

City of Grosse Pointe Woods, Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2014

Prepared by the Office of the City's Finance Department

City of Grosse Pointe Woods, Michigan

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CITY OF GROSSE POINTE WOODS

20025 Mack Plaza Drive

Grosse Pointe Woods, Michigan 48236-2397

December 4, 2014

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

The Comprehensive Annual Financial Report (C.A.F.R.) of the City of Grosse Pointe Woods, Michigan, for the fiscal year ended June 30, 2014 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 that all disclosures have been included to enable the reader to gain the maximum understanding of the City's financial operations. The independent auditing firm of Plante & Moran, PLLC performed the annual audit of the City of Grosse Pointe Woods' financial statements as required by the Michigan Department of Treasury and has issued its unqualified opinion here within.

Format

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

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

December 4, 2014

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

Reporting Entity

This report includes all funds for which the City's elected officials have operational and financial authority. This authority implies that the elected and administrative officials are legally responsible for establishing and implementing the fiscal policies and overseeing the financial management of the City. Where required, actual results of individual government funds are shown with their 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 4, 2014 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 A-133 Federal Single Audit Act, because the total federal grant expenditures of \$32,500 were less than the threshold of \$500,000, which is the minimum expenditure limit needed to be subject to the regulations of the Single Audit Act. Through the Wayne County Block Grant Program, the City is designated as a sub-grantee and coordinates its program.

Consistent with previous years, the intent and responsibility of Administration are 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 keeps the elected officials updated on the financial condition of the City. Following the passage of the budget, a summary of the completed document is made available to all residents, published in the local newspaper and annual City calendar.

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 these last several years have been challenging.

In order to finance debt, we need to have a strong cash reserve. Although we currently have an unassigned fund balance of 31.8 percent of actual expenses, we have been depleting the balance over the last several years. Our cash reserves are acceptable based upon the recommendation of a 10-15 percent fund balance; however, we are ever cognizant of our expenses and have continued to look for efficiencies.

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 have helped in dealing with the current economic conditions. The City has developed a proactive strategy that consists of the following changes:

- a. 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 are important components to our overall financial plan.
- b. The City will continue with cost containment initiatives as reflected in the current budget approved by City Council.

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

December 4, 2014

- c. The City has eliminated the EMS division of the Public Safety department, which included five full-time positions. This service has been contracted to Medstar Ambulance Company at a cost savings of approximately \$600,000 per year.
- d. The City received two funding awards and one rebate for various equipment and street lighting. The State of Michigan awarded the City with video arraignment equipment for the Municipal Court, which will save in overtime costs and prisoner transport fees. Wayne County awarded the City with a grant for "Share the Road" signage and bicycle racks. This will create a more active community at no cost to the City. DTE offered the City an Energy Optimization efficiency rebate to upgrade LED streetlights throughout the City. This will provide more efficient lighting for many years.
- e. The cities of Grosse Pointe Woods, Shores and Farms were awarded a grant to combine public safety dispatch and police lockup services. This grant will provide for equipment and retrofitting of the Grosse Pointe Woods dispatch center to house the operations of all three cities.
- f. The City continues to work with the surrounding communities on additional service-sharing agreements.

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.

With regard to water and sewer infrastructure improvements, the City continued to make significant repairs and replace sections of the City's water and sewer lines. These repairs were funded by low cost loans from the State of Michigan Drinking Water Revolving Fund (DWRF) and Sewer Revolving Fund (SRF).

Economic Conditions

The City's most pressing financial concern is the current condition of the residential housing market and its detrimental effect on property tax revenues. Although home sales are on the rise, it appears that the ongoing economic slump will temporarily continue to have a negative impact in certain sections of our City. Due to Proposal A capping market value increases at the lesser of the Consumer Price Index or 5 percent, it will take several years to rebound.

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 14.0492 mills. The 2014 millage rate is at the Headlee cap.

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

December 4, 2014

The General Fund fund balance has an unassigned balance of \$3.75 million and \$532,000 assigned to the Cable Fund. The fund balance will be used to balance the budget over the next several years.

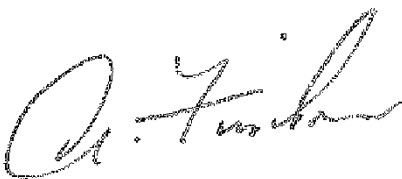
Administrative Summary

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

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 fiscal year ended June 30, 2013. 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.

The City continues to retain its status as a well respected and 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, as imposed by the Economic Vitality Incentive Program (EVIP). Administration also remains confident that City Council and the employees possess the capability, foresight and resolve necessary to successfully meet these challenges.

Sincerely,



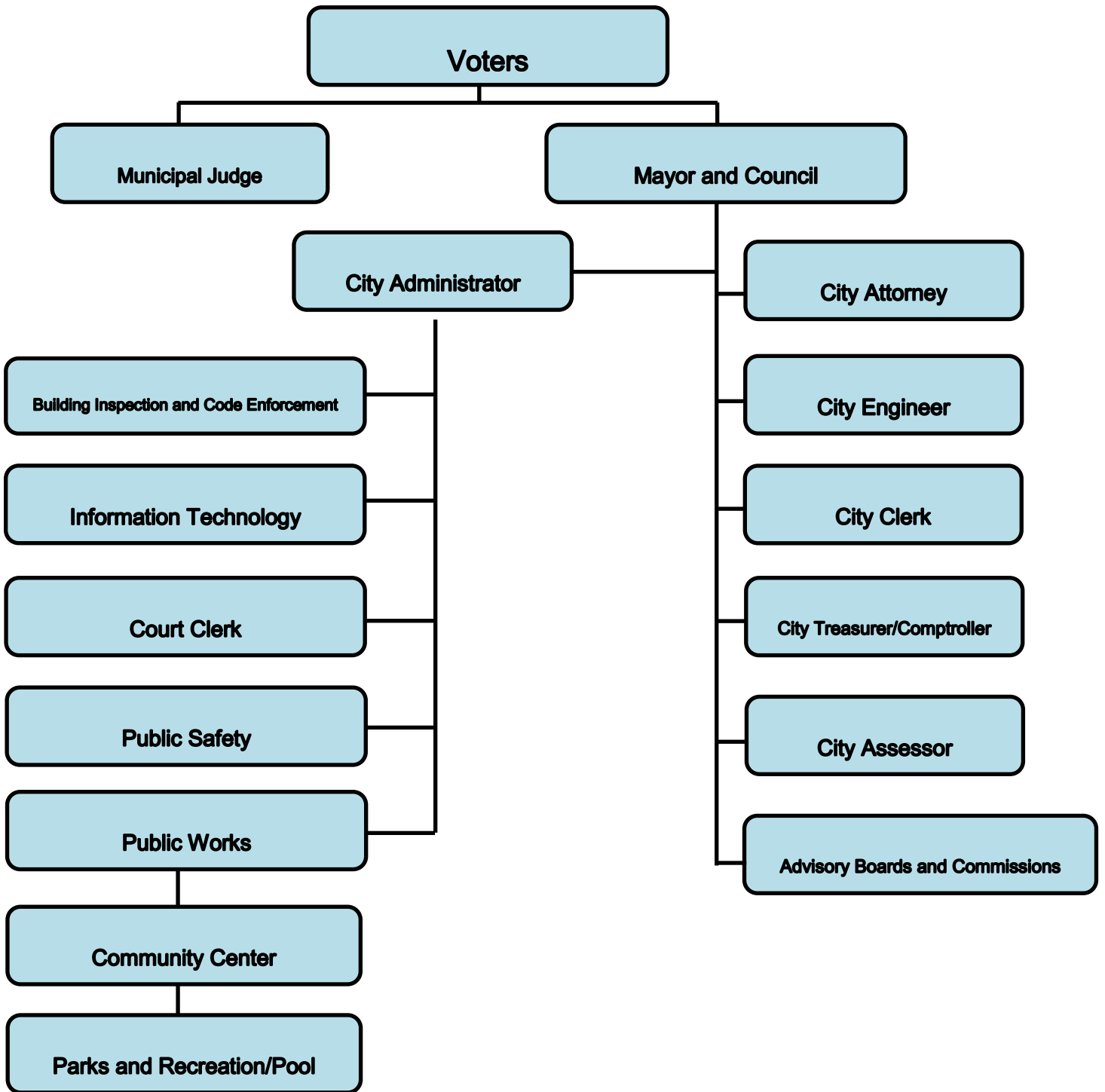
Alfred John Fincham, III
City Administrator



Dee Ann Irby
Treasurer/Comptroller

City of Grosse Pointe Woods, Michigan

Organizational Chart





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Grosse Pointe Woods
Michigan**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

City of Grosse Pointe Woods, Michigan

List of Principal Officers Year Ended June 30, 2014

Elected Officials

Mayor
Council Member
Council Member
Council Member
Council Member
Council Member
Council Member

Robert E. Novitke
Michael Koester
Victoria A. Granger
Arthur W. Bryant
Richard Shetler Jr.
Kevin Ketels
Todd A. McConaghy

Municipal Judge

Municipal Judge

Theodore Metry

Administrator's Office

Administrator

Alfred John Fincham, III

Clerk's Office

Clerk

Lisa K. Hathaway

City Treasurer/Comptroller's Office

Treasurer

Dee Ann Irby

City Attorney

City Attorney
City Attorney

Don R. Berschback
Chip Berschback

City of Grosse Pointe Woods, Michigan

Fund Organizational Chart Year Ended June 30, 2014

<u>Fund Name</u>	<u>Fund Number</u>
<u>GOVERNMENTAL FUNDS</u>	
General Fund	101
Special Revenue Funds	
Major Streets Fund	202
Local Streets Fund	203
Ambulance Fund	210
Act 302 Training Fund	211
Solid Waste Disposal	226
Grants Fund	245
911 Emergency Service	261
Drug Enforcement	265
Parkway Beautification Fund	205
Cable Franchise Fund	206
Debt Service Funds	
Grosse-Gratiot Drain Fund	365
Capital Projects Funds	
Municipal Improvement Fund	401
<u>PROPRIETARY FUNDS</u>	
Enterprise Funds	
Water and Sewer Utility Fund	592
Parking Utility Fund	585
Boat Dock Rental Fund	594
Commodity Sales Fund	598
Internal Service Funds	
Motor Vehicle Fund	640
Workers' Compensation Fund	632
<u>FIDUCIARY FUNDS</u>	
Trust and Agency Funds	
Pension Fund	731
Supplementary Annuity Fund	732
Other Postemployment Benefit Trust Fund	736
Wayne County Tax Fund	703
Cash Bond Escrow Fund	702

Independent Auditor's Report

To the 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 (the "City"), as of and for the year ended June 30, 2014, 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, 2014 and the respective changes in its financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

To the City Council
City of Grosse Pointe Woods, Michigan

Emphasis of Matter

As discussed in Note 2 to the basic financial statements, in 2014, the City adopted the new accounting guidance of GASB 67, *Financial Reporting for Pension Plans*, which establishes standards for financial reporting that outline the basic framework for separately issued pension plan financial reports and specifies the required approach to measuring the liability of employer and certain nonemployer contributing entities, about which information is required to be disclosed. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplemental Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Woods, Michigan's basic financial statements. The other supplemental information, as identified in the table of contents, 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, as identified in the table of contents, 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, as identified in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

To the City Council
City of Grosse Pointe Woods, Michigan

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 & Morse, PLLC

December 4, 2014

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, 2014. 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, 2014:

- General property tax revenue remains the same as fiscal year 2012-2013. The City did implement a new Payment in Lieu of Taxes (PILOT) program which generated an additional \$69,000 in tax revenue. Property taxes continue to be the City's largest source of revenue; however, like most communities in Michigan, the taxable value of property is slow to rebound after the 2007 decline. We are hopeful that new development will increase the taxable values in the near future.
- State-shared revenue remains our second largest revenue source, showing a slight increase of \$20,000 over fiscal year 2012-2013. A payment from the State of Michigan to reimburse the City for a school election added another \$20,000.
- Building license and permit revenues decreased \$28,000 over fiscal year 2012-2013. This decrease in permit revenue is the result of completing the permit process for the development on Cook Road. The direct cost of operating the building department increased approximately \$42,000 over the previous year due to the addition of two part-time positions.
- Revenue from District Court fees and fines decreased by \$76,000 as compared to fiscal year 2012-2013. This is the second year for a decline in revenue and the number of violations being processed. The direct cost of operating the Municipal Court decreased approximately \$4,000 due to cost containment.
- Cable franchise fees decreased \$40,000 over the previous fiscal year; however, the Retiree Drug Subsidy increased \$43,000.
- Although there were fluctuations in the various revenue categories, overall the General Fund's revenue increased approximately \$93,000 and the transfers in decreased \$120,000 from fiscal year 2012-2013 revenue.
- General Fund expenditures increased \$107,000 in fiscal year 2013-2014. A decrease of \$150,000 in MTT refunds was offset by an increase in municipal street lighting and health benefits for active employees and retirees of nearly \$200,000 over fiscal year 2012-2013.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

- Transfers out to other funds increased \$533,000 for fiscal year 2013-2014 as compared to the previous year. The majority of the increase (\$400,000) is attributable to the City's 20 percent share of road repairs on Marter and Morningside. The remainder of the increase was transferred to the Motor Vehicle Fund to cover the cost of repairs to aging vehicles and equipment. As a result of the increased expenses and transfers to other funds, the General Fund fund balance, exclusive of Cable Franchise and Local Street Funds, decreased \$352,000. It is important to mention that the fiscal forecast shows the use of fund balance as a balancing tool for future budgets. In addition, many capital purchases were removed from the budget, for a fourth consecutive year, in an attempt to maintain essential City services at a reasonable cost.

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 (in millions of dollars):

Summary of Condensed Statement of Net Position

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Assets						
Current assets	\$ 10.8	\$ 11.5	\$ 6.4	\$ 7.8	\$ 17.2	\$ 19.3
Noncurrent assets:						
Restricted assets	-	-	0.4	0.3	0.4	0.3
Capital assets	27.1	26.3	27.9	29.1	55.0	55.4
Total assets	37.9	37.8	34.7	37.2	72.6	75.0
Liabilities						
Current liabilities	1.2	1.2	0.7	0.4	1.9	1.6
Long-term liabilities	15.0	17.2	11.0	12.6	26.0	29.8
Total liabilities	16.2	18.4	11.7	13.0	27.9	31.4
Net Position						
Net investment in capital assets	27.1	26.3	18.6	18.4	45.7	44.7
Restricted	0.9	0.8	0.3	0.3	1.2	1.1
Unrestricted	(6.3)	(7.7)	4.1	5.5	(2.2)	(2.2)
Total net position	<u>\$ 21.7</u>	<u>\$ 19.4</u>	<u>\$ 23.0</u>	<u>\$ 24.2</u>	<u>\$ 44.7</u>	<u>\$ 43.6</u>

The City's combined net position decreased \$1.1 million over the prior year. The decrease in noncurrent assets within the governmental activities is due primarily to the decrease in capital assets. An increase in total liabilities is consistent with the recording of an increase in OPEB and the increase in debt for water and sewer.

Total liabilities in the business-type activities increased about \$1.3 million in fiscal year 2013-2014, which is the final year of a three-year construction project for water meters and water main repairs. This construction project is being financed with a low interest loan from the State of Michigan Drinking Water Revolving Fund. The \$2.5 million increase in business-type assets relates to continued water main construction and sewer improvements. Overall, City debt remains very low.

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

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental Activities		Business-type Activities		Total	
	2013	2014	2013	2014	2013	2014
Revenue						
Program revenue:						
Charges for services	\$ 1.4	\$ 1.3	\$ 6.6	\$ 6.8	\$ 8.0	\$ 8.1
Operating grants and contributions	0.9	0.9	-	0.1	0.9	1.0
General revenue:						
Property taxes	12.9	13.0	-	-	12.9	13.0
State-shared revenue	1.5	1.5	-	-	1.5	1.5
Unrestricted investment earnings	-	-	-	-	0.1	-
Cable franchise fees	0.4	0.3	-	-	0.3	0.3
Other miscellaneous revenue	0.3	0.3	-	-	0.2	0.3
Total revenue	17.4	17.3	6.6	6.9	23.9	24.2
Program Expenses						
General government	3.2	3.1	-	-	3.2	3.1
Public safety	6.9	6.6	-	-	6.9	6.6
Public works	5.8	6.1	-	-	5.8	6.1
Solid waste	1.1	1.1	-	-	1.1	1.1
Recreation and culture	1.8	1.6	-	-	1.8	1.6
Municipal improvements	0.1	0.3	-	-	0.1	0.3
Interest on long-term debt	-	0.8	-	-	-	0.8
Water and sewer	-	-	5.4	5.4	5.4	5.4
Parking	-	-	0.2	0.2	0.2	0.2
Boat dock	-	-	0.1	0.1	0.1	0.1
Commodity sales	-	-	0.1	-	0.1	-
Total program expenses	18.9	19.6	5.8	5.7	24.7	25.3
Change in Net Position	\$ (1.5)	\$ (2.3)	\$ 0.8	\$ 1.2	\$ (0.8)	\$ (1.1)

Total revenue for governmental activities decreased \$0.1 million as compared to fiscal year 2012-2013. A \$0.1 million increase in property taxes and the new PILOT was offset by a slight decrease in charges for services and cable franchise fees. State-shared revenue and operating grants remain unchanged. Total governmental expenses increased \$0.7 million (3.7 percent). The majority of the increased expenses in Public Works and Municipal Improvements pertain to transfers for vehicle maintenance and road repairs. Public Safety's decrease is attributable to the privatization of the EMS division. General Government and Recreation shows a decrease, due in part to a decrease in staff through attrition and cost containment efforts.

In the business-type activities, revenue increased \$0.3 million. The increase in revenue is a result of the increase in water and sewer rates to cover planned capital improvements and an operating grant. The \$0.1 million decrease in expenses is attributable to commodity sales.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Governmental Activities

The City's governmental revenue totaled approximately \$17.3 million, with the greatest revenue source being property taxes. Property taxes make up approximately 75.1 percent of total governmental revenue. That percentage is up by 1.1 percent, from approximately 74 percent of total governmental revenue in fiscal year 2012-2013 due to the creation of a PILOT and increased late fees. The City experienced a slight increase in taxable value for 2013-2014, and remains hopeful that the trend continues into the next fiscal year. Because there were a large number of Michigan Tax Tribunal cases settled by stipulation in fiscal years 2012-2013 and 2013-2014, the City must report a reduction in revenue equal to the total dollar amount of all cases currently under appeal.

Total governmental expenses for the City were approximately \$19.6 million. This is up by \$0.7 million from fiscal year 2012-2013. Expenses increased this year due to transfers to other funds to cover vehicle maintenance and road repairs. Concessions by employees, unpaid furlough days, and departmental cost containment efforts continue into 2014-2015.

