	949,395	1,198,046
Unassigned	-	-	3,896,333	3,853,739
Total general fund	<u>2,348,840</u>	<u>3,305,742</u>	<u>4,977,168</u>	<u>5,199,921</u>
All Other Governmental Funds				
Prior to adoption of GASB 54:				
Reserved	-	-	-	-
Designated	311,497	320,417	-	-
Unreserved and undesignated	2,571,123	2,003,979	-	-
Subsequent to adoption of GASB 54:				
Nonspendable	-	-	-	19,390
Restricted	-	-	765,921	905,950
Committed	-	-	-	14,850
Assigned	-	-	447,234	313,424
Unassigned	-	-	-	-
Total all other governmental funds	<u>2,882,620</u>	<u>2,324,396</u>	<u>1,213,155</u>	<u>1,253,614</u>
Total of all governmental funds	<u>\$ 5,231,460</u>	<u>\$ 5,630,138</u>	<u>\$ 6,190,323</u>	<u>\$ 6,453,535</u>

Source: City annual financial statements

Fund Balances - Governmental Funds

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

As of June 30,					
2013	2014	2015	2016	2017	2018
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
121,380	138,757	104,203	79,148	94,419	24,890
-	-	-	-	-	-
207,961	317,432	558,479	751,952	541,642	424,329
1,751,490	953,821	1,027,515	707,910	748,464	3,391,228
3,435,761	3,754,923	3,716,961	4,992,622	6,255,011	5,315,591
<u>5,516,592</u>	<u>5,164,933</u>	<u>5,407,158</u>	<u>6,531,632</u>	<u>7,639,536</u>	<u>9,156,038</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	17,002	13,365	10,438	11,153	3,636
924,572	829,037	7,488,572	2,937,106	5,816,063	3,850,363
17,750	33,500	66,700	16,770	23,158	20,006
375,123	1,152,784	935,005	1,876,521	231,432	363,125
-	-	-	-	(33,213)	(207,026)
<u>1,317,445</u>	<u>2,032,323</u>	<u>8,503,642</u>	<u>4,840,835</u>	<u>6,048,593</u>	<u>4,030,104</u>
<u>\$ 6,834,037</u>	<u>\$ 7,197,256</u>	<u>\$ 13,910,800</u>	<u>\$ 11,372,467</u>	<u>\$ 13,688,129</u>	<u>\$ 13,186,142</u>

City of Grosse Pointe Woods

	As of June 30,			
	2009	2010	2011	2012
Revenue				
Property taxes	\$ 14,093,330	\$ 14,471,027	\$ 13,525,921	\$ 12,816,628
State and local sources	2,382,912	2,197,887	2,209,151	2,220,847
Intergovernmental taxes	-	-	-	-
Delinquent interest and collection fee income	293,797	511,840	-	-
Federal financial assistance	31,646	11,090	8,083	7,621
Other revenue	1,986,433	2,153,729	1,968,095	2,363,851
Investment income	143,074	43,829	54,524	54,762
Total revenue	18,931,192	19,389,402	17,765,774	17,463,709
Expenditures				
Current:				
General government	3,764,577	2,580,898	2,728,228	2,726,596
Public safety	4,866,702	5,640,372	6,067,173	5,723,312
Public works	887,819	950,521	5,618,581	5,824,444
Recreation and culture	1,784,052	1,682,472	1,581,537	1,353,885
Miscellaneous	5,467,476	5,529,332		
Capital outlay	1,526,933	677,778	247,983	209,044
Debt service principal	1,552,022	1,539,247	1,152,522	1,185,797
Debt service interest	157,014	117,379	72,597	43,949
Total expenditures	20,006,595	18,717,999	17,468,621	17,067,027
Excess of Revenue (Under) Over Expenditures	(1,075,403)	671,403	297,153	396,682
Other Financing Sources (Uses)				
Debt issuance/proceeds from sale of cap assets	-	-	-	500
Transfers in	2,325,500	1,753,164	1,525,287	1,012,880
Transfers out	(3,031,190)	(2,038,124)	(1,384,779)	(1,024,326)
Total other financing (uses) sources	(705,690)	(284,960)	140,508	(10,946)
Net Change in Fund Balances	(1,781,093)	386,443	437,661	385,736
Fund Balances - Beginning of year	7,024,788	5,243,695	5,630,138	6,067,799
Fund Balances - End of year	\$ 5,243,695	\$ 5,630,138	\$ 6,067,799	\$ 6,453,535
Debt service as a percentage of noncapital expenditures	9.08%	9.16%	7.16%	7.30%

Source: City annual financial statements

Changes in Fund Balances - Governmental Funds

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

As of June 30,					
2013	2014	2015	2016	2017	2018
\$ 12,868,677	\$ 12,971,026	\$ 12,089,662	\$ 13,450,544	\$ 13,942,867	\$ 14,403,290
2,263,244	2,328,022	2,389,342	2,649,970	2,723,847	3,167,506
-	-	-	-	-	-
-	-	-	-	-	-
6,800	6,483	7,693	-	25,227	13,777
2,166,176	2,088,772	1,903,267	2,057,149	2,272,146	2,276,711
21,988	34,791	26,214	70,506	27,286	146,493
<u>17,326,885</u>	<u>17,429,094</u>	<u>16,416,178</u>	<u>18,228,169</u>	<u>18,991,373</u>	<u>20,007,777</u>
2,884,058	2,773,796	2,864,850	2,603,109	2,645,589	2,700,380
5,453,295	5,480,645	5,397,800	5,322,568	5,467,346	5,578,638
5,905,623	6,202,883	6,465,890	10,813,928	8,840,961	17,925,257
1,421,895	1,337,255	1,373,591	1,367,357	1,463,628	1,700,044
124,082	334,617	498,095	451,935	171,937	615,005
1,173,754	828,847	226,874	-	750,000	750,000
14,676	-	-	207,605	211,250	237,679
<u>16,977,383</u>	<u>16,958,043</u>	<u>16,827,100</u>	<u>20,766,502</u>	<u>19,550,711</u>	<u>29,507,003</u>
349,502	471,051	(410,922)	(2,538,333)	(559,338)	(9,499,226)
1,000	-	7,124,466	-	2,875,000	8,997,239
385,501	660,919	231,416	364,163	16,900	333,586
<u>(355,501)</u>	<u>(768,751)</u>	<u>(231,416)</u>	<u>(364,163)</u>	<u>(16,900)</u>	<u>(333,586)</u>
<u>31,000</u>	<u>(107,832)</u>	<u>7,124,466</u>	<u>-</u>	<u>2,875,000</u>	<u>8,997,239</u>
380,502	363,219	6,713,544	(2,538,333)	2,315,662	(501,987)
<u>6,453,535</u>	<u>6,834,037</u>	<u>7,197,256</u>	<u>13,910,800</u>	<u>11,372,467</u>	<u>13,688,129</u>
<u>\$ 6,834,037</u>	<u>\$ 7,197,256</u>	<u>\$ 13,910,800</u>	<u>\$ 11,372,467</u>	<u>\$ 13,688,129</u>	<u>\$ 13,186,142</u>
7.09%	5.01%	1.44%	1.34%	5.90%	3.75%