Business-type Activities

The City's business-type activities consist of the funds for water and sewer, parking utility, and boat dock. In 2013-2014, the City was in the final year of a water main construction project and the third year of the sewer construction project. The Boat Dock and Parking Funds have not had any major changes in this fiscal year.

Water and sewer utility system revenue is primarily from fees paid by customers, based on use. All of the business-type revenue is generated by user fees. User fees were increased to cover increased costs to purchase water and infrastructure improvements.

The business-type activities expenses decreased \$0.1 million over 2012-2013, due to a decrease in commodity sales. A total of \$3.2 million is collected from Grosse Pointe Woods customers and paid to the City of Detroit for water and sewer treatment. This represents a decrease of \$225,000 over last fiscal year, due to a change in their "look back" formula.

The City's Funds

An analysis of the City's major funds begins on page 16, 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 2013-2014 include the General Fund, the Major Streets Fund, the Solid Waste Fund, and the Grosse Gratiot Drain Fund. Since the Local Streets 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.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

General Fund

The General Fund pays for most of the City's governmental services. The two largest services funded by the General Fund are public safety (combined police and fire services) and public works. The General Fund transferred approximately \$0.4 million to the Major and Local Streets Funds, \$0.6 million to the Municipal Improvement Fund, and \$0.7 million to the Motor Vehicle Fund.

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

In fiscal year 2013-2014, the General Fund's fund balance decreased by approximately \$351,600. Of this decrease, \$400,000 is related to a transfer to cover the City's 20 percent cost share of a grant for road repairs for federally eligible roads (Marter and Morningside). Employee concessions and cost containment efforts of the City Council, appointed officials, and department directors helped to hold the overall increase in expenses to \$26,000. The Local Streets Fund added \$94,000 to the General Fund fund balance, due to a reduction in concrete maintenance and overall cost containment. GASB No. 54 requires that the Local Streets and Cable Funds are now shown as part of the General Fund.

The City's General Fund year-end fund balance is approximately \$5.16 million; \$1.41 million is committed, assigned, and non-spendable, leaving \$3.75 million unassigned. The unassigned amount represents approximately 30.7 percent of fiscal year 2013-2014 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. In addition, the City's fiscal forecasting applies \$1.5 million (40 percent) of the unassigned fund balance to the next four years of operations to cover the structural deficit. We anticipate new development will help increase tax revenue above the cost of living adjustment.

Major Streets Fund

The Major Streets Fund accounts for the maintenance and replacement of all major streets within the City. Financing is provided by distribution of gas tax proceeds. Major revenue includes approximately \$31,000 from the City's business occupancy permits and approximately \$649,000 in gas and weight tax revenue. Current year expenditures were approximately \$68,000 less than fiscal year 2013-2014, due to reallocation of employees and costs of forestry services. Due to a reduction in concrete maintenance, the Major Streets Fund's revenue exceeded expenditures by approximately \$51,000. The reserves at year end are \$359,510.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Solid Waste Fund

The Solid Waste Fund is used to account for the collection, disposal, and recycling of all residential and commercial waste within the City. The special millage for fiscal year 2013-2014 was 2.0251 mills, the same as the previous year. The millage generated \$1.21 million in revenue. Net expenses in 2013-2014 were \$1.2 million and an increase of \$0.1 million as compared to the previous year. Tipping fees and employee related expenses contributed to the increase in expenses. The reserves at year end are \$349,422.

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. The fund derived revenue from property taxes of approximately \$2,706,000 in fiscal year 2013-2014. Due to the continual decline in taxable value, the millage rate was increased 0.0596 mills to 4.5281. The tax levy generated approximately \$2,704,000 for fiscal year 2013-2014. Expenditures are primarily related to drain operations and maintenance provided by Wayne County. This is the fifth year of increases for these services, a cost of \$1,428,000 in fiscal year 2013-2014. The bonds held by Wayne County were paid off in the previous fiscal year; however, they did charge for engineering fees to pre-fund future Sewer Revolving Fund (SRF) projects. This cost the Drain System approximately \$829,000. The Grosse-Gratiot Drain Fund eliminated the transfers to other funds, which was a savings of \$120,000 over the previous year.

This Grosse-Gratiot Drain Fund's fund balance increased approximately \$453,000, which was due to the reduced debt payment and the elimination of transfers to other funds. Therefore, the remaining fund balance is \$536,965.

Water and Sewer Fund

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

Water and sewer rates have increased to cover the cost of fee increases imposed by the City of Detroit water and sewerage system and payments for infrastructure improvements financed by issuance of debt.

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.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

General Fund Budgetary Highlights

The City's General Fund ended fiscal year 2013-2014 with concessions from all four labor unions and nonunion employees. This was the sixth year for concessions. Facing a slow rebound in taxable value, the City eliminated road construction and vehicle purchases. The unplanned reduction in revenue from the Violations Bureau of the Municipal Court and the participation in the road grant caused a \$426,000 reduction to the fund balance. Since the Cable and Local Street Funds are reported in the General Fund, their increase in fund balance of \$40,700 will offset the total decrease. The City's long-term fiscal forecast predicts the City will use fund balance to balance the budget for the next several years.

Local Streets Activity

The Local Streets Fund accounts for the maintenance and replacement of all local streets within the City. Financing is provided by distribution of gas tax proceeds. The primary source of revenue includes approximately \$265,000 in gas and weight tax revenue. In addition, the City received a one-time payment from the State of Michigan for road repairs in the amount of \$56,000. Revenue plus transfers in fiscal year 2013-2014 is \$63,000 greater than the previous year. The department receives a small amount of its revenue from fees, other state funding, special assessment, and interest on investments. Expenditures for fiscal year 2013-2014 were reduced by \$57,000 due to a reduction in sidewalk and road repairs.

The Local Streets Fund fund balance decreased approximately \$256,000 with a year-end balance of (\$59,000). For reporting purposes, this fund balance has been classified as "committed" and rolled into the General Fund. This increase is a combination of an increase in revenue and decrease in expenses.

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. Due to cost containment, there were no transfers out of the Cable Fund for five years, including fiscal year 2013-2014.

The Cable Franchise Fund's fund balance is approximately \$532,000 and is reported in the General Fund as "assigned."

Capital Asset and Debt Administration

During fiscal year 2013-2014, the City received two funding awards and one rebate for various equipment and street lighting. The State of Michigan awarded the City with video arraignment equipment for the Municipal Court, which will save in overtime costs and prisoner transport fees. Wayne County awarded the City with a grant for "Share the Road" signage and bicycle racks. This will create a more active community, at no cost to the City. DTE offered the City an Energy Optimization efficiency rebate to upgrade LED streetlights throughout the City. This will provide more efficient lighting for many years.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The sewer infrastructure improvements, funded by a low interest loan of the Sewer Revolving Fund, continued for a second year. The repair of water mains and replacement of water meters were finalized during fiscal year 2013-2014. All of the City's debt is related to the Water and Sewer enterprise fund and is not a part of the calculation for the allowable legal debt margin limit. Overall, the City 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 Note 5 and Note 7, respectively. In fiscal year 2014-2015, the City will finalize the sewer infrastructure improvements.

Economic Factors

Due to the decline in the General Fund fund balance as well as declining revenues, the City has implemented a number of cost-saving actions in order to continue its prudent fiscal management. One significant change was contracting Emergency Medical Services with Medstar Ambulance Company. Unfortunately this caused the layoff of five City employees, which resulted in a cost savings of approximately \$600,000 per year.

In addition, there have been across-the-board budget reductions, the elimination of vacant positions, and the implementation of a hiring freeze over the past five years. In addition, major reductions in discretionary spending such as travel and training were eliminated. A number of capital improvement projects have been delayed, cancelled, or face a reduction in project scope. City employees have accepted wage concessions benefit cuts for the past six years.

In looking to the future, the City continues to work with its employee bargaining groups to strike a balance between cost savings and employee retention. Additionally, consolidation partnerships continue to be explored to reduce costs and increase efficiencies and to further comply with the Economic Vitality Incentive Program (EVIP). One example of planned consolidation and sharing of services is the receipt of a grant to combine public safety dispatch and police lockup services for the cities of Grosse Pointe Woods, Shores, and Farms. This grant will provide for equipment and retrofitting of the Grosse Pointe Woods dispatch center to house the operations of all three cities.

In fiscal year 2014-2015, the City will receive a new 2015 diesel International 10-yard dump truck with a grant award from the Congestion Mitigation Air Quality Grant. This vehicle will replace a 22-year-old Department of Public Works vehicle. Applications for new grants continue to be explored.

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, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 4)	\$ 10,700,470	\$ 6,424,961	\$ 17,125,431
Receivables:			
Customers	-	1,340,603	1,340,603
Accrued interest	12,651	8,417	21,068
Due from other governmental units	563,718	16,273	579,991
Internal balances (Note 6)	12,602	(12,602)	-
Prepaid expenses	209,620	15,431	225,051
Restricted cash (Note 1)	-	319,000	319,000
Investments in Grosse Pointes-Clinton Refuse Disposal Authority (Note 12)	46,870	-	46,870
Capital assets (Note 5):			
Nondepreciable capital assets	1,547,967	2,606,901	4,154,868
Depreciable capital assets - Net	24,755,968	26,479,228	51,235,196
Total assets	37,849,866	37,198,212	75,048,078
Liabilities			
Accounts payable	840,017	295,291	1,135,308
Accrued liabilities and other	352,249	74,538	426,787
Noncurrent liabilities (Note 7):			
Due within one year	565,072	769,163	1,334,235
Due in more than one year	16,699,063	11,815,796	28,514,859
Total liabilities	18,456,401	12,954,788	31,411,189
Net Position			
Net investment in capital assets	26,303,935	18,458,605	44,762,540
Restricted for:			
Roads	326,765	-	326,765
Debt service	-	319,000	319,000
Fireworks	79,302	-	79,302
Ambulance services	24,282	-	24,282
Police training	47,662	-	47,662
Drug education and enforcement	7,826	-	7,826
Solid waste	349,422	-	349,422
Community Development	35	-	35
Unrestricted	(7,745,764)	5,465,819	(2,279,945)
Total net position	\$ 19,393,465	\$ 24,243,424	\$ 43,636,889

City of Grosse Pointe Woods, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 3,132,333	\$ 593,962	\$ 28,925
Public safety	6,553,852	547,291	-
Public works	6,920,666	67,693	914,615
Solid waste	1,150,743	-	-
Municipal improvements	307,290	-	-
Recreation and culture	1,554,898	107,161	-
Total governmental activities	19,619,782	1,316,107	943,540
Business-type activities:			
Water/Sewer	5,420,387	6,339,551	-
Parking	195,791	292,825	-
Boat dock	97,519	126,052	-
Commodity sales	-	34,214	-
Total business-type activities	5,713,697	6,792,642	-
Total primary government	\$ 25,333,479	\$ 8,108,749	\$ 943,540
General revenue:			
Property taxes			
State-shared revenue (unrestricted)			
Unrestricted investment earnings			
Franchise taxes			
Other miscellaneous income			
Gain on sale of fixed assets			
Total general revenue			
Transfers			
Change in Net Position			
Net Position - Beginning of year			
Net Position - End of year			

Statement of Activities
Year Ended June 30, 2014

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,509,446)	\$ -	\$ (2,509,446)
(6,006,561)	-	(6,006,561)
(5,938,358)	-	(5,938,358)
(1,150,743)	-	(1,150,743)
(307,290)	-	(307,290)
(1,447,737)	-	(1,447,737)
(17,360,135)	-	(17,360,135)
-	919,164	919,164
-	97,034	97,034
-	28,533	28,533
-	34,214	34,214
-	1,078,945	1,078,945
(17,360,135)	1,078,945	(16,281,190)
12,971,861	-	12,971,861
1,521,267	-	1,521,267
46,301	21,104	67,405
340,268	-	340,268
301,260	-	301,260
-	2,000	2,000
15,180,957	23,104	15,204,061
(107,832)	107,832	-
(2,287,010)	1,209,881	(1,077,129)
21,680,475	23,033,543	44,714,018
\$ 19,393,465	\$ 24,243,424	\$ 43,636,889

City of Grosse Pointe Woods, Michigan

Governmental Funds Balance Sheet June 30, 2014

	General Fund	Major Streets Fund	Solid Waste Disposal	Grosse Gratiot Drain Fund	Nonmajor Funds	Total
Assets						
Cash and investments (Note 1)	\$ 5,668,336	\$ 229,226	\$ 541,233	\$ 998,476	\$ 463,019	\$ 7,900,290
Receivables:						
Accrued interest receivable	7,110	-	33	-	668	7,811
Due from other governmental units	450,912	106,781	-	-	6,025	563,718
Due from other funds (Note 6)	172,227	60,179	-	-	393,619	626,025
Prepays	138,757	10,745	3,440	-	2,817	155,759
Total assets	\$ 6,437,342	\$ 406,931	\$ 544,706	\$ 998,476	\$ 866,148	\$ 9,253,603
Liabilities						
Accounts payable	\$ 270,663	\$ 20,938	\$ 31,997	\$ 446,091	\$ 53,139	\$ 822,828
Due to other funds (Note 6)	557,710	-	149,277	-	6,450	713,437
Accrued liabilities and other:						
Accrued salaries and wages	118,261	3,851	1,314	-	3,103	126,529
Payroll taxes and withholdings	21,982	1,086	340	-	1,142	24,550
Accrued other liabilities	150,212	1,404	7,321	15,420	3,299	177,656
Provision for claims	153,581	20,142	5,035	-	12,589	191,347
Total liabilities	1,272,409	47,421	195,284	461,511	79,722	2,056,347
Fund Balances						
Nonspendable - Prepays	138,757	10,745	3,440	-	2,817	155,759
Restricted:						
Roads	-	326,765	-	-	-	326,765
Solid Waste	-	-	345,982	-	-	345,982
Public Safety	-	-	-	-	77,153	77,153
Community Development	-	-	-	-	35	35
Fireworks	-	-	-	-	79,102	79,102
Committed:						
Local Streets	316,432	-	-	-	-	316,432
Repairs and maintenance	1,000	22,000	-	-	11,500	34,500
Assigned:						
Subsequent year's budget	421,007	-	-	-	-	421,007
Debt Service	-	-	-	536,965	-	536,965
Public Safety	-	-	-	-	151,519	151,519
Capital Projects	-	-	-	-	375,440	375,440
Parkway Beautification	-	-	-	-	88,860	88,860
Cable	532,814	-	-	-	-	532,814
Unassigned	3,754,923	-	-	-	-	3,754,923
Total fund balances	5,164,933	359,510	349,422	536,965	786,426	7,197,256
Total liabilities and fund balances	\$ 6,437,342	\$ 406,931	\$ 544,706	\$ 998,476	\$ 866,148	\$ 9,253,603

City of Grosse Pointe Woods, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2014

Fund Balance Reported in Governmental Funds	\$ 7,197,256
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	25,802,493
Investments in joint ventures are not financial resources and are not reported in the funds	46,870
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(15,693,613)
Employee compensated absences are payable over a long period of years and do not represent a claim on current financial resources; therefore, they are not reported as fund liabilities	(776,354)
Internal Service Funds are included as part of governmental activities	<u>2,816,813</u>
Net Position of Governmental Activities	<u>\$ 19,393,465</u>

City of Grosse Pointe Woods, Michigan

Governmental Funds Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2014

	General Fund	Special Revenue Funds		Debt Service Fund	Nonmajor Funds	Total
		Major Streets Fund	Solid Waste Fund	Grosse-Gratiot Drain Fund		
Revenue						
Property taxes	\$ 8,741,747	\$ -	\$ 1,209,968	\$ 2,704,296	\$ 315,015	\$ 12,971,026
Licenses and permits	847,839	-	-	-	-	847,839
Federal sources	-	-	-	-	6,483	6,483
State and local sources	1,672,796	648,809	-	-	6,417	2,328,022
Charges for services	114,559	-	-	-	-	114,559
Fines and forfeitures	355,121	-	-	-	-	355,121
Interest income	30,181	-	2,584	-	2,026	34,791
Other revenue	321,992	41,129	660	-	407,472	771,253
Total revenue	12,084,235	689,938	1,213,212	2,704,296	737,413	17,429,094
Expenditures						
Current:						
General government	2,567,693	-	-	-	206,103	2,773,796
Public safety	4,968,466	-	-	-	512,179	5,480,645
Public works	2,958,246	639,115	1,183,783	1,421,739	-	6,202,883
Municipal improvements	34,831	-	-	-	299,786	334,617
Parks and recreation	1,267,857	-	-	-	69,398	1,337,255
Debt service - Principal	-	-	-	828,847	-	828,847
Total expenditures	11,797,093	639,115	1,183,783	2,250,586	1,087,466	16,958,043
Excess of Revenue Over (Under) Expenditures	287,142	50,823	29,429	453,710	(350,053)	471,051
Other Financing Sources (Uses)						
Transfers in	80,000	3,361	180	-	577,378	660,919
Transfers out	(718,751)	-	(50,000)	-	-	(768,751)
Net Change in Fund Balances	(351,609)	54,184	(20,391)	453,710	227,325	363,219
Fund Balances - Beginning of year	5,516,542	305,326	369,813	83,255	559,101	6,834,037
Fund Balances - End of year	\$ 5,164,933	\$ 359,510	\$ 349,422	\$ 536,965	\$ 786,426	\$ 7,197,256

City of Grosse Pointe Woods, Michigan

Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2014

Net Change in Fund Balances - Total Governmental Funds	\$ 363,219
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:	
Capital outlay	424,128
Depreciation expense	(1,084,391)
Net book value of assets disposed of	(17,240)
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	(100,536)
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(1,958,242)
Internal Service Funds are included as part of the governmental activities	<u>86,052</u>
Change in Net Position of Governmental Activities	<u>\$ (2,287,010)</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Net Position June 30, 2014