City of Grosse Pointe Woods

General Governmental Revenue History

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

Fiscal Year	General Property Taxes	Inter-governmental Revenue	Licenses and Permits	Federal Financial Assistance	Charges for Services	Interest and Miscellaneous	Total Revenue
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
2011	13,525,921	2,217,234	609,115	-	108,795	1,304,709	17,765,774
2012	12,816,628	2,220,847	647,537	7,621	124,203	1,646,873	17,463,709
2013	12,868,677	2,263,244	875,743	6,800	121,379	1,191,042	17,326,885
2014	12,971,026	2,328,022	847,839	6,483	114,559	1,161,165	17,429,094
2015	12,089,662	2,389,342	762,903	7,693	200,141	966,437	16,416,178
2016	13,450,544	2,649,970	825,131	-	225,434	1,077,090	18,228,169
2017	13,942,867	2,723,847	860,940	25,227	259,340	1,179,152	18,991,373
2018	14,403,290	3,167,506	362,235	13,777	699,489	1,361,480	20,007,777

Source: City annual financial statements

City of Grosse Pointe Woods

Property Tax Levies and Collections

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

Tax Year	Year Ended		Current Collections (1)	Percent Collected	Delinquent Collections (2)	Total Tax Collections	Percent of Total Collections
	June 30,	Total Levy					to Levy
2008	2009	\$ 14,249,802	\$ 13,789,085	96.77%	\$ 460,717	\$ 14,249,802	100.00%
2009	2010	14,465,586	13,993,400	96.74%	472,187	14,465,587	100.00%
2010	2011	12,964,347	12,565,830	96.93%	398,518	12,964,348	100.00%
2011	2012	12,178,436	11,860,159	97.39%	318,277	12,178,436	100.00%
2012	2013	11,994,577	11,722,371	97.73%	272,206	11,994,577	100.00%
2013	2014	12,364,679	12,083,808	97.73%	280,870	12,364,678	100.00%
2014	2015	11,986,716	11,460,229	95.61%	526,487	11,986,716	100.00%
2015	2016	13,131,261	12,483,896	95.07%	647,365	13,131,261	100.00%
2016	2017	14,037,134	13,307,362	94.80%	726,581	14,033,943	99.98%
2017	2018	13,278,048	13,135,291	98.92%	238,023	13,373,314	100.72%

(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 in subsequent years.

Source: Comptroller's office

City of Grosse Pointe Woods

Tax Year	Fiscal Year	Taxable Value by Property Type			
		Residential	Commercial	Industrial	Personal Property
2008	2009	\$ 703,687,882	\$ 63,418,163	\$ 99,310	\$ 13,775,117
2009	2010	622,799,835	61,345,908	99,012	15,022,091
2010	2011	539,673,504	63,125,634	100,695	14,263,900
2011	2012	523,811,319	64,481,399	103,413	15,534,000
2012	2013	523,323,200	62,355,800	105,800	15,577,600
2013	2014	534,100,330	71,785,000	107,400	12,500,000
2014	2015	552,991,973	72,042,025	109,177	12,808,700
2015	2016	563,473,469	72,936,601	109,445	14,693,500
2016	2017	578,864,599	66,717,419	110,430	13,757,547
2017	2018	602,093,150	67,911,530	112,749	25,907,200

Note: 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 of the subsequent fiscal year

Source: Comptroller's office

Taxable Value and Estimated Actual Value of Taxable Property

**June 30, 2018
(Unaudited)**

Total Value		Tax Rate (mills)	State Equalized Value	Estimated Actual Value	Taxable Value as a Percentage of Actual
\$	780,980,472	18.5417	\$ 800,477,026	\$ 1,600,954,052	48.78%
	699,266,846	18.5417	725,639,050	1,451,278,100	48.18%
	617,163,733	19.7082	636,476,684	1,272,953,368	48.48%
	603,930,131	20.4542	623,040,680	1,246,081,360	48.47%
	601,362,400	20.6834	638,890,901	1,277,781,802	47.06%
	618,492,730	18.8883	681,439,327	1,362,878,654	45.38%
	637,951,875	20.6091	742,311,865	1,484,623,730	42.97%
	651,213,015	21.5685	793,579,200	1,587,158,400	41.03%
	659,449,995	20.0671	842,847,660	1,685,695,320	39.12%
	696,024,629	20.3936	870,068,002	1,740,136,004	40.00%

City of Grosse Pointe Woods

Millage Rates - Direct City Taxes (1)								Overlapping Taxes
Tax Year	General Operating	Voted EMS	Voted Park Bond	Voted Road Bond	Statutory Solid Waste	Ch 20/21 Milk River Drain	Total Direct Taxes	County
2009	11.2957	0.3578	0.5665	-	1.8807	2.6320	16.7327	8.5120
2010	12.5012	0.3578	0.5665	-	1.8807	3.8050	19.1112	8.5120
2011	13.0012	0.3578	-	-	1.8807	4.4685	19.7082	8.5120
2012	13.5432	0.3578	-	-	2.0251	4.5281	20.4542	8.7120
2013	13.5212	0.5280	-	-	2.0251	4.5281	20.6024	8.7120
2014	14.1063	-	-	-	2.0251	2.7340	18.8654	9.1220
2015	14.1051	-	-	0.3280	2.0251	4.1509	20.6091	9.1220
2016	13.8925	-	-	1.5000	2.0251	4.1509	21.5685	9.1220
2017	13.9732	-	-	1.5300	2.0251	2.6070	20.1353	9.1220
2018	13.6843	-	-	1.5000	2.6023	2.0670	19.8536	9.1220

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

(2) Previously termed homestead and nonhomestead

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 0.61 2.6859 n/a

Source: Comptroller's office

Direct and Overlapping Property Tax Rates

June 30, 2018

(Unaudited)

Overlapping Taxes						Total Tax Rate (2)	
H.C.M.A.	Community College	Grosse Pointe Library	Intermediate School District	School District Principal	School District Nonprincipal	Principal	Nonprincipal
0.2146	2.4769	1.5412	3.4643	14.2900	26.3496	47.2907	59.3503
0.2146	2.4769	1.5412	3.4643	14.2900	26.3496	49.6102	61.6698
0.2146	2.2408	1.5412	3.4643	15.5790	26.6750	51.2601	62.3561
0.2146	2.2408	2.0012	3.4643	16.0882	26.7587	53.1753	63.8458
0.2146	3.2408	2.0412	3.4643	16.0890	26.7852	54.3643	65.0605
0.2146	3.2408	2.0512	3.4643	15.9166	26.7550	52.8749	63.7133
0.2146	3.2408	2.0712	3.4643	15.9166	26.7550	54.6386	65.4770
0.2146	3.2408	2.0613	5.4643	15.3770	27.3955	55.0485	67.0670
0.2141	3.2408	2.2186	5.4643	15.3770	27.3955	31.1500	31.1500
0.2140	3.2408	2.2186	5.4643	14.9483	26.6308	55.0616	66.7441

Principal Property Tax Payers

Current and Ten Years Ago

June 30, 2018

(Unaudited)