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and investments (Note 4)	\$ 5,344,217	\$ 1,080,744	\$ 6,424,961	\$ 2,800,180
Receivables:				
Customers	1,340,603	-	1,340,603	-
Accrued interest receivable	6,215	2,202	8,417	4,840
Due from other governmental units	16,273	-	16,273	-
Due from other funds (Note 6)	3,898	-	3,898	100,014
Prepaid expenses and other assets	12,713	2,718	15,431	53,861
Total current assets	6,723,919	1,085,664	7,809,583	2,958,895
Noncurrent assets:				
Restricted cash (Note 1)	319,000	-	319,000	-
Capital assets (Note 5):				
Assets not subject to depreciation	2,606,901	-	2,606,901	-
Assets subject to depreciation	25,964,553	514,675	26,479,228	501,442
Total noncurrent assets	28,890,454	514,675	29,405,129	501,442
Total assets	35,614,373	1,600,339	37,214,712	3,460,337
Liabilities				
Current liabilities:				
Accounts payable	293,551	1,740	295,291	17,189
Due to other funds (Note 6)	-	16,500	16,500	-
Accrued liabilities and other	71,769	2,769	74,538	23,514
Compensated absences - Less than 1 year	37,793	6,264	44,057	-
Provision for claims - Less than 1 year	15,106	-	15,106	-
Current portion of long-term debt (Note 7)	710,000	-	710,000	-
Total current liabilities	1,128,219	27,273	1,155,492	40,703
Noncurrent liabilities:				
Compensated absences - Greater than 1 year	19,146	5,306	24,452	-
Provision for claims - Greater than one year	-	-	-	115,083
Other postemployment benefit obligation (Note 9)	1,295,674	323,710	1,619,384	487,738
Bond premium (Note 7)	254,436	-	254,436	-
Long-term debt (Note 7)	9,917,524	-	9,917,524	-
Total noncurrent liabilities	11,486,780	329,016	11,815,796	602,821
Total liabilities	12,614,999	356,289	12,971,288	643,524
Net Position				
Net investment in capital assets	17,943,930	514,675	18,458,605	501,442
Restricted - Debt Service	319,000	-	319,000	-
Unrestricted	4,736,444	729,375	5,465,819	2,315,371
Total net position	<u>\$ 22,999,374</u>	<u>\$ 1,244,050</u>	<u>\$ 24,243,424</u>	<u>\$ 2,816,813</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2014

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Water sales and charges for services	\$ 6,155,550	\$ -	\$ 6,155,550	\$ -
Penalties	96,574	-	96,574	-
Fees and violations	-	292,351	292,351	-
Dockings and launching fees	-	126,052	126,052	-
Commodity sales	-	34,214	34,214	-
Other revenue	59,156	474	59,630	4,800
Revenue and billings to other funds	-	-	-	1,058,924
Total operating revenue	<u>6,311,280</u>	<u>453,091</u>	<u>6,764,371</u>	<u>1,063,724</u>
Operating Expenses				
Cost of water and disposal	3,227,660	-	3,227,660	-
Insurance expense and contractual services	-	-	-	139,122
Operation and maintenance	257,699	143,251	400,950	520,934
General and administrative	713,213	94,994	808,207	166,201
Charges from internal service funds	50,000	7,550	57,550	-
Depreciation	780,455	47,515	827,970	162,699
Total operating expenses	<u>5,029,027</u>	<u>293,310</u>	<u>5,322,337</u>	<u>988,956</u>
Operating Income	1,282,253	159,781	1,442,034	74,768
Nonoperating Revenue (Expenses)				
Interest income	16,430	4,674	21,104	11,094
Expense from joint venture	3,748	-	3,748	-
Interest expense	(267,053)	-	(267,053)	-
Bonding costs	(128,055)	-	(128,055)	-
Gain on disposal of asset	2,000	-	2,000	190
Amortization of debt premium	28,271	-	28,271	-
Total nonoperating (expenses) revenues	<u>(344,659)</u>	<u>4,674</u>	<u>(339,985)</u>	<u>11,284</u>
Income - Before transfers	937,594	164,455	1,102,049	86,052
Transfers In (Note 6)	878	136,954	137,832	-
Transfers Out (Note 6)	<u>(25,000)</u>	<u>(5,000)</u>	<u>(30,000)</u>	<u>-</u>
Change in Net Position	913,472	296,409	1,209,881	86,052
Net Position - Beginning of year	<u>22,085,902</u>	<u>947,641</u>	<u>23,033,543</u>	<u>2,730,761</u>
Net Position - End of year	<u>\$ 22,999,374</u>	<u>\$ 1,244,050</u>	<u>\$ 24,243,424</u>	<u>\$ 2,816,813</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2014

	Enterprise Funds			Governmental
	Major Enterprise	Nonmajor	Total Enterprise	Activities
	Fund - Water and			Enterprise Funds
	Sewer Fund	Enterprise Funds	Funds	Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 6,221,788	\$ 453,127	\$ 6,674,915	\$ 1,074,439
(Payments to) receipts for interfund services and reimbursements	(56,228)	6,500	(49,728)	(100,423)
Payments to suppliers	(3,596,950)	(150,154)	(3,747,104)	(321,615)
Payments to employees	(708,296)	(58,546)	(766,842)	(446,355)
Internal activity - Payments to other funds	-	(419)	(419)	-
Claims paid	9,854	-	9,854	21,643
Other receipts	186,681	-	186,681	(4,024)
Other payments	-	(2,718)	(2,718)	-
Net cash provided by operating activities	2,056,849	247,790	2,304,639	223,665
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	878	136,954	137,832	-
Transfers to other funds	(25,000)	(5,000)	(30,000)	-
Net cash (used in) provided by noncapital financing activities	(24,122)	131,954	107,832	-
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	2,000	-	2,000	190
Purchase of capital assets	(1,981,605)	(148,234)	(2,129,839)	(47,211)
Principal and interest paid on capital debt	1,027,298	-	1,027,298	-
Debt service charge	(99,784)	-	(99,784)	-
Net cash used in capital and related financing activities	(1,052,091)	(148,234)	(1,200,325)	(47,021)
Cash Flows from Investing Activities -				
Interest received on investments	20,178	2,744	22,922	11,094
Net Increase in Cash and Cash Equivalents	1,000,814	234,254	1,235,068	187,738
Cash and Cash Equivalents - Beginning of year	4,662,403	846,490	5,508,893	2,612,442
Cash and Cash Equivalents - End of year	\$ 5,663,217	\$ 1,080,744	\$ 6,743,961	\$ 2,800,180
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 5,344,217	\$ 1,080,744	\$ 6,424,961	\$ 2,800,180
Restricted cash	319,000	-	319,000	-
Total cash and cash equivalents	\$ 5,663,217	\$ 1,080,744	\$ 6,743,961	\$ 2,800,180
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 1,282,253	\$ 159,781	\$ 1,442,034	\$ 74,768
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	780,455	47,515	827,970	162,699
Changes in assets and liabilities:				
Receivables	(30,866)	(2,718)	(33,584)	6,691
Due from others	(6,228)	6,500	272	(100,423)
Other assets	-	-	-	1,123
Accounts payable	(267,378)	(1,954)	(269,332)	17,989
Due to other funds	-	(419)	(419)	-
Estimated claims liability	9,854	-	9,854	21,643
Accrued and other liabilities	160,704	39,085	199,789	39,175
Other assets	128,055	-	128,055	-
Net cash provided by operating activities	\$ 2,056,849	\$ 247,790	\$ 2,304,639	\$ 223,665

Noncash Activity - There were no noncash transactions for the year ended June 30, 2014.

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2014

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,957,477	\$ 1,675
Investments:		
U.S. government securities	6,031,456	-
Stocks	29,230,986	-
Corporate bonds	128,755	-
Mutual funds	5,704,646	-
Receivables:		
Accrued interest receivable	21,976	-
Due from other governmental units	-	17,382
Total assets	43,075,296	\$ 19,057
Liabilities		
Accounts payable	267,567	\$ -
Due to other governmental units	-	17,719
Court bonds payable	-	1,338
Total liabilities	267,567	\$ 19,057
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 42,807,729	

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2014

	<u>Pension and Other Employee Benefits</u>
Additions	
Investment income:	
Interest and dividends	\$ 1,131,633
Net decrease in fair market value	6,066,394
Less investment expenses	(333,809)
Contributions:	
Employer	1,166,472
Employee	<u>358,840</u>
Total contributions	<u>1,525,312</u>
Total additions - Net	8,389,530
Deductions - Pension payments	<u>3,349,904</u>
Net Increase	5,039,626
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>37,768,103</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 42,807,729</u></u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies

The following is a summary of the significant accounting policies used by the City of Grosse Pointe Woods (the "City"):

Reporting Entity

The City was incorporated as a home rule village on January 4, 1927 and as a home rule city on December 11, 1950. The City has a population of 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 limits.

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

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.

Report Presentation

Governmental accounting principles require that financial reports include two different perspectives - the government-wide perspective and the fund-based perspective. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The government-wide financial statements are presented on the economic resources measurement focus and the full accrual basis of accounting. Property taxes are recognized as revenues 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 revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Taxes and other items not properly included among program revenues are reported instead as general revenue.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges between the City's water and sewer function and various other functions of the City. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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

Basis of Accounting

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

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

Revenues are not recognized until they are collected, or collected soon enough after the end of the year that they are 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, district court fines, and interest associated with the current fiscal period.

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

Fund Accounting

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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

- The General Fund is the primary operating fund because it accounts for all financial resources used to provide general government services, other than those specifically assigned to another fund.
- The Major Streets Fund accounts for the maintenance and replacement of all major streets within the City. Funding is provided by distribution of gas tax proceeds.
- The Solid Waste Fund is used to account for the collection, disposal, and recycling of all residential and commercial waste within the City. Financing is provided by a separate tax millage.
- The Grosse-Gratiot Drain Fund accounts for revenue received and used to pay principal and interest on the Grosse-Gratiot Drain long-term debt. Funding is provided by a specific property tax millage.

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

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

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 departments within the City.
- The Workers’ Compensation Fund is used to fund workers’ compensation claims and purchase insurance that provides coverage for employees. The fund is financed primarily by charges to various departments of the City.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

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

- The Pension and Other Employee Benefit Trust Funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees and are reported as fiduciary funds.
- The Other Postemployment Benefit Trust Fund accounts for mandatory employee and voluntary employer contributions to a retiree healthcare trust account.
- The agency funds record primarily tax collections received and remitted to other units of government (the county, community college, school district, etc.), as well as building bonds and deposits, held for temporary periods. The agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement or results of operations.

Interfund activity: During the course of operations, the government 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.

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

Specific Balances and Transactions

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of 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.

Restricted Assets - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The balance of the restricted asset account for revenue bond restrictions for debt payments is \$319,000 at June 30, 2014. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

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 fair market value at the date of donation.

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

Capital Asset Class	Lives
Infrastructure	10-50 years
Buildings	25 years
Vehicles	3-7 years
Equipment	5 years
Land improvement	10-40 years

Long-term Obligations - In the government-wide financial statements and the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method; bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed at the time they are incurred. In the fund financial statements, governmental fund types recognize bond issuances as an "other financing source," as well as bond premiums and discounts.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of Significant Accounting Policies (Continued)

Net Position Flow Assumption

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

Fund Balance Flow Assumption

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

Fund Balance Policies

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

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note I - Summary of 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 Council is the highest level of decision-making authority for the government that can, by adoption of an ordinance prior to the end of the fiscal year, assign fund balance. 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

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

The City's 2013 tax is levied and collectible on December 1, 2013 and is recognized as revenue in the year ended June 30, 2014 when the proceeds of the levy are budgeted and available for the financing of operations.

The 2013 taxable valuation of the City totaled \$601 million, on which ad valorem taxes levied consisted of 14.0492 mills for operating purposes, 0.0810 mills for public relations, 2.0251 mills for solid waste disposal, and 4.5055 mills for the Grosse-Gratiot Drain. This resulted in \$8.4 million for operating, \$0.05 million for public relations, \$1.21 million for solid waste disposal, and \$2.7 million for the Grosse-Gratiot Drain. These amounts are recognized in the respective General, special revenue, and debt service fund financial statements as tax revenue.

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

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).

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 1 - Summary of Significant Accounting Policies (Continued)

Proprietary Funds Operating Classification - Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues 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 revenues of the Water and Sewer Fund and internal service funds are charges to customers for sales and services. The Water and Sewer Fund also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues 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.

Note 2 - Change in Accounting

During the current year, the City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote have changed considerably along with the related schedules in the required supplemental information.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 3 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall at July 1, 2013	\$ (685,210)
Current year building permit revenue	434,812
Related expense - Direct costs	<u>397,976</u>
Current year surplus	<u>36,836</u>
Cumulative shortfall at June 30, 2014	<u>\$ (648,374)</u>

Note 4 - Deposits and Investments

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

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

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

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$3,268,648 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount \$750,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the City evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

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

<u>Primary Government</u>	<u>Fair Value</u>	<u>0-5 Years</u>	<u>5-15 Years</u>	<u>15 Years and More</u>
U.S. government agencies and securities:				
Negotiable certificates of deposit	\$ 2,305,173	\$ 2,305,173	\$ -	\$ -
Federal Home Loan Mortgage Corporation	349,183	349,183	-	-
Federal National Mortgage Association	1,679,710	1,679,710	-	-
Federal Home Loan Bank	449,648	449,648	-	-
Federal Farm Credit Bank	2,798,198	2,798,198	-	-
Total	<u>\$ 7,581,912</u>	<u>\$ 7,581,912</u>	<u>\$ -</u>	<u>\$ -</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 4 - Deposits and Investments (Continued)

Fiduciary Funds	Fair Value	0-5 Years	5-15 Years	15 Years and More
Mutual funds - Fixed-income shares	\$ 5,704,646	\$ 5,704,646	\$ -	\$ -
U.S. Treasury notes	2,905,688	-	2,905,688	-
U.S. Treasury inflation	1,447,750	1,447,750	-	-
Federal National Mortgage Association	1,045,329	-	-	1,045,329
Federal Home Loan Mortgage Corporation	632,689	-	-	632,689
Total	<u>\$ 11,736,102</u>	<u>\$ 7,152,396</u>	<u>\$ 2,905,688</u>	<u>\$ 1,678,018</u>

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

Investment Type	Fair Value	Rating	Rating Organization
Primary government:			
Negotiable CDs	\$ 2,305,173	Not rated	N/A
Federal Home Loan Mortgage Corporation	349,183	AAA	Moody's
Bank investment pools	5,637,762	AI/PI/FI	S&P
Bank investment pools	197,144	Not rated	N/A
Federal National Mortgage Association	1,082,416	AAA	Moody's
Federal National Mortgage Association Fixed Rate	597,294	AAA	Moody's
Federal Home Loan Bank Fixed Rate	449,648	AAA	Moody's
Federal Farm Credit Bank	2,798,198	AAA	Moody's
U.S. Treasury notes	550,732	AAA	Moody's
Fiduciary funds:			
Federal National Mortgage Association	1,045,329	AAA	Moody's
Federal Home Loan Mortgage Corporation	632,689	AAA	Moody's
U.S. Treasury notes	4,353,439	AAA	S&P

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

Primary government:	
Federal Home Loan Bank	5.93 %
Federal National Mortgage Association	22.15 %
Federal Home Loan Mortgage Corporation	4.61 %
Federal Farm Credit Bank	36.91 %
Fiduciary funds - U.S. Treasury Note	6.83 %

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets

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

	Balance July 1, 2013	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2014
Governmental Activities					
Capital assets not being depreciated -					
Land	\$ 1,547,967	\$ -	\$ -	\$ -	\$ 1,547,967
Capital assets being depreciated:					
Infrastructure	27,485,260	(11,800)	113,567	-	27,587,027
Buildings	9,010,681	-	170,150	60,000	9,120,831
Equipment and vehicles	6,783,075	11,800	187,622	45,423	6,937,074
Land improvements	263,120	-	-	-	263,120
Subtotal	43,542,136	-	471,339	105,423	43,908,052
Accumulated depreciation:					
Infrastructure	7,133,366	(11,800)	568,656	-	7,690,222
Buildings	4,148,164	-	299,773	43,200	4,404,737
Equipment and vehicles	6,551,595	11,800	358,038	44,983	6,876,450
Land improvements	160,052	-	20,623	-	180,675
Subtotal	17,993,177	-	1,247,090	88,183	19,152,084
Net capital assets being depreciated	25,548,959	-	(775,751)	17,240	24,755,968
Net governmental funds capital assets	\$ 27,096,926	\$ -	\$ (775,751)	\$ 17,240	\$ 26,303,935
Business-type Activities					
Capital assets not being depreciated -					
Construction in progress	\$ 3,257,320	\$ (2,454,627)	\$ 1,804,208	\$ -	\$ 2,606,901
Capital assets being depreciated:					
Infrastructure	35,257,646	2,454,627	177,397	-	37,889,670
Land improvements	1,755,212	-	148,234	-	1,903,446
Subtotal	37,012,858	2,454,627	325,631	-	39,793,116
Accumulated depreciation:					
Infrastructure	11,144,662	-	780,455	-	11,925,117
Land improvements	1,341,256	-	47,515	-	1,388,771
Subtotal	12,485,918	-	827,970	-	13,313,888
Net capital assets being depreciated	24,526,940	2,454,627	(502,339)	-	26,479,228
Net business-type capital assets	\$ 27,784,260	\$ -	\$ 1,301,869	\$ -	\$ 29,086,129

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 5 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 76,513
Public safety	73,596
Public works	633,290
Recreation and culture	300,992
Internal service funds	<u>162,699</u>
Total governmental activities	<u>\$ 1,247,090</u>

Business-type activities:

Water and sewer	\$ 780,455
Parking utility	15,464
Boat dock	<u>32,051</u>
Total business-type activities	<u>\$ 827,970</u>

Construction Commitments - The City has active construction projects at year end. At year end, the City spent \$2,397,696 in connection with the active construction projects and the City's commitment with contractors was \$3,046,401.

Note 6 - Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Solid Waste Fund	\$ 149,277
	Nonmajor governmental funds	6,450
	Nonmajor enterprise funds	<u>16,500</u>
	Total General Fund	172,227
Major Streets Fund	General Fund	60,179
Nonmajor governmental funds	General Fund	393,619
Water and Sewer Fund	General Fund	3,898
Internal service funds	General Fund	<u>100,014</u>
	Total	<u>\$ 729,937</u>

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 6 - Interfund Receivables, Payables, and Transfers (Continued)

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Major Streets Fund	\$ 3,361
	Water and Sewer Fund	878
	Nonmajor enterprise funds	136,954
	Solid Waste Fund	180
	Nonmajor governmental funds	<u>577,378</u>
	Total General Fund (1)	718,751
Solid Waste Disposal	General Fund (2)	50,000
Nonmajor enterprise funds	General Fund (2)	5,000
Water and Sewer Fund	General Fund (2)	<u>25,000</u>
	Total	<u>\$ 798,751</u>

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
Long-term obligations:							
Employee compensated absences			\$ 856,820	\$ 522,839	\$ 603,305	\$ 776,354	\$ 565,072
Estimated liability for workers' compensation and health claims (Note 11)			178,338	1,499,814	1,371,722	306,430	-
Other postemployment benefit obligation (Note 9)			14,163,986	3,671,471	1,654,106	16,181,351	-
Total governmental activities			<u>\$ 15,199,144</u>	<u>\$ 5,694,124</u>	<u>\$ 3,629,133</u>	<u>\$ 17,264,135</u>	<u>\$ 565,072</u>
Business-type Activities							
Revenue bonds:							
2003 Revenue Bond:							
Amount of issue - \$5,300,000							
Maturing through 2022	3.13%	\$305,000	\$ 305,000	\$ -	\$ 305,000	\$ -	\$ -
2013 Revenue Refunding Bond:							
Amount of refunding - \$3,190,000	2.00% -	\$310,000 -					
Maturing through 2023	4.00%	\$415,000	3,190,000	-	-	3,190,000	310,000
2010 Drinking Water Revolving Fund Bond-7301-01:							
Amount of issue - \$1,915,991							
Maturing through 2030	2.50%	\$95,000 - \$135,000	1,830,606	-	95,000	1,735,606	95,000
2010 Drinking Water Revolving Fund - 7332-01:							
Amount of issue - \$60,497	2.50% -	\$165,000 -					
Maturing through 2029	3.95%	\$250,000	3,339,804	36,388	160,000	3,216,192	165,000
2012 State Revolving Fund Bond - 5365-01:							
Amount of issue - \$3,525,000							
Maturing through 2033	2.50%	\$140,000 - \$220,000	667,763	1,817,963	-	2,485,726	140,000
Total revenue bonds			9,333,173	1,854,351	560,000	10,627,524	710,000
Other long-term obligations:							
Employee compensated absences			81,112	39,745	52,348	68,509	44,057
Other postemployment benefit obligation (Note 9)			1,422,299	356,959	159,874	1,619,384	-
Estimated liability for workers' compensation and health claims (Note 11)			5,252	9,854	-	15,106	15,106
Bond premium			282,707	-	28,271	254,436	-
Total business-type activities			<u>\$ 11,124,543</u>	<u>\$ 2,260,909</u>	<u>\$ 800,493</u>	<u>\$ 12,584,959</u>	<u>\$ 769,163</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 7 - Long-term Debt (Continued)

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 revenue bonds. The bonds are payable solely from the net revenue of the water and sewer system. The remaining principal and interest to be paid on the bonds total \$3,722,700. During the current year, net revenue of the system was \$937,594 compared to the annual debt requirements of \$400,700.

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

Years Ending June 30	Business-type Activities		
	Principal	Interest	Total
2015	\$ 710,000	\$ 294,949	\$ 1,004,949
2016	725,000	278,687	1,003,687
2017	745,000	261,974	1,006,974
2018	760,000	244,849	1,004,849
2019	785,000	227,462	1,012,462
2020-2024	3,915,000	747,839	4,662,839
2025-2029	2,660,000	166,714	2,826,714
2030-2033	327,524	1,920	329,444
Total	<u>\$ 10,627,524</u>	<u>\$ 2,224,394</u>	<u>\$ 12,851,918</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 8 - 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	Total
<u>Statement of Net Position</u>				
Cash and cash equivalents	\$ 1,592,758	\$ 116,414	\$ 248,305	\$ 1,957,477
Investments:				
Mutual funds	5,704,646	-	-	5,704,646
U.S. government securities	6,031,456	-	-	6,031,456
Corporate bonds	128,755	-	-	128,755
Stocks	27,952,043	1,278,943	-	29,230,986
Accrued interest receivable	21,976	-	-	21,976
Contributions receivable	-	-	-	-
Accounts payable	(245,801)	(21,766)	-	(247,860)
Net position held in trust for pension and other employee benefits	<u>\$ 41,185,833</u>	<u>\$ 1,373,591</u>	<u>\$ 248,305</u>	<u>\$ 42,807,729</u>
	Pension Trust Fund	Supplementary Annuity Fund	OPEB Trust Fund	Total
<u>Statement of Changes in Net Position</u>				
Additions				
Investment income (loss):				
Interest and dividends	\$ 1,131,633	\$ -	\$ -	\$ 1,131,633
Net increase in fair market value	5,827,296	230,643	8,455	6,066,394
Less investment expenses	(333,809)	-	-	(333,809)
Total investment income	6,625,120	230,643	8,455	6,864,218
Contributions:				
Employer	888,696	277,776	-	1,166,472
Employee	275,809	-	83,031	358,840
Total contributions	1,164,505	277,776	83,031	1,525,312
Deductions - Pension payments	3,092,015	257,889	-	3,349,904
Net increase	4,697,610	250,530	91,486	5,039,626
Net position held in trust for pension and other employee benefits:				
Beginning of year	36,488,223	1,123,061	156,819	37,768,103
End of year	<u>\$ 41,185,833</u>	<u>\$ 1,373,591</u>	<u>\$ 248,305</u>	<u>\$ 42,807,729</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Other Postemployment Benefits

Plan Description - The City provides healthcare benefits to all full-time employees hired prior to August 2008 upon retirement or to individuals receiving system disability pensions, in accordance with various labor contracts. Currently, 184 individuals are eligible. This is a single-employer defined benefit plan administered by the City. The City includes pre-Medicare retirees and their dependents in its insured healthcare plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. The plan does not issue separate financial statements. Net OPEB obligations are typically paid from the funds from which the individual employee's salaries and wages are paid.

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

Funding Progress - For the year ended June 30, 2014, the City has estimated the cost of providing retiree health care benefits through an actuarial valuation as of June 30, 2013. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 3,482,819
Interest on the prior year's net OPEB obligation	545,520
Less adjustment to the annual required contribution	<u>(481,728)</u>
Annual OPEB cost	3,546,611
Amounts contributed	<u>(1,332,162)</u>
Increase in net OPEB obligation	2,214,450
Net OPEB obligation - Beginning of year	<u>15,586,284</u>
Net OPEB obligation - End of year	<u>\$ 17,800,734</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Other Postemployment Benefits (Continued)

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Employer Contributions	Net OPEB Obligation
			Percentage OPEB Costs Contributed	
6/30/10	6/30/07	\$ 5,019,996	39.0 %	\$ 6,306,844
6/30/11	6/30/07	5,373,634	33.1	9,899,408
6/30/12	6/30/10	4,377,838	26.2	12,798,911
6/30/13	6/30/10	4,244,997	34.3	15,586,284
6/30/14	6/30/13	3,546,611	37.6	17,800,734

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ -	\$ 60,894,963	\$ 60,894,963	-	\$ -	\$ -
6/30/10	-	57,033,150	57,033,150	-	5,454,568	1,045.6
6/30/13	-	52,414,605	52,414,605	-	5,003,250	1,047.6

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

Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented above, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 9 - Other Postemployment Benefits (Continued)

In the June 30, 2013 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8.5 percent initially, reduced by decrements to an ultimate rate of 4.5 percent after eight years. Both rates included a 4.0 percent inflation assumption. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percent of active member payroll on an open basis over a period of 30 years. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date and projected to the beginning of the fiscal year at the assumed rate of investment return.

Note 10 - Deferred Compensation Plan

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all full-time City employees, which permits them to defer a portion of their salary until future years. Payment of the deferred compensation is not available to employees until retirement, death, or unforeseeable emergency. As of June 30, 2014, employees who had elected to participate in the Plan had contributed \$5,312,543.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 11 - Risk Management (Continued)

Medical

The City is self-funding medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. The self-funding program is done in conjunction with the cities of Grosse Pointe Park, Grosse Pointe Farms, City of Grosse Pointe, and the Village of Grosse Pointe Shores. The City of Grosse Pointe Woods 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 Internal Service 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	
	2014	2013	2014	2013
Estimated liability - Beginning of year	\$ 108,323	\$ 138,347	\$ 75,267	\$ 119,869
Estimated claims incurred, including changes in estimates	133,684	24,586	1,375,984	1,246,945
Claim payments	<u>(129,442)</u>	<u>(54,610)</u>	<u>(1,242,280)</u>	<u>(1,291,547)</u>
Estimated liability - End of year	<u>\$ 112,565</u>	<u>\$ 108,323</u>	<u>\$ 208,971</u>	<u>\$ 75,267</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 12 - Joint Venture

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

The City's interest in the net position of the Authority totaled \$46,870 at June 30, 2013 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 13 - Pension Plan Descriptions

Pension Trust Fund

Plan Administration - The Grosse Pointe Woods Employee Retirement System Board administers the City of Grosse Pointe Woods Pension Plan - a single employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the City. Benefit terms have been established by negotiation with the City's competitive bargaining units and the Retirement System Ordinance.

Management of the Plan is vested in the Pension Board, which consists of five members: the mayor, one member of City Council, a resident appointed by the City Council, and two employees - one general and one public safety. Ex-officio members include the City Attorney and City Treasurer.

Plan Membership - At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	96
Inactive plan members entitled to but not yet receiving benefits	6
Active plan members	81

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Benefit terms are established by negotiation with the City's competitive bargaining units and the Retirement System Ordinance.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - Pension Plan Descriptions (Continued)

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. Contribution requirements of plan members are established and may be amended by the City ordinances and negotiation with the City's collective bargaining units. For the year ended June 30, 2014, the average active member contribution rate was 5 percent of annual pay for general employees and 6 percent for public safety employees, and the City's average contribution rate was 17.06 percent of annual payroll.

Supplemental Annuity Fund

Plan Administration - The Grosse Pointe Woods Employee Retirement System Board administers the City of Grosse Pointe Woods Pension Plan - a single employer defined benefit pension plan that provides pensions for all permanent full-time general and public safety employees of the City. Benefit terms have been established by negotiation with the City's competitive bargaining units and the Retirement System Ordinance.

Management of the Plan is vested in the Pension Board, which consists of five members: the mayor, one member of City Council, a resident appointed by the City Council, two employees-one general and one public safety. Ex-officio members include the City Attorney and City Treasurer.

Plan Membership - At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	-
Inactive plan members entitled to but not yet receiving benefits	-
Active plan members	57

Benefits Provided - The pension plan provides retirement, disability, and death benefits. Benefit terms are established as a negotiable item within the various union contracts. Amounts paid to the retiree range from \$3,000 annually for 10 years of service to \$4,800 maximum for 25 years of service.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 13 - Pension Plan Descriptions (Continued)

Contributions - Article 9, Section 24 of the State of Michigan Constitution requires that financial benefits arising on account of employee service rendered in each year be funded during that year. Accordingly, the Pension Board retains an independent actuary to determine the annual contribution. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The City pays 100 percent of the contribution made to the plan. The plan does not issue separate financial statements.

Note 14 - City Pension Cost - Pension Trust Fund

The plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City was required to make a contribution to the plan of \$888,696, exclusive of \$275,809 of employee contributions, which was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 888,696	\$ 767,521	\$ 743,380
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was 82.7 percent funded. The actuarial accrued liability for benefits was \$45 million, and the actuarial value of assets was \$37 million, resulting in an unfunded actuarial accrued liability of \$8 million. The covered payroll (annual payroll to active employees covered by the plan) was \$5 million.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 14 - City Pension Cost - Pension Trust Fund (Continued)

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.0 percent to 7.8 percent per year. The projected salary increases include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis. The remaining amortization period is 25 years perpetual.

Note 15 - City Pension Cost - Supplemental Annuity Fund

The plan does not issue a separate financial report.

Annual Pension Cost - For the year ended June 30, 2014, the City was required to make a contribution to the plan of \$277,776, which was equal to the City's required and actual contribution. The pension cost for the three most recent years is as follows:

	Fiscal Year Ended June 30		
	2014	2013	2012
Annual pension cost (APC)	\$ 277,776	\$ 245,862	\$ 238,579
Percentage of APC contributed	100.0 %	100.0 %	100.0 %
Net pension obligation	-	-	-

Funding Status and Funding Progress - As of June 30, 2013, the most recent actuarial valuation date, the plan was 35.1 percent funded. The actuarial accrued liability for benefits was \$3 million, and the actuarial value of assets was \$1 million, resulting in an unfunded actuarial accrued liability of \$2 million. The covered payroll (annual payroll to active employees covered by the plan) was \$5 million.

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

Actuarial Methods and Assumptions - The annual required contribution was determined as part of an actuarial valuation at June 30, 2012, using the entry age actuarial cost method. Significant actuarial assumptions used include (a) an 8 percent investment rate of return and (b) projected salary increases of 4.0 percent to 7.8 percent per year. The projected salary increases include an inflation component of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of short-term volatility over a five-year period. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 10 years.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Net Pension Liability of the City - Pension Trust Fund

The City reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

Total pension liability	\$ 45,452,820
Plan fiduciary net position	<u>41,280,482</u>
City's net position liability	<u>\$ 4,172,338</u>
Plan fiduciary net position as a percentage of the total pension liability	90.8 %

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4 %
Salary increases	4-7.8 % average, including inflation
Investment rate of return	8 % net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 uninsured pension mortality table, male and female. The actuary is in the process of considering the appropriateness of the mortality assumptions used.

Discount Rate - The discount rate used to measure the total pension liability was 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.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was not available.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 16 - Net Pension Liability of the City - Pension Trust Fund (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 discount rate of 8 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the City	\$ 9,634,956	\$ 4,172,338	\$ (390,864)

Note 17 - Net Pension Liability of the City - Supplemental Annuity Fund

The City reports pension expense based on funding requirements, as directed by GASB 27. Beginning next year, the City will adopt GASB 68 which will require the measurement of pension expense as it is earned, rather than as it is funded. The net pension liability of the City has been measured as of June 30, 2014 and is composed of the following:

Total pension liability	\$ 3,037,948
Plan fiduciary net position	<u>1,278,943</u>
City's net position liability	<u>\$ 1,759,005</u>
Plan fiduciary net position as a percentage of the total pension liability	42.1 %

Actuarial Assumptions - The total pension liability was determined by an actuarial valuation as of June 30, 2013, which used update procedures to roll forward the estimated liability to June 30, 2014. The valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	0 %
Salary increases	0 % average, including inflation
Investment rate of return	8 % net of pension plan investment expense, including inflation

Mortality rates were based on the 1994 uninsured pension mortality table. The actuary is in the process of considering the appropriateness of the mortality assumptions used.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 17 - Net Pension Liability of the City - Supplemental Annuity Fund (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 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. The actuary for the supplemental annuity is contemplating the appropriateness of a blended discount rate. The use of a blended discount rate is likely to result in a 1.0 percent reduction from the discount rate currently utilized. The impact of the 1.0 percent reduction in the supplemental annuity discount rate on that system's net pension liability is an approximate increase in the liability of \$610,000.

Projected Cash Flows

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

The long-term expected rate of return on pension plan investments was not available.

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 discount rate of 8 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7 percent) or one percentage point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
Net pension liability of the City	\$ 2,369,415	\$ 1,759,005	\$ 1,683,429

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 18 - Pension Plan Investments - Policy and Rate of Return

Pension Trust Fund

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, 2014:

	<u>Target Allocation</u>
Asset class:	
Domestic equity	70%
Fixed income	30%

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of plan investment expense, was 8.0 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Supplemental Annuity Fund

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, 2014:

	<u>Target Allocation</u>
Asset class:	
Domestic equity	70%
Fixed income	30%

Rate of Return - For the year ended June 30, 2014, the annual money-weighted rate of return on plan investments, net of plan investment expense, was 8.0 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2014

Note 19 - Upcoming Accounting Pronouncements

In June 2012, the GASB issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. Statement No. 68 requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. This net pension liability that will be recorded on the government-wide, proprietary, and discretely presented component units statements will be computed differently than the current unfunded actuarial accrued liability, using specific parameters set forth by the GASB. The Statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. The provisions of this Statement are effective for financial statements for the year ending June 30, 2015.

Required Supplemental Information

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,547,697	\$ 8,547,697	\$ 8,741,747	\$ 194,050
Licenses and permits	588,074	588,074	847,839	259,765
State-shared revenue and grants	1,302,200	1,302,200	1,406,990	104,790
Charges for services	110,890	110,890	114,559	3,669
Fines and forfeitures	576,000	576,000	355,121	(220,879)
Interest income	35,000	35,000	25,878	(9,122)
Other revenue	992,786	1,023,251	231,315	(791,936)
Transfers in	80,000	80,000	80,000	-
Total revenue	12,232,647	12,263,112	11,803,449	(459,663)
Expenditures				
Current:				
General government:				
City council	65,630	65,630	56,091	9,539
City comptroller	340,793	341,345	318,985	22,360
Commission	19,000	19,000	12,138	6,862
Municipal court	466,917	467,367	366,200	101,167
City assessor	263,110	263,335	344,901	(81,566)
City clerk	317,320	317,770	317,686	84
Building inspection	390,974	391,649	397,976	(6,327)
City attorney	226,567	226,567	144,535	82,032
Administration	213,213	213,438	215,065	(1,627)
Fringe benefits	208,201	208,201	254,672	(46,471)
Other services and charges	152,713	152,713	139,444	13,269
Total general government	2,664,438	2,667,015	2,567,693	99,322
Public safety:				
Police service	3,144,617	3,144,617	3,057,661	86,956
Fire prevention and inspection	23,950	23,950	11,315	12,635
Fringe benefits	1,435,166	1,444,621	1,314,676	129,945
Support service	155,151	155,151	128,178	26,973
Administration	248,464	248,464	249,409	(945)
Other services and charges	219,287	219,287	207,227	12,060
Total public safety	5,226,635	5,236,090	4,968,466	267,624

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Expenditures (Continued)				
Current (Continued):				
Public works:				
Street maintenance	\$ 178,571	\$ 178,571	\$ 150,926	\$ 27,645
Management information system	321,664	321,664	300,529	21,135
Forestry services	112,695	112,695	83,072	29,623
Other services and charges	1,259,589	1,259,797	1,401,170	(141,373)
Supervision and engineering	75,759	75,759	62,322	13,437
Fringe benefits	200,467	201,441	178,923	22,518
City building and grounds	143,651	143,651	145,925	(2,274)
Total public works	2,292,396	2,293,578	2,322,867	(29,289)
Parks and recreation:				
Other services and charges	28,747	28,747	28,701	46
Supervision and engineering	16,150	16,150	12,308	3,842
Lake Front Park	1,147,358	1,147,358	914,131	233,227
Fringe benefits	142,687	156,021	96,282	59,739
Community center	248,409	248,409	174,793	73,616
City parks	37,339	37,339	41,642	(4,303)
Total parks and recreation	1,620,690	1,634,024	1,267,857	366,167
Transfers out	1,014,344	1,018,469	718,751	299,718
Total expenditures	12,818,503	12,849,176	11,845,634	1,003,542
Net Change in Fund Balance	(585,856)	(586,064)	(42,185)	543,879
Fund Balance - Beginning of year	4,732,943	4,732,943	4,732,943	-
Fund Balance - End of year	\$ 4,147,087	\$ 4,146,879	\$ 4,690,758	\$ 543,879