	Taxpayer	2018 Taxable Value	Percentage of Total	2010 Taxable Value	Percentage of Total
1	Michigan Cons. Gas Co.	\$ 15,072,000	2.165%	\$ 1,700,400	0.200%
2	DRSN Real Estate GP LLC	13,308,600	1.912%	n/a	0.000%
3	Health Care Reit Inc	7,032,406	1.010%	8,007,082	0.943%
4	Pointe Plaza	4,965,085	0.713%	4,365,600	0.514%
5	Detroit Edison	4,142,149	0.595%	2,730,000	0.322%
6	Lochmoor Club	1,642,700	0.236%	5,216,062	0.615%
7	A H Peters Funeral Home	1,476,183	0.212%	1,374,452	0.162%
8	Cook Road 2017 LLC	1,355,000	0.195%	1,479,483	0.174%
9	Comerica	1,332,832	0.191%	4,267,529	0.503%
10	Kroger Co. of Mich.	1,225,200	0.176%	2,748,886	0.324%
	Total	<u>\$ 51,552,155</u>	<u>7.231%</u>	<u>\$ 31,889,494</u>	<u>3.434%</u>
	Total	<u>\$696,024,629</u>	<u>7.407%</u>	<u>\$848,679,758</u>	<u>3.758%</u>

Source: City of Grosse Pointe Woods Assessing Department records

City of Grosse Pointe Woods

	As of June 30,			
	2009	2010	2011	2012
Governmental Activities				
General obligation bonds (GOB)	\$ 420,000	-	-	-
GOB installment note	-	-	-	-
GOB contract - Wayne County Drain	4,679,661	3,560,414	2,407,892	1,222,095
2015 Road Bonds Issue #1	-	-	-	-
2015 Road Bonds Issue #2	-	-	-	-
Installment loans - Vehicles	-	-	-	-
Total	5,099,661	3,560,414	2,407,892	1,222,095
Business-type Activities				
Installment purchase agreements	-	-	-	-
2010 DWRP Bonds	-	1,976,488	2,723,141	4,195,364
2012 SRF Bonds	-	-	-	-
Revenue bonds	4,795,000	4,530,000	4,255,000	3,975,000
Bond premium	-	-	-	-
Total	4,795,000	6,506,488	6,978,141	8,170,364
Total debt of the government	\$ 9,894,661	\$ 10,066,902	\$ 9,386,033	\$ 9,392,459
Total Taxable Value (1)	\$780,980,472	\$699,266,846	\$617,163,733	\$603,930,131
Ratio of Total Debt to Personal Income	1.27%	1.44%	1.52%	1.56%
Total Population	17,080	17,080	16,135	16,135
Total Debt Per Capita	579	589	582	582

(1) Personal income is not available

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

Ratios of Outstanding Debt

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

As of June 30,					
2013	2014	2015	2016	2017	2018
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	8,997,239
-	-	7,124,469	7,072,022	6,269,575	5,467,128
-	-	-	-	2,875,000	2,875,000
-	-	272,558	648,813	539,586	303,927
-	-	7,397,027	7,720,835	9,684,161	17,643,294
-	-	-	-	-	-
5,170,410	4,951,798	4,696,798	4,436,798	4,166,798	4,051,999
667,763	2,485,726	2,733,788	2,620,513	2,497,065	2,377,065
3,975,000	3,190,000	2,880,000	2,560,000	2,235,000	1,900,000
282,707	254,436	226,166	197,896	169,626	141,353
10,095,880	10,881,960	10,536,752	9,815,207	9,068,489	8,470,417
\$ 10,095,880	\$ 10,881,960	\$ 17,933,779	\$ 17,536,042	\$ 18,752,650	\$ 26,113,711
\$601,362,400	\$618,492,730	\$637,951,875	\$651,213,015	\$659,449,995	\$696,024,629
1.68%	1.76%	2.81%	2.69%	2.84%	3.75%
16,135	16,135	16,135	16,135	16,135	16,135
626	674	1,111	1,087	1,162	1,618

Pledged-revenue Coverage

June 30, 2018

(Unaudited)

Debt Service Requirements (3)

Fiscal Year	Gross Revenue (1)	Applicable Expenses (2)	Net Revenue	Principal	Interest	Total	Coverage
2009	\$ 4,878,913	\$ 4,414,039	\$ 464,874	\$ -	\$ 164,167	\$ 164,167	283.17%
2010	4,856,083	4,031,251	824,832	265,000	160,115	425,115	194.03%
2011	5,405,036	4,164,564	1,240,472	275,000	151,741	426,741	290.68%
2012	5,976,950	4,116,499	1,860,451	370,000	223,209	593,209	313.63%
2013	6,144,410	5,168,865	975,545	290,000	135,279	425,279	229.39%
2014	6,311,280	5,029,027	1,282,253	305,000	92,188	397,188	322.83%
2015	6,213,080	5,640,641	572,439	310,000	87,850	397,850	143.88%
2016	7,174,578	5,805,365	1,369,213	320,000	76,851	396,851	345.02%
2017	7,789,824	5,631,186	2,158,638	325,000	74,850	399,850	539.86%
2018	8,735,644	5,885,978	2,849,666	335,000	68,250	403,250	706.67%

(1) Exclusive of nonoperating revenue

(2) Exclusive of depreciation charges and nonoperating expenditures

(3) Includes principal and interest of revenue bonds only

Source: CAFR, Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Funds

City of Grosse Pointe Woods

Ratios of General Bonded Debt Outstanding

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

Fiscal Year	Population Per Federal Census	Adjusted Taxable Equalized Valuation	General Obligation Bond Outstanding	Percent Debt to Assessed Value	Debt Per Capita
2009	17,080	\$ 780,980,472	\$ 5,098,702	0.65%	299
2010	17,080	699,266,846	3,560,414	0.51%	208
2011	16,135 (1)	617,163,733	2,407,892	0.39%	149
2012	16,135	603,930,131	1,222,095	0.20%	76
2013	16,135	601,362,400	-	0.00%	-
2014	16,135	618,492,730	-	0.00%	-
2015	16,135 (2)	637,951,875	7,124,469	1.12%	442
2016	16,135	651,213,015	7,071,532	1.09%	438
2017	16,135 (3)	659,449,995	6,674,748	1.01%	567
2018	16,135	696,024,629	14,772,899	2.12%	358

Debt is reported net of accumulated reserves, which total \$2,566,468 in fiscal year 2018.

(1) Based upon 2010 federal census

(2) Road Bonds approved by voters Nov 2014

(3) Road Bond Debt Issue #2 Added

Source: Comptroller's office

City of Grosse Pointe Woods

Direct and Overlapping Governmental Activities Debt

June 30, 2018
(Unaudited)

Governmental unit	Debt Outstanding	Estimated Percent Applicable	Estimated Share of Overlapping Debt
Grosse Pointe Public Library	\$ 10,550,000	24.86%	\$ 2,622,730
Grosse Pointe Public Schools	30,110,000	24.86%	7,485,346
County of Wayne Building Authority and Debt Fund	279,763,774	1.71%	4,783,961
Wayne County Community College	-	2.68%	-
Total overlapping debt	320,423,774		14,892,037
Direct city debt	8,188,863		8,188,863
Total direct and overlapping debt	<u>\$ 328,612,637</u>		<u>\$ 23,080,900</u>

The estimated percentage applicable is calculated by the taxable value of the City of Grosse Pointe Woods divided by the taxable value of the taxing authority's district.