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 600,000	\$ 600,000	\$ 648,809	\$ 48,809
Other revenue	39,000	39,000	41,129	2,129
Transfers in	130,456	131,317	3,361	(127,956)
Total revenue	769,456	770,317	693,299	(77,018)
Expenditures - Current -				
Public works				
Street construction	79,500	79,500	19,893	59,607
Routine maintenance	323,681	323,681	264,728	58,953
Winter maintenance	20,400	20,400	14,819	5,581
Traffic services	17,600	17,600	15,397	2,203
Administration	146,313	146,313	148,306	(1,993)
Fringe benefits	181,962	181,962	175,972	5,990
Total expenditures	769,456	769,456	639,115	130,341
Net Change in Fund Balance	-	861	54,184	53,323
Fund Balance - Beginning of year	305,326	305,326	305,326	-
Fund Balance - End of year	<u>\$ 305,326</u>	<u>\$ 306,187</u>	<u>\$ 359,510</u>	<u>\$ 53,323</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Disposal Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,217,288	\$ 1,217,288	\$ 1,209,968	\$ (7,320)
Interest income	2,000	2,000	2,584	584
Transfers	98,499	98,499	180	(98,319)
Other revenue	1,000	1,000	660	(340)
Total revenue	1,318,787	1,318,787	1,213,392	(105,395)
Expenditures - Current				
Public works:				
Solid waste	1,203,949	1,203,949	1,113,500	90,449
Fringe benefits	64,838	65,018	70,283	(5,265)
Total public works	1,268,787	1,268,967	1,183,783	85,184
Transfers out	50,000	50,000	50,000	-
Total expenditures	1,318,787	1,318,967	1,233,783	85,184
Net Change in Fund Balance	-	(180)	(20,391)	(20,211)
Fund Balance - Beginning of year	369,813	369,813	369,813	-
Fund Balance - End of year	\$ 369,813	\$ 369,633	\$ 349,422	\$ (20,211)

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2014

Pension Trust Fund

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 37,728,000	\$ 36,310,000	\$ (1,418,000)	103.9	\$ 5,739,000	(24.7)
6/30/09	37,149,000	40,417,000	3,268,000	91.9	6,214,000	52.6
6/30/10	36,074,000	41,541,000	5,467,000	86.8	5,546,000	98.6
6/30/11	37,667,000	42,738,000	5,071,000	88.1	5,249,000	96.6
6/30/12	37,369,000	44,747,000	7,378,000	83.5	5,210,000	141.6
6/30/13	37,171,000	44,950,000	7,779,000	82.7	5,003,000	155.5

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/08	9/23/09	\$ 1,016,356	100
6/30/09	2/24/10	1,115,843	100
6/30/10	2/27/11	754,106	100
6/30/11	2/21/12	786,228	100
6/30/12	2/21/12	743,380	100
6/30/13	11/9/12	767,521	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Amortization period (perpetual)	25 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.0% - 7.8%
*Includes inflation at	4.0%
Cost of living adjustments	2.5% - Compound

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress (Continued) Year Ended June 30, 2014

Supplemental Annuity Fund

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/08	\$ 869,000	\$ 2,836,000	\$ 1,967,000	30.6	\$ 5,739,000	34.3
6/30/09	905,000	2,882,000	1,977,000	31.4	6,214,000	31.8
6/30/10	989,000	2,975,000	1,986,000	33.2	5,545,000	35.8
6/30/11	1,155,000	3,040,000	1,885,000	38.0	5,249,000	35.9
6/30/12	1,087,000	3,125,000	2,038,000	34.8	5,249,000	38.8
6/30/13	1,078,000	3,069,000	1,991,000	35.1	5,003,000	39.8

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/09	9/24/10	\$ 246,823	100
6/30/10	2/27/11	213,202	100
6/30/11	2/21/12	227,345	100
6/30/12	2/21/12	238,579	100
6/30/13	11/9/12	245,862	100
6/30/14	6/30/13	277,776	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2013, the latest actuarial valuation, follows:

Actuarial cost method	Entry age, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	10 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.0% - 7.8%
*Includes inflation at	4.0%
Cost of living adjustments	2.5% - Compound for retirements effective on or after July 1, 1990

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Other Postemployment Benefits Schedule of Funding Progress Year Ended June 30, 2014

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ -	\$ 60,894,963	\$ 60,894,963	-	\$ -	N/A
6/30/10	-	57,033,150	57,033,150	-	5,545,568	1,028.4
6/30/13	-	52,414,605	52,414,605	-	5,003,250	1,047.6

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension Trust Fund Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$ 675,799	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	3,499,326	-	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(579,977)	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(3,092,014)	-	-	-	-	-	-	-	-	-
Net change in total pension liability	503,134	-	-	-	-	-	-	-	-	-
Total pension liability - Beginning of year	44,949,686	-	-	-	-	-	-	-	-	-
Total pension liability - End of year	<u>\$ 45,452,820</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 888,696	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	275,808	-	-	-	-	-	-	-	-	-
Net investment income	6,764,622	-	-	-	-	-	-	-	-	-
Administrative expenses	(44,753)	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(3,092,014)	-	-	-	-	-	-	-	-	-
Other	(100)	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	4,792,259	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - Beginning of year	36,488,223	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - End of year	<u>\$ 41,280,482</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Net Pension Liability - Ending	<u>\$ 4,172,338</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	90.82 %	- %	- %	- %	- %	- %	- %	- %	- %	- %
Covered Employee Payroll	\$ 4,411,702	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a % of Covered Employee Payroll	94.6 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

GASB 67 was implemented for the FYE June 30, 2014 and does not require retroactive implementation.

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension Trust Fund Schedule of Investment Returns Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Annual money-weighted rate of return, net of investment expense	8.0 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

GASB No. 67 was implemented for the FYE June 30, 2014 and does not require retroactive implementation.

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Supplemental Annuity Schedule of Changes in the City Net Pension Liability and Related Ratios Last Ten Fiscal Years

	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Total Pension Liability										
Service cost	\$ 33,212	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	236,533	-	-	-	-	-	-	-	-	-
Changes in benefit terms	-	-	-	-	-	-	-	-	-	-
Differences between expected and actual experience	(42,908)	-	-	-	-	-	-	-	-	-
Changes in assumptions	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(257,888)	-	-	-	-	-	-	-	-	-
Net change in total pension liability	(31,051)	-	-	-	-	-	-	-	-	-
Total pension liability - Beginning of year	3,068,999	-	-	-	-	-	-	-	-	-
Total pension liability - End of year	<u>\$ 3,037,948</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position										
Contributions - Employer	\$ 277,776	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions - Member	-	-	-	-	-	-	-	-	-	-
Net investment income	135,995	-	-	-	-	-	-	-	-	-
Administrative expenses	-	-	-	-	-	-	-	-	-	-
Benefit payments, including refunds	(257,888)	-	-	-	-	-	-	-	-	-
Other	65,927	-	-	-	-	-	-	-	-	-
Net change in plan fiduciary net position	221,810	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - Beginning of year	1,057,133	-	-	-	-	-	-	-	-	-
Plan fiduciary net position - End of year	<u>\$ 1,278,943</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
City's Net Pension Liability	<u>\$ 1,759,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Plan Fiduciary Net Position as a % of Total Pension Liability	42.10 %	-	-	-	-	-	-	-	-	-
Covered Employee Payroll	\$ 2,196,932	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's Net Pension Liability as a % of Covered Employee Payroll	80.1 %	-	-	-	-	-	-	-	-	-

GASB 67 was implemented for the FYE June 30, 2014 and does not require retroactive implementation. The actuary for the Supplemental Annuity is contemplating the appropriateness of a blended discount rate. The use of a blended discount rate is likely to result in a 1.0 percent reduction from the discount rate currently utilized. The impact of the 1.0 percent reduction in the Supplemental Annuity discount rate on that system's net pension liability is an approximate increase in the liability of \$610,000.

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Schedule of Investment Returns - Supplemental Annuity Last Ten Fiscal Years

	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Annual money-weighted rate of return, net of investment expense	8.0 %	- %	- %	- %	- %	- %	- %	- %	- %	- %

GASB 67 was implemented for the FYE June 30, 2014 and does not require retroactive implementation.

City of Grosse Pointe Woods, Michigan

Note to Required Supplemental Information Year Ended June 30, 2014

Budgetary Information - Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the General Fund, all special revenue funds, and debt service funds except for operating transfers which are budgeted as revenues 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 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.

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Net Change in Fund Balance</u>
<u>General Fund</u>			
Amounts per operating statement	\$ 12,084,235	\$ 11,797,093	\$ 287,142
Local Streets Fund budgeted separately from the General Fund	(356,483)	(612,581)	256,098
Cable franchise funds budgeted separately from the General Fund	(4,303)	(57,629)	53,326
Operating transfers budgeted as revenue and expenditures	80,000	718,751	(638,751)
Amounts per budget statement	<u>\$ 11,803,449</u>	<u>\$ 11,845,634</u>	<u>\$ (42,185)</u>
	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Net Change in Fund Balance</u>
<u>Major Streets Fund</u>			
Amounts per operating statement	\$ 689,938	\$ 639,115	\$ 50,823
Operating transfers budgeted as revenue and expenditures	3,361	-	3,361
Amounts per budget statement	<u>\$ 693,299</u>	<u>\$ 639,115</u>	<u>\$ 54,184</u>
	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Net Change in Fund Balance</u>
<u>Solid Waste Disposal</u>			
Amounts per operating statement	\$ 1,213,212	\$ 1,183,783	\$ 29,429
Operating transfers budgeted as revenue and expenditures	180	50,000	(49,820)
Amounts per budget statement	<u>\$ 1,213,392</u>	<u>\$ 1,233,783</u>	<u>\$ (20,391)</u>

City of Grosse Pointe Woods, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2014

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Grosse Pointe Woods incurred the following expenditures which were in excess of the amounts budgeted as a result of municipal street lighting costs:

	<u>Budget</u>	<u>Actual</u>
General Fund - Public Works	<u>\$ 2,293,578</u>	<u>\$ 2,322,867</u>

Other Supplemental Information

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Major Debt Service Fund - Grosse-Gratiot Drain Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,780,459	\$ 2,738,595	\$ 2,704,296	\$ (34,299)
Interest income	500	-	-	-
Total revenue	2,780,959	2,738,595	2,704,296	(34,299)
Expenditures				
Current - Public works	1,411,142	1,411,142	1,421,739	(10,597)
Debt service	-	-	828,847	(828,847)
Transfers out	120,000	120,000	-	120,000
Total expenditures	1,531,142	1,531,142	2,250,586	(719,444)
Net Change in Fund Balance	1,249,817	1,207,453	453,710	(753,743)
Fund Balance - Beginning of year	83,255	83,255	83,255	-
Fund Balance - End of year	<u>\$ 1,333,072</u>	<u>\$ 1,290,708</u>	<u>\$ 536,965</u>	<u>\$ (753,743)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Enterprise Funds Fund Descriptions

Special Revenue Funds

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

Ambulance Fund - This fund accounts for the operations and maintenance of the City-owned ambulance. Financing is a portion of the general City millage.

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

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

911 Emergency Service Fund - This fund accounts for monies expended to maintain and operate an emergency response system. Monies are received from the AT&T and WOW Phone companies, which levy 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.

Capital Projects Funds

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

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

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 Council.

Local Streets 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					
	Ambulance	Act 302		911	Drug	Parkway
	Fund	Training	Grants Fund	Emergency	Enforcement	Beautification
Assets						
Cash and investments	\$ 40,191	\$ 44,595	\$ 6,485	\$ 156,053	\$ 8,001	\$ 196,988
Accounts receivable and other assets	-	-	-	-	-	668
Due from other funds	-	3,067	-	-	-	552
Prepaid expenses and other assets	914	-	-	1,703	-	200
Total assets	\$ 41,105	\$ 47,662	\$ 6,485	\$ 157,756	\$ 8,001	\$ 198,408
Liabilities						
Accounts payable	\$ 2,511	\$ -	\$ -	\$ 416	\$ 175	\$ 30,246
Due to other funds	-	-	6,450	-	-	-
Accrued liabilities and other	5,944	-	-	1,600	-	-
Provision for claims	10,071	-	-	2,518	-	-
Total liabilities	18,526	-	6,450	4,534	175	30,246
Fund Balances						
Nonspendable - Prepays	914	-	-	1,703	-	200
Restricted:						
Public Safety	21,665	47,662	-	-	7,826	-
Community Development	-	-	35	-	-	-
Fireworks	-	-	-	-	-	79,102
Committed - Local Streets	-	-	-	-	-	-
Assigned:						
Public Safety	-	-	-	151,519	-	-
Capital Projects	-	-	-	-	-	-
Parkway Beautification	-	-	-	-	-	88,860
Total fund balances	22,579	47,662	35	153,222	7,826	168,162
Total liabilities and fund balances	\$ 41,105	\$ 47,662	\$ 6,485	\$ 157,756	\$ 8,001	\$ 198,408

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

<u>Capital Projects Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Municipal Improvement Fund</u>	<u>Funds</u>
\$ 10,706	\$ 463,019
6,025	6,693
390,000	393,619
-	2,817
<u>\$ 406,731</u>	<u>\$ 866,148</u>
\$ 19,791	\$ 53,139
-	6,450
-	7,544
-	12,589
<u>19,791</u>	<u>79,722</u>
-	2,817
-	77,153
-	35
-	79,102
11,500	11,500
-	151,519
375,440	375,440
-	88,860
<u>386,940</u>	<u>786,426</u>
<u>\$ 406,731</u>	<u>\$ 866,148</u>

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds			
	Ambulance Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service Fund
Revenue				
Property taxes	\$ 315,015	\$ -	\$ -	\$ -
Federal financial sources	-	-	6,483	-
State and local sources	-	6,417	-	-
Interest income	316	-	-	-
Other revenue	191,860	310	-	100,451
Total revenue	507,191	6,727	6,483	100,451
Expenditures - Current				
General government	174,367	-	6,450	25,286
Public safety	435,411	4,520	-	63,565
Municipal improvements	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	609,778	4,520	6,450	88,851
Excess of Revenue (Under) Over Expenditures	(102,587)	2,207	33	11,600
Other Financing Sources - Transfers in	563	-	-	113
Net Change in Fund Balances	(102,024)	2,207	33	11,713
Fund Balances - Beginning of year	124,603	45,455	2	141,509
Fund Balances - End of year	\$ 22,579	\$ 47,662	\$ 35	\$ 153,222

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014

<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Drug Enforcement Fund</u>	<u>Parkway Beautification Fund</u>	<u>Municipal Improvement Fund</u>	
\$ -	\$ -	\$ -	\$ 315,015
-	-	-	6,483
-	-	-	6,417
-	1,710	-	2,026
13,100	72,826	28,925	407,472
13,100	74,536	28,925	737,413
-	-	-	206,103
8,683	-	-	512,179
-	-	299,786	299,786
-	69,398	-	69,398
8,683	69,398	299,786	1,087,466
4,417	5,138	(270,861)	(350,053)
-	-	576,702	577,378
4,417	5,138	305,841	227,325
3,409	163,024	81,099	559,101
\$ 7,826	\$ 168,162	\$ 386,940	\$ 786,426

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Ambulance Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 216,397	\$ 216,397	\$ 315,015	\$ 98,618
Transfers	-	-	563	563
Interest income	4,000	4,000	316	(3,684)
Rental income	285,000	285,000	-	(285,000)
Other revenue	106,647	106,647	191,860	85,213
Total revenue	612,044	612,044	507,754	(104,290)
Expenditures - Current				
General government	176,840	177,403	174,367	3,036
Public safety	449,176	449,176	435,411	13,765
Total expenditures	626,016	626,579	609,778	16,801
Net Change in Fund Balance	(13,972)	(14,535)	(102,024)	(87,489)
Fund Balance - Beginning of year	124,603	124,603	124,603	-
Fund Balance - End of year	<u>\$ 110,631</u>	<u>\$ 110,068</u>	<u>\$ 22,579</u>	<u>\$ (87,489)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Act 302 Training Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 7,500	\$ 7,500	\$ 6,417	\$ (1,083)
Other revenue	500	500	310	(190)
Total revenue	8,000	8,000	6,727	(1,273)
Expenditures - Current - Public safety	8,000	8,000	4,520	3,480
Net Change in Fund Balance	-	-	2,207	2,207
Fund Balance - Beginning of year	45,455	45,455	45,455	-
Fund Balance - End of year	<u>\$ 45,455</u>	<u>\$ 45,455</u>	<u>\$ 47,662</u>	<u>\$ 2,207</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Grants Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Federal grants	\$ 7,000	\$ 7,000	\$ 6,483	\$ (517)
Expenditures - Current - General government - Contractual services	<u>7,000</u>	<u>7,000</u>	<u>6,450</u>	<u>550</u>
Net Change in Fund Balance	-	-	33	33
Fund Balance - Beginning of year	<u>2</u>	<u>2</u>	<u>2</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 2</u></u>	<u><u>\$ 2</u></u>	<u><u>\$ 35</u></u>	<u><u>\$ 33</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 911 Emergency Service Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 89,760	\$ 89,760	\$ 100,451	\$ 10,691
Expenditures - Current				
General government	28,901	29,014	25,286	3,728
Public safety	60,859	60,859	63,565	(2,706)
Total expenditures	<u>89,760</u>	<u>89,873</u>	<u>88,851</u>	<u>1,022</u>
Excess of Revenue (Under) Over Expenditures	-	(113)	11,600	11,713
Other Financing Sources -				
Transfers in	-	113	113	-
Net Change in Fund Balance	-	-	11,713	11,713
Fund Balance - Beginning of year	<u>141,509</u>	<u>141,509</u>	<u>141,509</u>	<u>-</u>
Fund Balance - End of year	<u><u>\$ 141,509</u></u>	<u><u>\$ 141,509</u></u>	<u><u>\$ 153,222</u></u>	<u><u>\$ 11,713</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Enforcement Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 1,000	\$ 1,000	\$ 13,100	\$ 12,100
Expenditures - Current - Public safety	1,000	1,000	8,683	(7,683)
Net Change in Fund Balance	-	-	4,417	4,417
Fund Balance - Beginning of year	3,409	3,409	3,409	-
Fund Balance - End of year	<u>\$ 3,409</u>	<u>\$ 3,409</u>	<u>\$ 7,826</u>	<u>\$ 4,417</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Parkway Beautification Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 3,550	\$ 3,550	\$ 1,710	\$ (1,840)
Other revenue	66,725	66,725	72,826	6,101
Total revenue	70,275	70,275	74,536	4,261
Expenditures - Current - Parks and recreation	70,275	70,275	69,398	877
Net Change in Fund Balance	-	-	5,138	5,138
Fund Balance - Beginning of year	163,024	163,024	163,024	-
Fund Balance - End of year	<u>\$ 163,024</u>	<u>\$ 163,024</u>	<u>\$ 168,162</u>	<u>\$ 5,138</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Municipal Improvement Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 75,700	\$ 75,700	\$ 28,925	\$ (46,775)
Expenditures - Current - Municipal improvements	<u>92,560</u>	<u>92,560</u>	<u>299,786</u>	<u>(207,226)</u>
Excess of Expenditures Over Revenue	(16,860)	(16,860)	(270,861)	(254,001)
Other Financing Sources - Transfers in	<u>16,860</u>	<u>576,702</u>	<u>576,702</u>	<u>-</u>
Net Change in Fund Balance	-	559,842	305,841	(254,001)
Fund Balance - Beginning of year	<u>81,099</u>	<u>81,099</u>	<u>81,099</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 81,099</u>	<u>\$ 640,941</u>	<u>\$ 386,940</u>	<u>\$ (254,001)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Streets Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 240,000	\$ 240,000	\$ 265,806	\$ 25,806
Interest income	100	100	-	(100)
Other revenue	516,084	516,084	90,677	(425,407)
Total revenue	756,184	756,184	356,483	(399,701)
Expenditures - Current				
Public works:				
Routine maintenance	230,547	230,547	207,245	23,302
Traffic services	24,000	24,000	7,203	16,797
Winter maintenance	38,600	38,600	45,378	(6,778)
Administration	184,202	184,202	170,488	13,714
Fringe benefits	166,375	167,247	147,436	19,811
Municipal improvements	101,500	101,500	34,831	66,669
Total expenditures	745,224	746,096	612,581	133,515
Net Change in Fund Balance	10,960	10,088	(256,098)	(266,186)
Fund Balance - Beginning of year	197,459	197,459	197,459	-
Fund Balance - End of year	\$ 208,419	\$ 207,547	\$ (58,639)	\$ (266,186)

Note - As a result of GASB No. 54, the Local Streets Fund is now merged with the General Fund for reporting purposes but is budgeted as a separate fund.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Cable Franchise Fund Budgetary Comparison Schedule Year Ended June 30, 2014

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Interest income	\$ -	\$ -	\$ 4,303	\$ 4,303
Expenditures - Current - Public works - Streets	-	-	57,629	(57,629)
Net Change in Fund Balance	-	-	(53,326)	(53,326)
Fund Balance - Beginning of year	586,140	586,140	586,140	-
Fund Balance - End of year	<u>\$ 586,140</u>	<u>\$ 586,140</u>	<u>\$ 532,814</u>	<u>\$ (53,326)</u>

Note - As a result of GASB No. 54, the Cable Franchise Fund is now merged with the General Fund for reporting purposes but is budgeted as a separate fund

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Enterprise Funds Fund Descriptions

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

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

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

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Position Nonmajor Enterprise Funds June 30, 2014

	Parking Meter Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 676,975	\$ 260,319	\$ 143,450	\$ 1,080,744
Receivables	2,202	-	-	2,202
Prepaid expenses and other assets	2,718	-	-	2,718
Total current assets	681,895	260,319	143,450	1,085,664
Noncurrent assets - Depreciable capital assets - Capital assets	276,902	237,773	-	514,675
Total assets	958,797	498,092	143,450	1,600,339
Liabilities				
Current liabilities:				
Accounts payable	675	1,065	-	1,740
Due to other funds	-	16,500	-	16,500
Accrued liabilities and other	2,363	406	-	2,769
Compensated absences	6,264	-	-	6,264
Total current liabilities	9,302	17,971	-	27,273
Noncurrent liabilities:				
Compensated absences	5,306	-	-	5,306
Other postemployment benefit obligation	323,710	-	-	323,710
Total noncurrent liabilities	329,016	-	-	329,016
Total liabilities	338,318	17,971	-	356,289
Net Position				
Net investment in capital assets	276,902	237,773	-	514,675
Unrestricted	343,577	242,348	143,450	729,375
Total net position	<u>\$ 620,479</u>	<u>\$ 480,121</u>	<u>\$ 143,450</u>	<u>\$ 1,244,050</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, 2014

	Parking Meter Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Operating Revenue				
Fees and violations	\$ 292,351	\$ -	\$ -	\$ 292,351
Dockings and launching fees	-	126,052	-	126,052
Commodity sales	-	-	34,214	34,214
Other revenue	474	-	-	474
	<u>292,825</u>	<u>126,052</u>	<u>34,214</u>	<u>453,091</u>
Total operating revenue				
Operating Expenses				
Operation and maintenance	85,333	57,918	-	143,251
General and administrative	94,994	-	-	94,994
Charges from internal service funds	-	7,550	-	7,550
Depreciation	15,464	32,051	-	47,515
	<u>195,791</u>	<u>97,519</u>	<u>-</u>	<u>293,310</u>
Total operating expenses				
Operating Income	97,034	28,533	34,214	159,781
Nonoperating Revenue	4,674	-	-	4,674
Income - Before contributions	101,708	28,533	34,214	164,455
Transfers In	136,729	225	-	136,954
Transfers Out	-	(5,000)	-	(5,000)
Change in Net Position	238,437	23,758	34,214	296,409
Net Position - Beginning of year	382,042	456,363	109,236	947,641
Net Position - End of year	<u>\$ 620,479</u>	<u>\$ 480,121</u>	<u>\$ 143,450</u>	<u>\$ 1,244,050</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2014

	Parking Meter Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 292,825	\$ 126,088	\$ 34,214	\$ 453,127
Receipts from interfund services and reimbursements	-	6,500	-	6,500
Payments to suppliers	(85,283)	(64,871)	-	(150,154)
Payments to employees	(58,382)	(164)	-	(58,546)
Internal activity - Payments to other funds	(103)	-	(316)	(419)
Other payments	(2,718)	-	-	(2,718)
Net cash provided by operating activities	146,339	67,553	33,898	247,790
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	136,729	225	-	136,954
Transfers to other funds	-	(5,000)	-	(5,000)
Net cash provided by (used in) noncapital financing activities	136,729	(4,775)	-	131,954
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	(136,277)	(11,957)	-	(148,234)
Cash Flows from Investing Activities - Interest received on investments	2,744	-	-	2,744
Net Increase in Cash and Cash Equivalents	149,535	50,821	33,898	234,254
Cash and Cash Equivalents - Beginning of year	527,440	209,498	109,552	846,490
Cash and Cash Equivalents - End of year	\$ 676,975	\$ 260,319	\$ 143,450	\$ 1,080,744
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 97,034	\$ 28,533	\$ 34,214	\$ 159,781
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	15,464	32,051	-	47,515
Changes in assets and liabilities:				
Receivables	(2,718)	-	-	(2,718)
Due from others	-	6,500	-	6,500
Accounts payable	(2,551)	597	-	(1,954)
Due to others	(103)	-	(316)	(419)
Accrued and other liabilities	39,213	(128)	-	39,085
Net cash provided by operating activities	\$ 146,339	\$ 67,553	\$ 33,898	\$ 247,790

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Internal Service Funds Fund Descriptions

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

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

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Net Position Internal Service Funds June 30, 2014

	Motor Vehicle Fund	Workers' Compensation Fund	Total
Assets			
Current assets:			
Cash and investments	\$ 2,121,839	\$ 678,341	\$ 2,800,180
Accrued interest receivable	3,676	1,164	4,840
Due from other funds	99,891	123	100,014
Prepaid expenses and other assets	4,519	49,342	53,861
Total current assets	2,229,925	728,970	2,958,895
Noncurrent assets - Depreciable capital assets	501,442	-	501,442
Total assets	2,731,367	728,970	3,460,337
Liabilities			
Current liabilities:			
Accounts payable	16,153	1,036	17,189
Accrued liabilities and other	23,514	-	23,514
Total current liabilities	39,667	1,036	40,703
Noncurrent liabilities:			
Provision for claims	2,518	112,565	115,083
Other postemployment benefit obligation	487,738	-	487,738
Total noncurrent liabilities	490,256	112,565	602,821
Total liabilities	529,923	113,601	643,524
Net Position			
Net investment in capital assets	501,442	-	501,442
Unrestricted	1,700,002	615,369	2,315,371
Total net position	\$ 2,201,444	\$ 615,369	\$ 2,816,813

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, 2014

	Motor Vehicle Fund	Workers' Compensation Fund	Total
Operating Revenue			
Other revenue	\$ 4,800	\$ -	\$ 4,800
Revenue and billings to other funds	1,058,924	-	1,058,924
Total operating revenue	1,063,724	-	1,063,724
Operating Expenses			
Insurance expense and contractual services	5,438	133,684	139,122
Vehicle operation and maintenance	481,477	39,457	520,934
General and administrative	166,201	-	166,201
Depreciation	162,699	-	162,699
Total operating expenses	815,815	173,141	988,956
Operating Income (Loss)	247,909	(173,141)	74,768
Nonoperating Revenue			
Interest income	5,601	5,493	11,094
Gain on disposal of asset	190	-	190
Total nonoperating revenue	5,791	5,493	11,284
Change in Net Position	253,700	(167,648)	86,052
Net Position - Beginning of year	1,947,744	783,017	2,730,761
Net Position - End of year	\$ 2,201,444	\$ 615,369	\$ 2,816,813

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2014

	Motor Vehicle Fund	Workers' Compensation Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,063,724	\$ 10,715	\$ 1,074,439
(Payments to) receipts from interfund services and reimbursements	(100,555)	132	(100,423)
Payments to suppliers	(190,090)	(131,525)	(321,615)
Payments to employees	(385,997)	(60,358)	(446,355)
Claims incurred but not paid	1,643	20,000	21,643
Other payments	(4,024)	-	(4,024)
	<u>384,701</u>	<u>(161,036)</u>	<u>223,665</u>
Net cash provided by (used in) operating activities			
	384,701	(161,036)	223,665
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of capital assets	190	-	190
Purchase of capital assets	(47,211)	-	(47,211)
	<u>(47,021)</u>	<u>-</u>	<u>(47,021)</u>
Net cash used in capital and related financing activities			
	(47,021)	-	(47,021)
Cash Flows from Investing Activities - Interest received on investments	5,601	5,493	11,094
	<u>5,601</u>	<u>5,493</u>	<u>11,094</u>
Net Increase (Decrease) in Cash and Cash Equivalents	343,281	(155,543)	187,738
Cash and Cash Equivalents - Beginning of year	1,778,558	833,884	2,612,442
	<u>1,778,558</u>	<u>833,884</u>	<u>2,612,442</u>
Cash and Cash Equivalents - End of year	<u>\$ 2,121,839</u>	<u>\$ 678,341</u>	<u>\$ 2,800,180</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 247,909	\$ (173,141)	\$ 74,768
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	162,699	-	162,699
Changes in assets and liabilities:			
Receivables	(4,024)	10,715	6,691
Due from others	(100,555)	132	(100,423)
Prepaid and other assets	-	1,123	1,123
Accounts payable	16,953	1,036	17,989
Estimated claims liability	1,643	20,000	21,643
Accrued and other liabilities	60,076	(20,901)	39,175
	<u>60,076</u>	<u>(20,901)</u>	<u>39,175</u>
Net cash provided by (used in) operating activities	<u>\$ 384,701</u>	<u>\$ (161,036)</u>	<u>\$ 223,665</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Fiduciary Funds Fund Descriptions

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 held by the City government in a trustee capacity or as an agent for individuals, private organizations, other governments, and/or other funds.

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

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Statement of Net Position Fiduciary Funds June 30, 2014

	Pension Trust Funds			
	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	Total Pension Trust Funds
Assets				
Cash and cash equivalents	\$ 1,592,758	\$ 116,414	\$ 248,305	\$ 1,957,477
Investments:				
U.S. government securities	6,031,456	-	-	6,031,456
Stocks	27,952,043	1,278,943	-	29,230,986
Bonds	128,755	-	-	128,755
Mutual funds	5,704,646	-	-	5,704,646
Receivables - Accrued interest receivable	21,976	-	-	21,976
Total assets	41,431,634	1,395,357	248,305	43,075,296
Liabilities - Accounts payable	245,801	21,766	-	267,567
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 41,185,833	\$ 1,373,591	\$ 248,305	\$ 42,807,729

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2014

	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	Total
Additions				
Investment income:				
Interest and dividends	\$ 1,131,633	\$ -	\$ -	\$ 1,131,633
Net increase in fair market value	5,827,296	230,643	8,455	6,066,394
Less investment expenses	(333,809)	-	-	(333,809)
Net investment income	6,625,120	230,643	8,455	6,864,218
Contributions:				
Employer	888,696	277,776	-	1,166,472
Employee	275,809	-	83,031	358,840
Net contributions	1,164,505	277,776	83,031	1,525,312
Total additions	7,789,625	508,419	91,486	8,389,530
Deductions - Pension payments	3,092,015	257,889	-	3,349,904
Net Increase in Net Assets Held in Trust	4,697,610	250,530	91,486	5,039,626
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	36,488,223	1,123,061	156,819	37,768,103
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 41,185,833</u>	<u>\$ 1,373,591</u>	<u>\$ 248,305</u>	<u>\$ 42,807,729</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2014

	Wayne County Tax Fund	Cash Bond Escrow Fund	Total
Assets			
Cash and cash equivalents	\$ 337	\$ 1,338	\$ 1,675
Receivables - Due from other governmental units	17,382	-	17,382
Total assets	<u>\$ 17,719</u>	<u>\$ 1,338</u>	<u>\$ 19,057</u>
Liabilities			
Due to other governmental units	\$ 17,719	\$ -	\$ 17,719
Court bonds payable	-	1,338	1,338
Total liabilities	<u>\$ 17,719</u>	<u>\$ 1,338</u>	<u>\$ 19,057</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2014

	Balance at July 1, 2013	Additions	Reductions	Balance at June 30, 2014
<u>Wayne County Tax Fund</u>				
Assets - Cash and investments	\$ 24,595	\$ 41,947,232	\$ (41,954,108)	\$ 17,719
Liabilities - Due to other governmental units	\$ 24,595	\$ 41,947,232	\$ (41,954,108)	\$ 17,719
<u>Cash Bond Escrow Fund</u>				
Assets - Cash and investments	\$ 17,633	\$ 54,505	\$ (70,800)	\$ 1,338
Liabilities - Court bonds payable	\$ 17,633	\$ 54,505	\$ (70,800)	\$ 1,338
<u>Agency Funds</u>				
Assets - Cash and investments	\$ 42,228	\$ 42,001,737	\$ (42,024,908)	\$ 19,057
Liabilities				
Due to other governmental units	\$ 24,595	\$ 41,947,232	\$ (41,954,108)	\$ 17,719
Court bonds payable	17,633	54,505	(70,800)	1,338
Total liabilities	\$ 42,228	\$ 42,001,737	\$ (42,024,908)	\$ 19,057

Statistical Section

City of Grosse Pointe Woods, Michigan

Statistical and Continuing Disclosure Contents

Statistical Information

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

1. **Financial Trend Information**

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

Net Position by Component	103
Changes in Governmental Activities, Business-type Activities, and Primary Government Net Position	104-105
Fund Balances of Governmental Funds	106-107*
Changes in Fund Balances of Governmental Funds	108-109

2. **Revenue Capacity Information**

These schedules contain information to help the reader assess the factors affecting the City's ability to generate its main income source - property taxes.

General Governmental Revenue History	110
Property Tax Levies and Collections	111*
Assessed Value and Actual Value of Taxable Property	112*
Direct and Overlapping Property Tax Rates	113-114*
Principal Property Taxpayers (Major Taxpayers)	115*

3. **Debt Capacity Information**

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

Ratios of Outstanding Debt by Type	116-117
Pledged-revenue Coverage	118
Ratios of General Bonded Debt Outstanding	119*
Direct and Overlapping Debt	120
Legal Debt Margin	121-122

4. **Demographic and Economic Information**

These schedules present various demographic and economic indicators for the reader to understand the environment within the City that affect the City's financial statements.

Demographic and Economic Statistics	123
Principal Employers	124*

City of Grosse Pointe Woods, Michigan

Statistical and Continuing Disclosure Contents (Continued)

5. Operating Information

These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.

Full-time Equivalent Government Employees by Function	125
Operating Indicators by Function	126-127
Capital Asset Statistics by Function	128

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.

State-shared Revenue	129
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Labor Agreements	131
Water and Sewer Customers and Consumption	132
Historical Net Earnings, Cash Flow, and Debt Service Coverage	133
Water Usage and Revenue of the Ten Largest Customers	134
Metered Water Rates	135

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

City of Grosse Pointe Woods, Michigan

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Net investment in capital assets	\$ 12,611,930	\$ 16,543,166	\$ 19,660,463	\$ 24,238,535	\$ 25,835,044	\$ 26,744,399	\$ 26,918,168	\$ 26,908,007	\$ 27,096,926	\$26,303,935
Restricted	6,368,884	4,540,093	1,935,523	2,018,840	782,422	727,050	772,268	923,644	924,572	835,294
Unrestricted	4,080,522	4,804,341	5,897,053	4,549,297	1,596,786	64,083	(2,595,090)	(4,608,002)	(6,341,023)	(7,745,764)
Total net position	<u>\$ 23,061,336</u>	<u>\$ 25,887,600</u>	<u>\$ 27,493,039</u>	<u>\$ 30,806,672</u>	<u>\$ 28,214,252</u>	<u>\$ 27,535,532</u>	<u>\$ 25,095,346</u>	<u>\$ 23,223,649</u>	<u>\$ 21,680,475</u>	<u>\$ 19,393,465</u>
Business-type Activities										
Net investment in capital assets	\$ 16,548,499	\$ 17,634,292	\$ 17,640,281	\$ 18,626,103	\$ 18,921,503	\$ 18,573,221	\$ 18,345,231	\$ 18,585,076	\$ 18,451,087	\$ 18,458,605
Restricted	-	-	453,789	453,789	453,789	453,789	425,500	397,500	349,500	319,000
Unrestricted	2,298,649	1,434,870	1,524,686	1,484,347	1,191,484	1,802,604	2,461,914	3,213,270	4,232,956	5,465,819
Total net position	<u>\$ 18,847,148</u>	<u>\$ 19,069,162</u>	<u>\$ 19,618,756</u>	<u>\$ 20,564,239</u>	<u>\$ 20,566,776</u>	<u>\$ 20,829,614</u>	<u>\$ 21,232,645</u>	<u>\$ 22,195,846</u>	<u>\$ 23,033,543</u>	<u>\$ 24,243,424</u>
Primary Government in Total										
Net investment in capital assets	\$ 29,160,429	\$ 34,177,458	\$ 37,300,744	\$ 42,864,638	\$ 44,756,547	\$ 45,317,620	\$ 45,263,399	\$ 45,493,083	\$ 45,548,013	\$ 44,762,540
Restricted	6,368,884	4,540,093	2,389,312	2,472,629	1,236,211	1,180,839	1,197,768	1,321,144	1,274,072	1,154,294
Unrestricted	6,379,171	6,239,211	7,421,739	6,033,644	2,788,270	1,866,687	(133,176)	(1,394,732)	(2,108,067)	(2,279,945)
Total net position	<u>\$ 41,908,484</u>	<u>\$ 44,956,762</u>	<u>\$ 47,111,795</u>	<u>\$ 51,370,911</u>	<u>\$ 48,781,028</u>	<u>\$ 48,365,146</u>	<u>\$ 46,327,991</u>	<u>\$ 45,419,495</u>	<u>\$ 44,714,018</u>	<u>\$ 43,636,889</u>