Source: Municipal Advisory Council of Michigan

City of Grosse Pointe Woods

	As of June 30,			
	2009	2010	2011	2012
Calculation of debt limit (1):				
Taxable valuation	\$780,980,472	\$699,266,846	\$617,163,733	\$603,930,131
10 percent of equalized value	78,098,047	69,926,685	61,716,373	61,716,373
Calculation of debt subject to limit:				
Total debt	9,894,661	10,280,414	9,386,033	9,392,459
Less debt not subject to limit:				
Grosse-Gratiot Drain/Milk River Debt	4,679,661	3,560,414	2,407,892	1,222,097
2010 DWRP Bonds	-	1,976,488	2,723,141	4,195,364
2012 SRF Bonds	-	-	-	-
Water/Sewer Revenue Bonds 2003	4,795,000	4,530,000	4,255,000	3,975,000
Net debt subject to limit	9,474,661	10,066,902	9,386,033	9,392,461
Total net debt (2)	420,000	213,512	-	(2)
Legal debt margin	77,678,047	69,713,173	61,716,373	61,716,375
Net debt subject to limit as percentage of debt limit	0.54%	0.31%	0.00%	0.00%

(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.

Source: Comptroller's office

Legal Debt Margin

June 30, 2018

(Unaudited)

As of June 30,					
2013	2014	2015	2016	2017	2018
\$601,362,400	\$618,492,730	\$637,951,875	\$651,213,015	\$659,449,995	\$696,024,629
62,331,330	62,331,330	74,231,187	79,357,920	84,284,766	87,006,800
9,333,173	10,627,524	9,617,311	9,617,311	8,898,863	17,186,102
-	-	-	-	-	8,997,239
5,170,410	4,951,798	4,696,798	4,436,798	4,166,798	3,911,798
667,763	2,485,726	2,733,788	2,620,513	2,497,065	2,377,065
3,495,000	3,190,000	2,880,000	2,560,000	2,235,000	1,900,000
9,333,173	10,627,524	10,310,586	9,617,311	8,898,863	17,186,102
-	-	(693,275)	-	-	-
62,331,330	62,331,330	74,924,462	79,357,920	84,284,766	87,006,800
0.00%	0.00%	-0.93%	0.00%	0.00%	0.00%

Demographic and Economic Statistics

June 30, 2018

(Unaudited)

Fiscal Year	Population	Personal Income (in thousands)	Per Capita Personal Income	Median Age	Unemployment Rate	School Enrollment
2009	17,080 (1)	(4)	(4)	(4)	14.10%	8,900
2010	17,080 (1)	(4)	(4)	(4)	14.10%	8,900
2011	16,135 (2)	(4)	(4)	(4)	12.70%	8,900
2012	16,135 (2)	(4)	(4)	(4)	11.40%	8,900
2013	16,135 (2)	(4)	(4)	(4)	11.40%	8,900
2014	16,135 (2)	(4)	(4)	(4)	11.40%	8,900
2015	16,135 (2)	(4)	(4)	(4)	11.40%	8,900
2016	16,135 (2)	(4)	(4)	(4)	11.40%	8,900
2017	16,135 (2)	(4)	\$ 92,014	44.9	5.70%	3,992
2018	15,785 (3)	(4)	93,404	45.0	5.80%	3,900

(1) 2000 population from U.S. Census

(2) 2010 population from U.S. Census

(3) Estimate

(4) Information not available

Source: Comptroller's office

Principal Employers

June 30, 2018

(Unaudited)

	Employer	Enterprise	2010 Employees	Percentage of Total	1997 Employees	2004 Rank
1	GP Public School	School	384	10.85%	(1)	(1)
2	Van Elslander Center	Medical	250	7.06%	(1)	(1)
3	Kroger	Grocery	159	4.49%	(1)	(1)
4	Sunrise Assisted Living	Medical	130	3.67%	(1)	(1)
5	University of Liggett	School	128	3.62%	(1)	(1)
6	Great Lakes Cancer Mgt Specialist	Medical	103	2.91%	(1)	(1)
7	Lochmoor Club	Country Club	100	2.83%	(1)	(1)
8	St. John I.T. & Desktop Support	Medical Business	100	2.83%	(1)	(1)
9	Grosse Pointe Hunt Club	Private Club	80	2.26%	(1)	(1)
10	City of Grosse Pointe Woods	Municipal	78	2.20%	(1)	(1)
Total People Employed in City			3,539			

City of Grosse Pointe Woods

Full-time Government Employees (1)

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

Department	As of June 30,										Percent of Total for 2018
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	
Supervisor/Administrator	2	2	2	2	2	2	2	2	2	2	2.63%
Assessing	2	1	1	1	1	1	-	-	-	-	0.00%
Clerk's Office	3	3	3	3	3	3	3	3	3	3	3.95%
Treasurer's Office	4	5	4	4	4	4	4	4	4	4	5.26%
Municipal Court	3	3	3	3	3	3	3	3	3	3	3.95%
Information Systems	2	2	2	2	2	2	2	2	2	1	1.32%
Building	3	3	3	3	3	3	4	4	4	4	5.26%
Parks and Recreation	3	2	2	2	2	2	2	2	2	2	2.63%
Public Safety	52	50	44	43	42	39	35	34	34	35	46.05%
Public Works	25	28	26	23	22	22	23	23	24	22	28.95%
Total	99	99	90	86	84	81	78	77	78	76	100.00%
							(2)			(3)	

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

(2) 2015 shows the loss of EMTs.

(3) Public Works vacancy in the process of being filled June 30, 2018.

Source: City personnel records

City of Grosse Pointe Woods

Function/ Program	As of June 30,			
	2009	2010	2011	2012
Public safety (calendar year Jan 1 - Dec 31):				
Police physical arrests	727	486	507	357
Police traffic violations	5,106	3,146	3,182	1,986
Fire runs	53	56	62	139
Fire actual fires	12	17	12	15
Fire basic ambulance runs	474	543	753	715
Fire Advance Life Support ambulance runs	328	359	403	362
Fire inspections	183	77	144	78
Parks and recreation (estimated):				
Recreation programs - Lake Front Park	415	392	362	359
Community center programs	41	41	53	42
Water:				
New connections (calendar year Jan 1 - Dec 31)	-	-	-	-
Water main breaks	19	20	22	31
Total consumption (billed to customers - HCF)	804,221	750,096	791,987	746,113

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

(2) Information is reported on calendar year.