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
General government	\$ 3,517,801	\$ 2,252,445	\$ 2,330,401	\$ 2,924,641	\$ 4,609,178	\$ 3,042,077	\$ 3,422,593	\$ 3,092,280	\$ 3,207,643	\$ 3,130,925
Public safety	5,445,354	5,426,841	6,506,973	5,990,280	7,525,431	7,899,396	7,912,560	7,153,532	6,869,020	6,553,852
Public works	3,401,183	4,777,246	4,346,770	4,128,878	5,027,700	5,215,575	5,655,876	6,016,942	5,841,495	6,091,819
Solid waste	1,460,884	1,352,824	1,390,686	1,473,425	1,366,272	1,315,293	1,087,987	1,121,417	1,152,236	1,150,743
Municipal improvement	44,676	30,127	196,696	270,819	386,989	59,724	130,849	191,180	63,982	307,290
Recreation and culture	1,872,760	2,014,389	2,386,985	2,040,528	2,370,954	2,181,206	1,967,708	1,717,327	1,827,426	1,554,898
Interest on long-term debt	283,417	271,234	207,182	238,813	153,736	113,653	72,814	40,214	17,369	830,255
Total governmental activities expenses	<u>16,026,075</u>	<u>16,125,106</u>	<u>17,365,693</u>	<u>17,067,384</u>	<u>21,440,260</u>	<u>19,826,924</u>	<u>20,250,387</u>	<u>19,332,892</u>	<u>18,979,171</u>	<u>19,619,782</u>
Business-type activities:										
Water/Sewer	4,660,181	4,848,148	5,096,980	5,230,033	5,239,746	4,853,312	5,044,337	5,059,715	5,432,429	5,420,387
Parking	375,660	331,892	325,058	293,746	316,991	241,562	198,866	237,150	207,597	195,791
Boat dock	235,846	277,276	144,289	146,403	121,541	85,257	73,870	74,172	69,894	97,519
Commodity sales	84,762	186,296	52,789	46,518	45,185	68,571	30,689	26,018	40,085	-
Total business-type activities expenses	<u>5,356,449</u>	<u>5,643,612</u>	<u>5,619,116</u>	<u>5,716,700</u>	<u>5,723,463</u>	<u>5,248,702</u>	<u>5,347,762</u>	<u>5,397,055</u>	<u>5,750,005</u>	<u>5,713,697</u>
Total primary government expenses	<u>21,382,524</u>	<u>21,768,718</u>	<u>22,984,809</u>	<u>22,784,084</u>	<u>27,163,723</u>	<u>25,075,626</u>	<u>25,598,149</u>	<u>24,729,947</u>	<u>24,729,176</u>	<u>25,333,479</u>
Program Revenue										
Governmental activities:										
Charges for services:										
Municipal court	717,903	876,197	768,596	805,958	831,454	894,768	774,390	909,241	667,782	593,962
Building inspections and related	154,376	276,150	-	-	-	-	-	-	-	-
Recreation and culture	135,335	150,630	158,763	-	-	69,507	102,037	120,304	119,399	107,161
Other activities	1,743,905	1,326,003	509,323	872,235	675,914	826,085	435,796	541,545	639,214	614,984
Operating grants and contributions	81,447	41,464	1,011,171	943,139	908,512	873,343	886,569	907,211	912,762	943,540
Total governmental activities program revenue	<u>2,832,966</u>	<u>2,670,444</u>	<u>2,447,853</u>	<u>2,621,332</u>	<u>2,415,880</u>	<u>2,663,703</u>	<u>2,198,792</u>	<u>2,478,301</u>	<u>2,339,157</u>	<u>2,259,647</u>
Business-type Activities										
Charges for services:										
Water/Sewer	4,523,148	4,558,523	4,696,657	4,594,730	4,878,913	4,856,083	5,405,036	5,976,950	6,144,410	6,339,551
Parking	348,865	336,895	266,067	293,453	242,765	221,657	201,166	193,812	301,696	292,825
Boat dock	169,621	173,153	164,601	162,468	146,872	141,338	132,715	130,778	129,805	126,052
Commodity sales	81,683	-	-	-	48,410	45,560	40,225	40,918	37,922	34,214
Capital grants and contributions	-	-	125,373	731,943	146,962	-	-	-	-	-
Total business-type program revenue	<u>5,123,317</u>	<u>5,068,571</u>	<u>5,252,698</u>	<u>5,782,594</u>	<u>5,463,922</u>	<u>5,264,638</u>	<u>5,779,142</u>	<u>6,342,458</u>	<u>6,613,833</u>	<u>6,792,642</u>
Total primary government program revenue	<u>7,956,283</u>	<u>7,739,015</u>	<u>7,700,551</u>	<u>8,403,926</u>	<u>7,879,802</u>	<u>7,928,341</u>	<u>7,977,934</u>	<u>8,820,759</u>	<u>8,952,990</u>	<u>9,052,289</u>
Net (Expense) Revenue										
Governmental activities	(13,193,109)	(13,454,662)	(14,917,840)	(14,446,052)	(19,024,380)	(17,163,221)	(18,051,595)	(16,854,591)	(16,640,014)	(17,360,135)
Business-type activities	(233,132)	(575,041)	(366,418)	65,894	(259,541)	15,936	431,380	945,403	863,828	1,078,945
Total primary government net expense	<u>\$ (13,426,241)</u>	<u>\$ (14,029,703)</u>	<u>\$ (15,284,258)</u>	<u>\$ (14,380,158)</u>	<u>\$ (19,283,921)</u>	<u>\$ (17,147,285)</u>	<u>\$ (17,620,215)</u>	<u>\$ (15,909,188)</u>	<u>\$ (15,776,186)</u>	<u>\$ (16,281,190)</u>

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

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

	Fiscal Year									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
General Revenue										
Governmental activities:										
Property taxes	\$ 12,742,873	\$ 14,083,603	\$ 15,181,945	\$ 15,551,944	\$ 14,468,721	\$ 15,002,660	\$ 13,536,960	\$ 12,817,647	\$ 12,869,618	\$ 12,971,861
State-shared revenue	2,594,918	2,608,124	1,682,742	1,667,431	1,645,722	1,391,898	1,420,431	1,482,102	1,500,662	1,521,267
Investment earnings	219,518	246,448	238,139	733,693	153,512	44,655	63,272	63,694	27,817	46,301
Donations	139,312	97,251	-	-	-	-	-	-	-	-
Franchise fees	-	-	230,453	238,054	271,953	295,688	320,426	262,837	380,964	340,268
Other	-	-	-	-	-	-	234,820	368,060	287,779	301,260
Transfers	(754,000)	(754,500)	(810,000)	(802,000)	(218,060)	(250,400)	35,500	(11,446)	30,000	(107,832)
Total governmental activities	<u>14,942,621</u>	<u>16,280,926</u>	<u>16,523,279</u>	<u>17,389,122</u>	<u>16,321,848</u>	<u>16,484,501</u>	<u>15,611,409</u>	<u>14,982,894</u>	<u>15,096,840</u>	<u>15,073,125</u>
Business-type activities:										
Unrestricted investment earnings	24,480	42,555	106,012	79,589	21,534	11,960	7,151	6,352	3,869	21,104
Other	-	-	-	-	-	-	-	-	-	2,000
Transfers	754,000	754,500	810,000	802,000	218,060	250,400	(35,500)	11,446	(30,000)	107,832
Total business-type activities	<u>778,480</u>	<u>797,055</u>	<u>916,012</u>	<u>881,589</u>	<u>239,594</u>	<u>262,360</u>	<u>(28,349)</u>	<u>17,798</u>	<u>(26,131)</u>	<u>130,936</u>
Total primary government	<u>15,721,101</u>	<u>17,077,981</u>	<u>17,439,291</u>	<u>18,270,711</u>	<u>16,561,442</u>	<u>16,746,861</u>	<u>15,583,060</u>	<u>15,000,692</u>	<u>15,070,709</u>	<u>15,204,061</u>
Change in Net Position										
Governmental activities	1,749,512	2,826,264	1,605,439	2,943,070	(2,702,532)	(678,720)	(2,440,186)	(1,871,697)	(1,543,174)	(2,287,010)
Business-type activities	545,348	222,014	549,594	947,483	(19,947)	278,296	403,031	963,201	837,697	1,209,881
Total primary government	<u>\$ 2,294,860</u>	<u>\$ 3,048,278</u>	<u>\$ 2,155,033</u>	<u>\$ 3,890,553</u>	<u>\$ (2,722,479)</u>	<u>\$ (400,424)</u>	<u>\$ (2,037,155)</u>	<u>\$ (908,496)</u>	<u>\$ (705,477)</u>	<u>\$ (1,077,129)</u>

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

	Fiscal Year				
	2005	2006	2007	2008	2009
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ 37,750
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved:					
Designated	-	-	500,000	673,600	-
Undesignated	4,889,093	4,674,366	2,862,514	2,367,734	2,311,090
Total General Fund	4,889,093	4,674,366	3,362,514	3,041,334	2,348,840
All Other Governmental Funds					
Designated:					
Special Revenue Funds	-	-	317,247	77,609	247,647
Capital Project Funds	-	-	35,000	19,060	63,850
Nonspendable					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Committed					
Reserved	4,113,798	4,040,089	-	-	-
Unreserved, reported in:					
Special Revenue Funds	1,317,011	674,931	3,395,765	2,390,161	1,223,726
Capital Project Funds	138,075	-	50,033	210,272	167,083
Debt Service Funds	-	-	970,061	1,176,240	1,180,314
Total General Fund and all other governmental funds	\$ 10,457,977	\$ 9,389,386	\$ 8,130,620	\$ 6,914,676	\$ 5,231,460

Source: City annual financial statements

* Fund balance classifications were changed as a result of implementation of GASB No. 54.

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

		Fiscal Year							
		2010	2011*	2012*	2013*	2014*			
\$	99,767	\$	6,111	\$	4,325	\$	121,380	\$	138,757
	-		125,329		143,811		207,961		317,432
	-		949,395		1,198,046		1,751,490		953,821
	-		3,896,333		3,853,739		3,435,761		3,754,923
	-		-		-		-		-
	3,205,975		-		-		-		-
	3,305,742		4,977,168		5,199,921		5,516,592		5,164,933
	320,417		-		-		-		-
	-		-		-		-		-
	-		765,921		19,390		-		17,002
	-		447,234		905,950		924,572		829,037
	-		-		313,424		375,123		1,152,784
	-		-		14,850		17,750		33,500
	-		-		-		-		-
	1,124,603		-		-		-		-
	116,162		-		-		-		-
	763,214		-		-		-		-
\$	5,630,138	\$	6,190,323	\$	6,453,535	\$	6,834,037	\$	7,197,256

City of Grosse Pointe Woods, Michigan

	Fiscal Year			
	2005	2006	2007	2008
Revenue				
Property taxes	\$ 12,742,873	\$ 14,083,603	\$ 14,727,101	\$ 15,082,641
State and local sources	2,594,914	2,608,124	2,565,900	2,481,832
Intergovernmental taxes	-	-	-	-
Delinquent interest and collection fee income	306,283	325,632	350,413	395,910
Federal financial assistance	81,447	41,464	20,564	-
Other revenue	2,445,239	2,303,348	1,929,902	2,193,987
Investment income	219,518	246,448	238,678	731,478
Donations	139,312	97,251	-	-
Total revenue	18,529,586	19,705,870	19,832,558	20,885,848
Expenditures				
Current:				
General government	2,253,072	2,342,482	3,013,153	3,749,368
Public safety	4,988,001	5,408,713	5,042,765	4,717,501
Public works	816,472	875,237	906,530	964,247
Recreation and culture	1,635,410	1,750,909	2,936,496	1,686,488
Miscellaneous	7,307,338	7,526,139	7,800,076	7,197,683
Capital outlay	283,238	393,476	196,696	270,819
Debt administration:				
Principal	3,867,764	1,406,272	1,458,497	2,823,747
Interest	-	271,234	252,109	260,502
Total expenditures	21,151,295	19,974,462	21,606,322	21,670,355
Excess of Revenue (Under) Over Expenditures	(2,621,709)	(268,592)	(1,773,764)	(784,507)
Other Financing Sources (Uses)				
Debt issuance/proceeds from sale of capital assets	-	-	1,325,000	-
Transfers in	3,461,977	4,102,869	5,091,500	3,170,034
Transfers out	(4,225,940)	(4,902,869)	(5,901,500)	(3,972,034)
Total other financing sources (uses)	(763,963)	(800,000)	515,000	(802,000)
Net Change in Fund Balances	(3,385,672)	(1,068,592)	(1,258,764)	(1,586,507)
Fund Balances - Beginning of year (as restated)	13,843,648	10,457,976	9,389,384	8,501,183 *
Fund Balances - End of year	\$ 10,457,976	\$ 9,389,384	\$ 8,130,620	\$ 6,914,676
Debt service as a percentage of noncapital expenditures	18.53%	8.57%	7.99%	14.41%

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

Source: City annual financial statements
Govt Funds: stmt rev, exp & chgs in FB

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

		Fiscal Year									
		2009	2010	2011	2012	2013	2014				
\$	14,093,330	\$	14,471,027	\$	13,525,921	\$	12,816,628	\$	12,868,677	\$	12,971,026
	2,382,912		2,197,887		2,209,151		2,220,847		2,263,244		2,328,022
	-		-		-		-		-		-
	293,797		511,840		-		-		-		-
	31,646		11,090		8,083		7,621		6,800		6,483
	1,986,433		2,153,729		1,968,095		2,363,851		2,166,176		2,088,772
	143,074		43,829		54,524		54,762		21,988		34,791
	-		-		-		-		-		-
	18,931,192		19,389,402		17,765,774		17,463,709		17,326,885		17,429,094
	3,764,577		2,580,898		2,728,228		2,726,596		2,884,058		2,773,796
	4,866,702		5,640,372		6,067,173		5,723,312		5,453,295		5,480,645
	887,819		950,521		5,618,581		5,824,444		5,905,623		6,202,883
	1,784,052		1,682,472		1,581,537		1,353,885		1,421,895		1,337,255
	5,467,476		5,529,332		-		-		-		-
	1,526,933		677,778		247,983		209,044		124,082		334,617
	1,552,022		1,539,247		1,152,522		1,185,797		1,173,754		828,847
	157,014		117,379		72,597		43,949		14,676		-
	20,006,595		18,717,999		17,468,621		17,067,027		16,977,383		16,958,043
	(1,075,403)		671,403		297,153		396,682		349,502		471,051
	-		-		-		500		1,000		-
	2,325,500		1,753,164		1,525,287		1,012,880		385,501		660,919
	(3,031,190)		(2,038,124)		(1,384,779)		(1,024,326)		(355,501)		(768,751)
	(705,690)		(284,960)		140,508		(10,946)		31,000		(107,832)
	(1,781,093)		386,443		437,661		385,736		380,502		363,219
	7,024,788		5,243,695		5,630,138		6,067,799		6,453,535		6,834,037
\$	5,243,695	\$	5,630,138	\$	6,067,799	\$	6,453,535	\$	6,834,037	\$	7,197,256
	9.25%		9.18%		7.54%		7.76%		7.53%		5.14%

City of Grosse Pointe Woods, Michigan

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

Fiscal Year	General Property Taxes	Inter-governmental Revenue	Licenses and Permits	Federal Financial Assistance	Charges for Services	Interest and Miscellaneous	Total Revenue
2005	\$ 12,742,873	\$ 2,594,914	\$ 306,283	\$ 81,447	\$ 2,445,239	\$ 358,830	\$ 18,529,586
2006	14,083,603	2,608,124	325,632	41,464	2,303,348	343,699	19,705,870
2007	14,727,101	2,565,900	350,413	20,564	1,929,902	238,678	19,832,558
2008	15,082,641	2,481,832	395,910	-	2,193,987	731,478	20,885,848
2009	14,093,330	2,382,912	293,797	31,646	1,986,433	143,074	18,931,192
2010	14,471,027	2,197,887	511,840	11,090	2,153,729	43,829	19,389,402
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

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

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

Fiscal Year Ended June 30	Property Tax Levy	Current Tax Collections (1)	Percent Collected Current	Delinquent Tax Collections by Levy Year (2)	Total Tax Collections	Percent of Total Collections to Levy
2005	\$ 12,740,052	\$ 12,423,359	97.51	\$ 274,573	\$ 12,697,932	99.67
2006	14,033,157	13,660,396	97.34	323,441	13,983,837	99.65
2007	14,443,049	13,923,377	96.40	316,822	14,240,199	98.60
2008	14,931,695	14,474,262	96.94	446,046	14,920,308	99.92
2009	14,249,802	13,789,085	96.77	460,717	14,249,802	100.00
2010	14,465,586	13,993,400	96.74	472,187	14,465,587	100.00
2011	12,964,347	12,565,830	96.93	398,519	12,964,348	100.00
2012	12,178,436	11,860,159	97.39	318,277	12,178,436	100.00
2013	11,994,577	11,722,371	97.73	272,206	11,994,577	100.00
2014	12,364,679	12,083,808	97.73	280,871	12,364,680	100.00

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

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

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

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

Taxable Value by Property Type (1)								
Real Property								
Tax Year	Residential	Commercial	Industrial	Personal	Total Value	Tax Rate (Mills)	Estimated Actual Value	Taxable Value as a Percent of Total
2005	\$ 943,491,400	\$ 65,834,100	\$ 110,100	\$ 19,677,000	\$ 1,029,112,600	17.2597	\$ 2,058,225,200	50.00%
2006	767,561,190	55,621,330	89,670	15,270,200	838,542,390	17.2368	2,045,984,860	40.98%
2007	791,370,826	59,280,398	92,987	16,723,700	867,467,911	17.2368	2,054,582,340	42.22%
2008	772,678,570	61,718,263	95,125	14,187,800	848,679,758	16.7917	1,851,127,312	45.85%
2009	703,687,882	63,418,163	99,310	13,775,117	780,980,472	18.5417	1,561,960,944	50.00%
2010	622,799,835	61,345,908	99,012	15,022,091	699,266,846	18.5417	1,398,533,692	50.00%
2011	539,673,504	63,125,634	100,695	14,263,900	617,163,733	19.7082	1,234,327,466	50.00%
2012	523,811,319	64,481,399	103,413	15,534,000	603,930,131	20.4542	1,207,860,262	50.00%
2013	523,323,200	62,355,800	105,800	15,577,600	601,362,400	20.6834	1,202,724,800	50.00%
2014	534,100,330	71,785,000	107,400	12,500,000	618,492,730	18.8883	1,236,985,460	50.00%