Source: City Departmental Operational Reports

Operating Indicators

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

As of June 30,					
2013	2014	2015	2016	2017	2018
374	337	359	309	326	(1)
1,883	1,306	1,652	1,541	2,724	(1)
242	213	214	199	282	(1)
14	10	20	25	29	(1)
523	458	433	541	544	(1)
361	560	601	536	566	(1)
104	8	19	14	11	(1)
267	261	217	217	217	(1)
67	57	59	59	59	(1)
1	16	5	2	1	(1)
34	23	48	34	23	(1)
813,574	724,717	653,545	653,901	731,328	721,131

Capital Asset Statistics

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

Function/Program	As of June 30,									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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)	63	63	63	63	63	63	63	63	63	63
Fire hydrants	603	603	603	603	603	608	608	608	608	608
Sewer - Miles of sanitary sewers	78	78	78	78	78	78	78	78	78	78

Source: Departmental annual reports

State-shared Revenue**Last Ten Fiscal Years****June 30, 2018****(Unaudited)**

<u>Fiscal Year</u>	<u>Modified Accrual and Accrual Basis of Accounting</u>
2009	\$ 1,514,040
2010	1,339,744
2011	1,452,878
2012	1,352,529
2013	1,363,026
2014	1,413,776
2015	1,431,780
2016	1,394,687
2017	1,389,170
2018	1,599,713

Source: Comptroller's office

Gas and Weight Taxes

Last Ten Fiscal Years

June 30, 2018

(Unaudited)

Fiscal year	Type of Street		Total
	Major	Local	Gas and Weight Tax (Act 51) Receipts
2009	\$ 612,785	\$ 251,769	\$ 864,554
2010	602,084	247,497	849,581
2011	610,993	251,206	862,199
2012	624,586	255,891	880,477
2013	629,291	257,655	886,946
2014	648,809	265,806	914,615
2015	662,419	271,424	933,843
2016	697,972	433,599	1,131,571
2017	802,672	364,938	1,167,610
2018	961,831	394,264	1,356,095

Source: Comptroller's office

Labor Agreements

June 30, 2018
(Unaudited)

Bargaining Unit	Expiration Date	Number of Employees at June 30, 2018
Police Officers Association of Michigan Represents Police Officers	6/30/2019	21
Command Officers Association of Michigan Represents police Corporals, Sergeants, and Lieutenants	6/30/2019	8
Police Officers Labor Council Represents all dispatchers	6/30/2019	2
Technical, Professional, and Office Workers Assn of MI TPOAM Represents clerical, public works employees, building, and ordinance officers	6/30/2019	27
Nonunion Employees (Full-time)		
City Administrator	N/A	1
Confidential Secretary to City Administrator	N/A	1
City Assessor	N/A	0
Treasurer/Comptroller	N/A	1
Deputy Comptroller	N/A	1
Water Billing Specialist	N/A	1
City Clerk	N/A	1
Deputy City Clerk	N/A	1
Public Safety Director	N/A	1
Court Clerk	N/A	1
Deputy Court Clerk	N/A	1
Information Technology Manager	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	1
Recreation Supervisor	N/A	1
Confidential Administrative Assistant	N/A	<u>3</u>

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Source: Comptroller's office

City of Grosse Pointe Woods

Water and Sewer Customers and Consumption

June 30, 2018

(Unaudited)

User Type	Number of Meters	Water Consumption Volume (100 cubic feet)	Percentage of Consumption
Residential	6,561	5,617	83.9%
Commercial	299	851	12.7%
Churches, schools, and government	37	228	3.4%
Total	6,897	6,696	100%

Source: Comptroller's office

City of Grosse Pointe Woods**Historical Net Earnings, Cash Flow, and Debt Service Coverage****June 30, 2018****(Unaudited)**

Fiscal Year	Operating Expense	Operating Expenses Exclusive of Depreciation	Net Operating Income	Other Nonoperating Income (1)	Annual Income Available for Debt Service	Annual Revenue Debt Service Requirement	Annual Coverage
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%
2011	4,837,093	4,164,564	672,529	6,192	678,721	426,741	1.59%
2012	4,827,454	4,116,499	710,955	5,335	716,290	593,209	1.21%
2013	5,168,865	4,447,042	721,823	3,718	725,541	425,279	1.71%
2014	5,029,027	4,248,572	780,455	16,430	796,885	397,188	2.01%
2015	5,640,641	4,898,622	742,019	25,876	767,895	397,850	1.93%
2016	5,805,365	5,003,502	801,863	86,421	888,284	396,851	2.24%
2017	5,631,186	4,826,771	804,415	74,058	878,473	399,850	2.20%
2018	5,885,978	5,072,817	813,161	156,326	969,487	388,250	2.50%

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

Source: CAFR - Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Funds

City of Grosse Pointe Woods

Water Usage and Revenue of the Ten Largest Customers

June 30, 2018
(Unaudited)

Customer		Usage in Dollars	Volume of Water Used (in 100 cubic feet)
1	Lochmoor Club	\$ 73,602	\$ 20,902
2	Grosse Pointe Board of Education	35,359	9,956
3	The Rivers Resident Club	30,489	8,593
4	GP University Liggett School	29,324	8,273
5	Kroger	25,679	3,164
6	Shorepointe Condos	20,980	5,919
7	St. John Hospital	17,372	4,885
8	Sunrise Development	15,419	4,342
9	Berkshire Condo Association	12,841	3,606
10	Pointe Plaza Limited	11,338	797

Source: City of Grosse Pointe Woods Finance
Information from B. Meli

City of Grosse Pointe Woods

Metered Water Rates

**June 30, 2018
(Unaudited)**

Meter Size	Residential	Commercial(1)
5/8"	\$ 45.67	\$ 45.67
3/4"	45.67	45.67
1"	100.47	100.47
1 1/2"	182.68	182.68
2"	287.72	287.72
3"	657.65	657.65
4"	977.34	977.34
6"	1,845.07	1,845.07
8"	2,877.21	2,877.21
10"	4,388.89	4,388.89
Billing Charge	2.00	2.08
Water Rate per 100 cubic feet used	3.57	3.57
Sewer Rate per 100 cubic feet used	2.60	2.60

(1) Commercial rate includes churches, schools, and government
Source: Comptroller's office

City of Grosse Pointe Woods

State Equalized Value and Taxable Value by Class and Use

June 30, 2018

(Unaudited)

State Equalized Value

	By Class				
	2018	2017	2016	2015	2014
Real property	\$ 844,160,802	\$ 823,997,600	\$ 778,885,700	\$ 728,749,665	\$ 668,939,327
Personal property	25,907,200	18,850,060	14,693,500	13,562,200	12,500,000
Total	\$ 870,068,002	\$ 842,847,660	\$ 793,579,200	\$ 742,311,865	\$ 681,439,327

	By Use				
	2018	2017	2016	2015	2014
Residential	\$ 771,792,302	\$ 753,496,300	\$ 703,530,700	\$ 654,411,965	\$ 587,336,827
Commercial	72,250,200	70,383,300	75,239,500	74,222,500	81,486,700
Industrial	118,300	118,000	115,500	115,200	115,800
Personal property	25,907,200	18,850,060	14,693,500	13,562,200	12,500,000
Total	\$ 870,068,002	\$ 842,847,660	\$ 793,579,200	\$ 742,311,865	\$ 681,439,327

Taxable Value

	By Class				
	2018	2017	2016	2015	2014
Real property	\$ 670,117,429	\$ 645,692,448	\$ 636,519,515	\$ 624,389,675	\$ 605,992,730
Personal property	25,907,200	13,757,547	14,693,500	13,562,200	12,500,000
Total	\$ 696,024,629	\$ 659,449,995	\$ 651,213,015	\$ 637,951,875	\$ 618,492,730

	By Use				
	2018	2017	2016	2015	2014
Residential	\$ 602,093,150	\$ 578,864,599	\$ 563,473,469	\$ 552,288,032	\$ 534,100,330
Commercial	67,911,530	66,717,419	72,936,601	71,992,525	71,785,000
Industrial	112,749	110,430	109,445	109,118	107,400
Personal property	25,907,200	13,757,547	14,693,500	13,562,200	12,500,000
Total	\$ 696,024,629	\$ 659,449,995	\$ 651,213,015	\$ 637,951,875	\$ 618,492,730

Source: Comptroller's office

December 10, 2018

To the City Council and Management
City of Grosse Pointe Woods, Michigan

We have audited the financial statements of the City of Grosse Pointe Woods, Michigan (the "City") as of and for the year ended June 30, 2018 and have issued our report thereon dated December 10, 2018. Professional standards require that we provide you with the following information related to our audit, which is divided into the following sections:

Section I - Internal Control Related Matters Identified in an Audit

Section II - Required Communications with Those Charged with Governance

Section III - Legislative and Informational Items

Section I includes any deficiencies we observed in the City's accounting principles or internal control that we believe are significant. Current auditing standards require us to formally communicate annually matters we note about the City's accounting policies and internal control.

Section II includes information that current auditing standards require independent auditors to communicate to those individuals charged with governance. We will report this information annually to the City Council and management of the City.

Section III presents informational legislative items offered in the interest of helping the City toward continuous improvements and to remain informed of the changing legislative landscape.

We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

This report is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

We welcome any questions you may have regarding the following communications, and we would be willing to discuss any of these or other questions that you might have at your convenience.

Very truly yours,

Plante & Moran, PLLC



William Brickey



Josh Yde

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the City as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances 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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified certain a deficiency in internal control that we consider to be a material weakness.

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.

We consider the following deficiencies in the City's internal control to be material weaknesses:

- During the audit, we identified various journal entries that were needed to adjust the year-end balances to be in conformity with generally accepted accounting principles. These journal entries were related to net pension liability, net other postemployment benefit (OPEB) liability, deferred inflows/outflows, employee compensation, debt, capital assets, revenue, and expenses. Failure to properly identify and record year-end journal entries could lead to materially inaccurate financial reporting.
- During the audit, we identified material journal entries related to the City's share of certain transactions incurred by the Milk River drainage district. Failure to properly identify and record assets and liabilities related to contractual agreements could lead to materially inaccurate financial reporting.

Section II - Required Communications with Those Charged with Governance

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 20, 2018, 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. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform 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. Such considerations were 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.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on July 20, 2018.

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 are described in Note 1 to the financial statements.

No new accounting policies were adopted, and the application of existing policies was not changed during 2018, except for GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, which records a liability related to other postemployment benefits in the financial statements. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. 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 include the liability and expense associated with pension and OPEB, the liability associated with estimated property tax refunds, unbilled water and sewer charges, the estimated true-up for water purchased from the Great Lakes Water Authority, and incurred but not reported liabilities related to self-insurance.

Section II - Required Communications with Those Charged with Governance (Continued)

Management's estimates of the pension and OPEB liability and expense are based on discount rates, rate of return, and other assumptions, which are used by an actuary to calculate the total net pension liability and net OPEB liability. While the actuary uses assumptions to calculate the total pension and OPEB liabilities, it is management's responsibility to assess whether the assumptions made are reasonable. We evaluated the key assumptions used to calculate the total pension liability and the total OPEB liability in determining that they are reasonable in relation to the financial statements taken as a whole.

In the current year, pension valuations were prepared in accordance with GASB 67/68. The total pension liability increased \$21,032,965, a 34.9 percent increase, and the supplemental annuity plan liability increased by \$785,829, a 24.6 percent increase, over the prior year. The mortality assumptions were properly updated this year for these GASB valuations, which increased the total pension liability. However, the mortality assumptions being used in the funding valuation did not contain similar updates. Per our discussion with the actuary, this has caused an additional increase in the liability due to the implications this has on the plan's depletion date projections, where contributions are being projected on one set of mortality tables, yet benefit payments are being projected on another. The end result is that the employee retirement system's discount rate decreased from 6.33 percent last year to 5.12 percent this year, thereby decreasing the ratio of net plan position as a percentage of the total pension liability from 62.4 percent to 46.5 percent. Similarly, the Supplemental Annuity Plan's discount rate decreased from 7.71 percent last year to 6.73 percent this year, thereby decreasing the ratio of net plan position as a percent of the total pension liability from 50.5 percent to 44.1 percent.

Management's estimate of property tax refunds is calculated by the known contested taxable values and the City's assessor and lawyer's estimates, which are based on historical data.

At year end, due to the timing of the billing cycles for water and sewer, it is necessary to record an estimate for the amount unbilled to customers. The amount is recorded as a receivable in the Water and Sewer Fund.

At year end, the City determined that the Great Lakes Water Authority had underbilled it for water used during the year and recorded an estimated liability in the Water and Sewer Fund. The City estimated the amount using its internal billing registers.

The estimates of the incurred but not reported amounts related to the City's self-insured workers' compensation and health insurance obligations are disclosed in Note 14 to the financial statements. Management's estimate of the various incurred but not reported amounts is based on historical information regarding claims.

We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

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.

Section II - Required Communications with Those Charged with Governance (Continued)

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.

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. The following adjustments detected as a result of audit procedures were corrected by management: journal entries related to the net pension liability, net other postemployment benefit (OPEB) liability, deferred inflows/outflows, employee compensation, debt, capital assets, revenue, and expenses.

Significant Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the City, and business plans and strategies that may affect the risks of material misstatement, with management each year prior to our retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship, and our responses were not a condition of our retention.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 10, 2018.

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.

Other Information in Documents Containing Audited Financial Statements

Our responsibility for other information in documents containing the City's financial statements and report does not extend beyond the financial statements. We do not have an obligation to determine whether or not such other information is properly stated. However, we read the introductory section and statistical section, and nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information or manner of its presentation appearing in the financial statements.

Section III - Legislative and Informational Items

Legacy Costs

Legacy costs and the challenge of funding them continues to be a topic of discussion. GASB pronouncements of late have placed even more focus on the net long-term liability arising from these benefit promises by requiring governmental financial statements to now reflect the net pension/OPEB liability. For many governments, these net liabilities are significant. In addition, PA202 of 2017 has brought further focus on the funding level of these plans.

The following are the funding levels per the funding valuations reported in the financial statements for both pension (Pension Plan and Pension Plan Supplemental Annuity, respectively) and OPEB:

As of December 31	Pension Plans	OPEB
2018	46.50% - 44.06%	1.94%
2017	62.36% - 50.47%	0.93%

Maintaining or even improving the funded status of the plans is dependent upon a number of factors, including the government's contribution policies, its amortization policy for funding the unfunded actuarial accrued liability, its benefit levels, and the ability to make future changes to the plan.

That said, the challenge here is significant. We are happy to assist you in thinking through alternative ways to manage this liability.

Legacy Cost Reporting

Public Act 530 of 2016

On December 31, 2016, the governor signed Public Act 530 of 2016, which amends Public Act 314 of 1965, also known as Public Employee Retirement System Investment Act (PERSIA). This act was effective on March 29, 2017.

Under the prior act, communities were required to publish a summary annual report setting forth key information related to pension and retiree healthcare plans. The amendment requires that this summary annual report also be submitted to the Michigan Department of Treasury within 30 days of publication.

In addition, for any system (either pension or retiree health care) that is not funded at a level of at least 60 percent, the community must now post a report to its website indicating steps that are being undertaken to address the liability. In addition, this report must be submitted to the Department of Treasury within a reasonable time frame.

The legislation calls for the Department of Treasury to accumulate all of the reports and publish a summary of funding levels throughout the state.

Public Act 202 of 2017

On January 5, 2018, the Michigan Department of Treasury released initial reporting requirements under Public Act 202 of 2017 (the "Act"), which was a primary component of the Act. These reporting requirements apply to all local units of government that offer or provide defined benefit pension and/or defined benefit OPEB retirement benefits.

Section III - Legislative and Informational Items (Continued)

On September 25, 2018, the Michigan Department of Treasury released the final uniform assumptions to be used for reporting requirement under the Act. Local units must begin reporting funded ratios and contributions in accordance with the uniform assumptions starting with their fiscal year 2019, if their audited financial statements are based on an actuarial valuation issued after December 31, 2018. If their fiscal year 2019 audited financial statements are based on an actuarial valuation issued prior to December 31, 2018, the local units must begin reporting on the uniform assumptions starting with their fiscal year 2020.

The releases by the Department of Treasury includes the letter titled "Public Act 202: Selection of the Uniform Assumptions," Numbered Letter 2018-1, Form 5572, detailed instructions for completion of Form 5572, and a listing of frequently asked questions. All documents can be located at http://www.michigan.gov/treasury/0,4679,7-121-1751_51556_84499---,00.html.

Form 5572 is due annually for both pension and OPEB plans provided by an employer no later than six months after the end of your fiscal year.

In addition to submitting this new form to the Department of Treasury, a local unit must also post this information on its website, or in a public place if the local unit does not have a website. The governing body of a local unit will also need to receive a copy of this form, in accordance with the Act, but the Act does not require approval by the governing body before submission to the Treasury.

The Public Act 202 defines that a local unit of government is in "underfunded status" if any of the following apply:

1. OPEB - Total plan assets are less than 40 percent of total plan liabilities according to the most recent annual report, and, for primary units of government*, the annual required contribution for all of the retirement health systems of the local unit is greater than 12 percent of the local unit of government's governmental funds operations revenue.
2. Retirement Pension Plans - Total plan assets are less than 60 percent of plan total liabilities according to the most recent annual report, and, for primary units of government, the annual required contribution for all of the retirement pension systems of the local unit is greater than 10 percent of the local unit of government's governmental funds operations revenue.

*Primary units of government are cities, villages, townships, and counties.

If, after submission of Form 5572, the Treasury determines your community to have underfunded status, you will have the opportunity to file a "waiver" under Section 6 of the Act. The waiver needs to provide a plan for how the underfunding is being addressed. This waiver will then be submitted to the Treasury.

In the event that a local unit has underfunded plans and does not submit a waiver or the waiver is not approved, the Treasury will perform an internal review. The local unit will also need to submit a corrective action plan to the newly created Municipal Stability Board (under Section 7 of the Act). The local unit will be responsible for creating the corrective action plan.

For governments with OPEB plans, Section 4(l)(a)(i)(ii) of Public Act 202 of 2017 requires the local unit to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018. The actuary will likely need to calculate this number in order for governments to comply. In addition, if your community must essentially prefund this additional cost, those communities without a qualifying OPEB trust will need to consider where these contributions will go.

Section III - Legislative and Informational Items (Continued)

Questions should be directed via email to the Treasury offices at LocalRetirementReporting@michigan.gov or by visiting their website at www.Michigan.gov/LocalRetirementReporting.

Revenue Sharing

The FY 2019 budget recommendation includes \$1.3 billion for revenue sharing broken down as follows:

Description	Final 2018 Budget	Final 2019 Budget
Constitutionally required payments	\$798.1 M	\$835.3 M
CVTRS	243.0 M	243.0 M
CVTRS - One-time payments	5.8 M	5.8 M
County revenue sharing	176.9 M	177.2 M
County incentive program	43.2 M	43.3 M
County one-time payments	-	1.0 M
Fiscally distressed community grants	5.0 M	2.5 M
Supplemental CVTRS	6.2 M	6.2 M
Total	\$1,278.2 M	\$1,314.3 M

For the second year in a row, local units will experience an increase in 2019, as the constitutional payment budget has been increased by \$37.2 million over the 2018 budget act appropriated amount. The FY 2019 budget also includes the “City, Village, and Township Revenue Sharing” (CVTRS) appropriation, which was established in FY 2015, and that number remains flat at \$243 million. Each community’s overall increase will vary, as each has a different mix of constitutional and CVTRS.

In order to receive the CVTRS payments in FY 2019, qualified local units will once again need to comply with the same best practices as they did last year:

- A citizen’s guide to local finances with disclosure of unfunded liabilities
- Performance dashboard
- Debt service report
- Two-year budget projection

The amount budgeted for distressed CVTRS has been reduced from \$5 million in 2018 to \$2.5 million in 2019. The State has once again budgeted \$6.2 million for “supplemental CVTRS” payments in FY 2019, but added a requirement that funds must be used to pay down debt, pension, or OPEB. Any city, village, or township receiving CVTRS payments will receive an additional payment equal to its population multiplied by \$0.807929 (rounded to the nearest dollar).

The “one-time” additional CVTRS payments that were in the 2018 budget are also part of the 2019 budget and remain flat at \$5.8 million. Additionally, \$1.0 million was added as a one-time payment for counties to be used for debt, pension, and OPEB. The one-time payment to counties will be distributed to all counties at a rate of 0.4627 percent of full funding under the Glen Steil State Revenue Sharing Act.

Section III - Legislative and Informational Items (Continued)

Launch of MI Community Financial Dashboard

The Michigan Department of Treasury launched the MI Community Financial Dashboard. This dashboard will provide you and your community members with easy-to-use visual data regarding your municipality. The data presented on the dashboard is pulled from the Annual Local Fiscal Report (F65) submitted by your local unit. The dashboard will present data from fiscal years 2010 through 2017. You can sign in and review the dashboard here:

<http://micommunityfinancials.michigan.gov#!/dashboard/COUNTY/?lat=44.731431779455505&lng=-83.018211069625&zoom=5>

LCSA Act Amendments

Public Acts 247 and 248 of 2018 were signed into law on June 27, 2018 by Governor Snyder. These acts significantly impact the Local Community Stabilization Authority (LCSA) Act, including how personal property tax reimbursements are calculated.

The State Department of Treasury issued a summary of the amendments in July 2018, which can be found at the following link: https://www.michigan.gov/documents/treasury/Overview_of_2018_LCSA_Act_Amendments_627459_7.pdf.

This summary document lists the following changes that resulted from these Acts:

1. Accelerate some reporting deadlines and add two new reporting requirements.
2. Change the calculation of the millage rate to be used in the calculation of the PPT reimbursements.
3. Change the calculation of the personal property exemption loss and eliminate the requirements to recalculate prior year taxable values.
4. Change the millage rate to be used in the calculation of a Tax Increment Finance Authority's (TIFA's) PPT reimbursement.
5. Make the Local Community Stabilization Authority responsible for distributing the fire protection services payments.
6. Create a process for correcting PPT reimbursements.
7. Allow for a one-time PPT advance for prior year underpayments of \$500,000 or more.
8. Change the payment dates of the PPT reimbursements to allow for corrections to current year reimbursements and delay the payment of qualified loss in excess of 100 percent until May 20.
9. Change how municipalities are required to record and allocate the revenue.

Section III - Legislative and Informational Items (Continued)

While we strongly recommend reviewing the link provided above for an in-depth look at the changes, highlighted below are the more significant changes:

- PPT reimbursement calculations are changing, as follows:
 - The requirements for recalculation of prior year taxable value have changed. Going forward, prior year property tax values for commercial and industrial personal property will only be modified for municipality boundary changes, as well as to exclude any that were classified in the municipality where they are currently located as utility personal property or real property after 2012.
 - The calculation of PPT reimbursements that are based on the acquisition cost of eligible personal property for two years has been delayed until 2021.
 - Reimbursement for 100 percent of the calculated qualified loss going forward will be received in either October or February.
 - Each year any remaining balance of the local community stabilization share fund revenue for the calendar year will be distributed to counties, cities, townships, villages, and community colleges. The allocation will be based on each municipality's share of the total reimbursement based on the acquisition cost of all eligible personal property and qualified loss. These reimbursement payments will be a separate payment that will be reimbursed in May. This allows time for any errors in that year's PPT reimbursement calculation to be identified and corrected.
 - There are also changes to the tax increment finance authority (TIFA) PPT reimbursement calculation; please refer to the link above for more details.
- Fire protection service payments will begin being distributed by LCSA to municipalities in 2018. The payment distributions will occur by November 30 each year. Each municipality is to continue to complete and submit the required questionnaire to LARA in order to qualify.
- Timing of PPT reimbursements: Beginning in 2018, PPT reimbursement payment dates are different than prior years.
 - Tax Increment Finance Authorities (TIFAs) - For a TIFA that previously received payments in November, reimbursements will be issued on October 20 of each year. Corrections for the underpayment of a 2017 PPT reimbursement or a current year reimbursement will be issued on May 20 of each year.
 - Municipalities, excluding school districts, ISDs, and TIFAs - For a municipality that previously received payments in November, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100 percent will be issued on October 20 of each year. For municipalities that previously received payments in February, reimbursements for essential services, small taxpayer exemption loss, and qualified loss up to 100 percent will continue to be issued on February 20 of each year. Corrections for the underpayment of a 2017 PPT reimbursement or a current year reimbursement will be issued on May 20 of each year, as will the portion of qualified loss exceeding 100 percent reimbursement.

Section III - Legislative and Informational Items (Continued)

The table below provides a schedule of payment dates for all municipalities:

Description of PPT Reimbursement	Date of Reimbursement
Advance for 2017 underpayment of \$500,000 or more	October 20, 2018
Payment of calculated current year PPT reimbursements up to 100 percent of the calculated losses for county-allocated millage to municipalities that do not levy millage 100 percent in December and TIFAs	October 20 (each year)
Payment of calculated current year PPT reimbursements up to 100 percent of the calculated losses for townships, county extra-voted millage, and to municipalities that levy millage 100 percent in December	February 20 (each following year)
Payment of 2017 underpayment that was not advanced, current year underpayment, and prorated qualified loss in excess of 100 percent	May 20 (each following year)

- Changes to the requirement to restrict revenue - To date, the previous LCSA Act had only required a municipality to use the reimbursement amount received for debt millage to pay for debt and to use the essential service reimbursement to pay for the cost of essential services. The newly signed amendment now also requires that each municipality allocate and record the payments received in the same manner as the millage levied, up to 100 percent reimbursement. In addition, for county road millages levied under Section 20b of 1909 PA 283, MCL 224.20b, a formula to allocate a portion of the PPT reimbursement to each city and village must be decided on by March 31 by the cities, villages, and road commission. If this does not occur, a formula for allocating payments will be determined by the Department of Treasury.

As a reminder, the LCSA reimbursements should not be reported on the financial statements with property taxes; instead, they should be included with other intergovernmental revenue from the State (state-shared revenue, grants, and other). The State has created a new account number for the revenue, 573, and titled it "Local Community Stabilization Share Appropriation." As always, communities should follow the State's guidance related to the Uniform Chart of Accounts.

Upcoming Accounting Standards Requiring Preparation

GASB Statement No 83 - Asset Retirement Obligations

This new pronouncement, which is effective for years beginning after June 15, 2018, will require governments to recognize a liability today for any anticipated obligations that are established through law, regulation, contract, or court judgment related to the future retirement of certain capital assets. One of the first challenges with this standard is identifying the population of assets that might potentially be associated with legally enforceable retirement obligations. Once identified, governments may need some lead time to estimate the cost of these future obligations. Therefore, we encourage you to start brainstorming about what capital assets may need to be considered under this standard.

Section III - Legislative and Informational Items (Continued)

GASB Statement No. 84 - Fiduciary Activities

GASB 84 provides criteria for state and local governments to use to identify whether an activity is fiduciary and should be reported as a fiduciary fund type in its financial statements. In addition, once identified as a fiduciary activity, Statement 84 also provides specific reporting requirements.

This statement has the potential to significantly impact what governments report currently as a fiduciary activity. Upon adoption, we anticipate that some governments' fiduciary activities will need to move to governmental funds, while other activities that never before were considered fiduciary will now be reported as such. It is also possible that certain pension and OPEB fiduciary funds will no longer be reported in a local unit's financial statements.

Although this standard will not be effective for another year, given its potential to have a major impact on many governments, not only to its external financial statements, but also to its accounting system requirements and budget document, we encourage you to start analyzing the impact of this standard now. The first step to implementation is identifying the type of activities that should be analyzed and then running those activities through the lens of this standard.

GASB Statement No. 87 - Leases

This new accounting pronouncement related to leases will be effective beginning with the City's fiscal year 2020. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

We recommend the City begin accumulating information related to all significant lease agreements now in order to more efficiently implement this new standard once it becomes effective.

Plante & Moran, PLLC will be providing trainings and other resources to our clients over the coming months in order to help prepare for the implementation of all these new standards. In the interim, please reach out to your engagement team for assistance in getting started.