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

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

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Millage Rates - Direct City Taxes (1)						Overlapping Taxes		
Tax Year	General Operating	Voted EMS	Voted Park Bond	Statutory Solid Waste	Ch 20/21 Milk River Drain	Total Direct Taxes	County	H.C.M.A.
2005	10.2108	0.3690	0.5656	1.8443	4.2700	17.2597	8.4200	0.2146
2006	10.1847	0.3578	0.5665	1.8807	4.2471	17.2368	8.4120	0.2146
2007	10.1847	0.3578	0.5665	1.8807	4.2471	17.2958	8.4120	0.2146
2008	10.1847	0.3578	0.5665	1.8807	3.9986	17.0473	8.5120	0.2146
2009	11.2957	0.3578	0.5665	1.8807	2.6320	16.7917	8.5120	0.2146
2010	12.5012	0.3578	0.5665	1.8807	3.8050	19.1702	8.5120	0.2146
2011	13.0012	0.3578	-	1.8807	4.4685	19.7082	8.5120	0.2146
2012	13.5432	0.3578	-	2.0251	4.5281	20.4542	8.7120	0.2146
2013	13.5212	0.5280	-	2.0251	4.5281	20.6024	8.7120	0.2146
2014	14.1063	-	-	2.0251	2.7340	18.8654	8.7120	0.2146

(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	0.6100	2.6859	n/a
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Source: Comptroller's office

* 2014 Wayne County millage estimate at 2013 numbers, since no new information available on 9/30/14--WC rates avail in Nov

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

Overlapping Taxes					Total Tax Rate (2)	
Community College	Grosse Pointe Library	Intermediate School District	School District Principal	School District Nonprincipal	Principal	Non-principal
2.4769	1.5000	3.4643	14.5498	26.2851	47.8853	59.6206
2.4769	1.5413	3.4643	14.5498	26.2851	47.8957	59.6310
2.4769	1.5412	3.4643	14.5498	26.2851	47.9546	59.6899
2.4769	1.5412	3.4643	14.0165	26.2499	47.2728	59.5062
2.4769	1.5412	3.4643	14.2900	26.3496	47.2907	59.3503
2.4769	1.5412	3.4643	14.2900	26.3496	49.6692	61.7288
2.2408	1.5412	3.4643	15.5790	26.6750	51.2601	62.3561
2.2408	2.0012	3.4643	16.0882	26.7587	53.1753	63.8458
3.2408	2.0412	3.4643	16.0890	26.7852	54.3643	65.0605
3.2408	2.0412	3.4643	15.9166	26.7550	52.4549	63.2933

City of Grosse Pointe Woods, Michigan

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

Taxpayer	Type of Business	2014 Taxable Value	Percentage of Total City Value	2004 Taxable Value	Percentage of Total
1 Rivers GP Development LLC	Assisted Living	\$ 13,872,000	0.02	N/A	0.0000
2 Health Care Reit Inc	Assisted Living	7,507,500	0.01	N/A	0.0000
3 Pointe Plaza	Office Bldg	4,729,500	0.01	\$ 3,915,380	0.0052
4 Detroit Edison	Utility	3,302,800	0.01	3,854,650	0.0052
5 Michigan Cons. Gas Co.	Utility	2,539,000	0.00	2,696,430	0.0036
6 Comerica	Bank	1,926,500	0.00	2,541,190	0.0034
7 Lochmoor Club	Private Club	1,753,700	0.00	4,416,220	0.0059
8 A H Peters Funeral Home	Mortuary	1,655,900	0.00	1,188,850	0.0016
9 GP Hunt Club	Private Club	1,417,000	0.00	1,248,430	0.0017
10 Kroger Co. of Mich.	Grocery	<u>1,194,500</u>	0.00	<u>3,024,120</u>	0.0040
Total		<u>\$ 39,898,400</u>	<u>0.065</u>	<u>\$ 22,885,270</u>	<u>0.0306</u>
Total City Taxable Value		<u>\$ 618,492,730</u>		<u>\$ 747,319,492</u>	

Source: City of Grosse Pointe Woods Assessing Department records

City of Grosse Pointe Woods, Michigan

	2005	2006	2007	2008	2009
Governmental Activities					
General obligation bonds (GOB)	\$ 2,155,000	\$ 1,750,000	\$ 1,320,000	\$ 880,000	\$ 420,000
GOB installment note	-	-	1,325,000	-	-
GOB contract - Wayne County Drain	8,860,199	7,858,927	6,830,430	5,771,683	4,679,661
Total	11,015,199	9,608,927	9,475,430	6,651,683	5,099,661
Business-type Activities					
Installment purchase agreements	-	-	-	-	-
2010 DWRF Bonds	-	-	-	-	-
2012 SRF Bonds	-	-	-	-	-
Revenue bonds	5,705,000	5,510,000	5,300,000	5,050,000	4,795,000
Total	5,705,000	5,510,000	5,300,000	5,050,000	4,795,000
Total debt of the government	\$ 16,720,199	\$ 15,118,927	\$ 14,775,430	\$ 11,701,683	\$ 9,894,661
Total taxable value (1)	\$ 813,304,250	\$ 838,542,390	\$ 867,467,911	\$ 847,756,558	\$ 780,980,472
Ratio of total debt to taxable value	2.06%	1.80%	1.70%	1.38%	1.27%
Total population	17,080	17,080	17,080	17,080	17,080
Total debt per capita	\$ 979	\$ 885	\$ 865	\$ 685	\$ 579

(1) Personal income is not available

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

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

2010	2011	2012	2013	2014
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>3,560,414</u>	<u>2,407,892</u>	<u>1,222,095</u>	-	-
3,560,414	2,407,892	1,222,095	-	-
-	-	-	-	-
1,976,488	2,723,141	4,195,364	5,170,410	4,951,798
4,530,000	4,255,000	3,975,000	667,763 3,975,000	2,485,726 3,190,000
<u>6,506,488</u>	<u>6,978,141</u>	<u>8,170,364</u>	<u>9,813,173</u>	<u>10,627,524</u>
<u>\$ 10,066,902</u>	<u>\$ 9,386,033</u>	<u>\$ 9,392,459</u>	<u>\$ 9,813,173</u>	<u>\$ 10,627,524</u>
\$ 699,266,846	\$ 617,163,733	\$ 603,930,131	\$ 601,362,400	\$ 618,492,730
1.44%	1.52%	1.56%	1.63%	1.72%
17,080	16,135	16,135	16,135	16,135
\$ 589	\$ 582	\$ 582	\$ 608	\$ 659

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Pledged-revenue Coverage Last Ten Fiscal Years

Debt Service Requirements (3)

Fiscal Years Ended June 30	Gross Revenue (1)	Applicable Expenses (2)	Net Revenue	Principal	Interest	Total	Coverage
2005	\$ 4,523,148	\$ 4,463,250	\$ 59,898	\$ 205,000	\$ 196,933	\$ 401,933	0.15 (4)
2006	4,558,523	4,255,169	303,354	195,000	186,296	381,296	0.80 (4)
2007	4,696,657	4,310,669	385,988	210,000	172,524	382,524	1.01
2008	4,594,730	4,430,308	164,422	-	170,079	170,079	0.97 (4)
2009	4,878,913	4,414,039	464,874	-	164,167	164,167	2.83
2010	4,856,083	4,031,251	824,832	265,000	160,115	425,115	1.94
2011	5,405,036	4,164,564	1,240,472	275,000	151,741	426,741	2.91
2012	5,976,950	4,116,499	1,860,451	370,000	223,209	593,209	3.14
2013	6,144,410	5,168,865	975,545	290,000	135,279	425,279	2.29
2014	6,311,280	5,029,027	1,282,253	305,000	92,188	397,188	3.23

Notes

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

Source: CAFR, Statement of changes in revenue, expenditures and net position, Proprietary Funds

City of Grosse Pointe Woods, Michigan

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

Fiscal Years Ended June 30	Population Per Federal Census	Adjusted Taxable Equalized Valuation	General Obligation Bonds Outstanding	Percent Debt to Assessed Value	Debt Per Capita
2005	17,080	\$ 813,304,250	\$ 11,015,199	1.35%	\$ 645
2006	17,080	838,542,390	9,608,927	1.15%	563
2007	17,080	867,467,911	9,475,430	1.09%	555
2008	17,080	847,756,558	6,651,683	0.78%	389
2009	17,080	780,980,472	5,099,661	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%	-

Source: Comptroller's Office

(1) Based upon 2010 federal census

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Direct and Overlapping Debt June 30, 2014

	Debt Outstanding	Percent Applicable to City	Estimated Share of Overlapping Debt
Direct debt, general obligation debt	\$ 10,627,524	100.00	\$ 10,627,524
Overlapping debt:			
Grosse Pointe Public Library	13,365,000	24.13	3,224,975
Grosse Pointe Public Schools	43,785,000	24.13	10,565,321
County of Wayne Building Authority and Debt Fund	341,632,130	1.51	5,158,645
Wayne County Community College	-	2.42	-
Total overlapping debt	<u>398,782,130</u>		<u>18,948,941</u>
Total direct and overlapping debt	<u>\$ 409,409,654</u>		<u>\$ 29,576,465</u>

Source: Municipal Advisory Council of Michigan

City of Grosse Pointe Woods, Michigan

	2005	2006	2007	2008
Calculation of Debt Limit (1)				
Taxable valuation	\$ 778,377,290	\$ 813,304,250	\$ 867,467,911	\$ 847,756,558
Debt limit (10% of equalized value)	77,837,729	81,330,425	86,746,791	84,775,656
Calculation of Debt Subject to Limit				
Total debt	16,720,199	15,118,927	14,775,430	11,701,684
Less Debt Not Subject to Charter Limitations				
Michigan Transportation Fund Bonds	-	-	-	-
Water and Sewer Revenue Bonds 1993	405,000	210,000	-	-
Grosse-Gratiot Drain/Milk River Debt	8,860,199	7,858,927	6,830,430	5,771,684
Water/Sewer Installment Note	-	-	-	-
2010 DWRF Bonds	-	-	-	-
2012 SRF Bonds	-	-	-	-
Water/Sewer Revenue Bonds 2003	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,050,000</u>
Total debt not subject to Charter limitations	<u>14,565,199</u>	<u>13,368,927</u>	<u>12,130,430</u>	<u>10,821,684</u>
Total net debt (2)	<u>2,155,000</u>	<u>1,750,000</u>	<u>2,645,000</u>	<u>880,000</u>
Legal debt margin	<u>\$ 75,682,729</u>	<u>\$ 79,580,425</u>	<u>\$ 84,101,791</u>	<u>\$ 83,895,656</u>
Net debt subject to limit as percentage of debt limit	2.85%	2.20%	3.14%	1.05%

(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

Debt Capacity Information
Legal Debt Margin
Last Ten Fiscal Years

2009	2010	2011	2012	2013	2014
\$ 780,980,472	\$ 699,266,846	\$ 617,163,733	\$ 603,930,131	\$ 601,362,400	\$ 618,492,730
78,098,047	69,926,685	61,716,373	61,716,373	62,331,330	62,331,330
9,894,661	10,280,414	9,386,033	9,392,459	9,333,173	10,627,524
-	-	-	-	-	-
-	-	-	-	-	-
4,679,661	3,560,414	2,407,892	1,222,097	-	-
-	-	-	-	-	-
-	1,976,488	2,723,141	4,195,364	5,170,410	4,951,798
4,795,000	4,530,000	4,255,000	3,975,000	667,763	2,485,726
<u>9,474,661</u>	<u>10,066,902</u>	<u>9,386,033</u>	<u>9,392,461</u>	<u>3,495,000</u>	<u>3,190,000</u>
<u>420,000</u>	<u>213,512</u>	<u>-</u>	<u>(2)</u>	<u>-</u>	<u>-</u>
<u>\$ 77,678,047</u>	<u>\$ 69,713,173</u>	<u>\$ 61,716,373</u>	<u>\$ 61,716,375</u>	<u>\$ 62,331,330</u>	<u>\$ 62,331,330</u>
0.54%	0.31%	0.00%	0.00%	0.00%	0.00%

City of Grosse Pointe Woods, Michigan

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

Fiscal Year	Population	Personal Income (in thousands)	Estimated Number of Households	Per Capita Personal Income	Median Age	Unemployment Rate	School Enrollment
2005	17,080 (1)	(5)	(5)	\$ 44,720	(5)	1.74%	8,986
2006	17,080 (1)	(5)	(4)	46,151	(4)	3.26%	8,912
2007	17,080 (1)	(5)	6,420	(5)	(5)	4.60%	8,873
2008	17,080 (1)	(5)	(5)	(5)	(5)	9.30%	8,900 (3)
2009	17,080 (1)	(5)	(5)	(5)	(5)	14.10%	8,900 (3)
2010	17,080 (1)	(5)	(5)	(5)	(5)	14.10%	8,900 (3)
2011	16,135 (2)	(5)	6,396	(5)	(5)	12.70%	8,900 (3)
2012	16,135 (2)	(5)	6,416	(5)	(5)	11.40%	8,900 (3)
2013	16,135 (2)	(5)	6,819	(5)	(5)	11.40%	8,900 (3)
2014	16,135 (2)	(5)	6,819	(5)	(5)	11.40%	8,900 (3)

(1) 2000 population from U.S. Census

(2) 2010 population from U.S. Census

(3) Estimate

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

(5) Information not available

City of Grosse Pointe Woods, Michigan

Demographic and Economic Information Principal Employers

Taxpayer	Enterprise	2010 Employees	Percentage of Total Employment	2000 Employees	2004 Rank
1 GP Public School	School	384	10.63%	(I)	(I)
2 Van Elslander Center	Medical	250	6.92%	(I)	(I)
3 Kroger	Grocery	159	4.40%	(I)	(I)
4 Sunrise Assisted Living	Medical	140	3.87%	(I)	(I)
5 University of Liggett	School	128	3.54%	(I)	(I)
6 Great Lakes Cancer Mgt Specialist	Medical	103	2.85%	(I)	(I)
7 Lochmoor Club	Country Club	100	2.77%	(I)	(I)
8 St. John I.T. & Desktop Support	Medical Business	100	2.77%	(I)	(I)
9 Grosse Pointe Hunt Club	Private Club	80	2.21%	(I)	(I)
10 City of Grosse Pointe Woods	Municipal	79	2.19%	(I)	(I)
Total People Employed in City		2014	3,614		

(I) Data from 2004 is not readily available

Source: City Business License Registry

City of Grosse Pointe Woods, Michigan

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

Department	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	Percent of Total for 2014
Supervisor/Administrator	(2)	3	3	2	2	2	2	2	2	2	0.02
Assessing	(2)	2	2	2	2	1	1	1	1	1	0.01
Clerk's Office	(2)	3	3	3	3	3	3	3	3	3	0.04
Treasurer's Office	(2)	6	5	5	4	5	4	4	4	4	0.05
Municipal Court	(2)	3	3	3	3	3	3	3	3	3	0.04
Information Systems	(2)	2	2	2	2	2	2	2	2	2	0.02
Building	(2)	3	3	3	3	3	3	3	3	3	0.04
Parks and Recreation	(2)	4	4	4	3	2	2	2	2	2	0.02
Public Safety (3)	(2)	52	54	54	52	50	44	43	42	39	0.49
Public Works	(2)	27	25	25	25	28	26	23	22	22	0.27
Total	<u>-</u>	<u>105</u>	<u>104</u>	<u>103</u>	<u>99</u>	<u>99</u>	<u>90</u>	<u>86</u>	<u>84</u>	<u>81</u>	<u>100.00</u>

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

(2) Data not available

(3) PS includes EMTs since they were on payroll through 6-30-14

Source: City personnel records

City of Grosse Pointe Woods, Michigan

Function/Program	2005	2006	2007	2008
Public safety (calendar year Jan 1 - Dec 31):			(3)	
Police physical arrests	770	478	805	676
Police traffic violations	6,045	2,887	4,181	4,635
Fire runs	80	39	55	71
Fire actual fires	16	4	4	14
Fire basic ambulance runs	466	466	424	368
Fire Advance Life Support ambulance runs	263	169	328	356
Fire inspections	53	66	215	180
Parks and recreation (estimated):				
Recreation programs - Lake Front Park	338	428	406	426
Community center programs	22	24	24	40
Water:				
New connections (calendar year Jan 1 - Dec 31)	5	3	5	1
Water main breaks	(1)	(1)	(1)	36
Total consumption (billed to customers - HCF)- FY	920,271	1,006,841	874,908	932,395

(1) Information not available

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

(3) Information is reported on calendar year.

Source: City Departmental Operational Reports

Operating Information
Operating Indicators by Function
Last Ten Fiscal Years

2009	2010	2011	2012	2013	2014
				(3)	(3)
727	486	507	357	374	(2)
5,106	3,146	3,182	1,986	1,883	(2)
53	56	62	139	242	(2)
12	17	12	15	14	(2)
474	543	753	715	523	(2)
328	359	403	362	361	(2)
183	77	144	78	104	(2)
415	392	362	359	267	261
41	41	53	42	67	57
-	-	-	-	1	16
19	20	22	28	35	34
804,221	750,096	791,987	746,113	813,574	724,717

City of Grosse Pointe Woods, Michigan

Operating Information Capital Asset Statistics by Function

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	8	8	8
Fire trucks	3	3	3	3	3	3	3	3	3	3
Ambulances	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Acreage	92	92	92	92	92	92	92	92	92	92
Playgrounds	5	5	5	5	5	5	5	5	5	5
Soccer fields	2	2	2	2	2	2	2	2	2	2
Baseball/Softball diamonds	5	5	5	5	5	5	5	5	5	5
Water:										
Mains (miles)	60	60	63	63	63	63	63	63	63	63
Fire hydrants	603	603	606	603	603	603	603	603	603	608
Sewer - Miles of sanitary sewers	75	75	78	78	78	78	78	78	78	78

Source: Departmental annual reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure State-shared Revenue Last Ten Fiscal Years

<u>Fiscal Years Ended</u>	<u>Modified Accrual and Accrual Basis of Accounting</u>
2005	\$ 1,655,968
2006	1,682,170
2007	1,570,567
2008	1,584,047
2009	1,514,040
2010	1,339,744
2011	1,452,878
2012	1,352,529
2013	1,363,026
2014	1,413,776

Source: Comptroller's office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Gas and Weight Taxes Last Ten Fiscal Years

Fiscal Years Ended June 30	Type of Street		Total Gas and Weight Tax (Act 51) Receipts
	Major	Local	
2005	\$ 665,770	\$ 273,506	\$ 939,276
2006	656,119	269,835	925,954
2007	700,767	288,920	989,687
2008	636,344	261,441	897,785
2009	612,785	251,769	864,554
2010	602,084	247,497	849,581
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

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Labor Agreements June 30, 2014

Bargaining Unit	Expiration Date	6/30/2014 Number of Employees
Police Officers Association of Michigan Represents police officers	6/30/2014	22
Command Officers Association of Michigan Represents police corporals, sergeants, and lieutenants	6/30/2014	7
Police Officers Labor Council Represents all paramedics/fire specialists and dispatchers	6/30/2014	7
Technical, Professional and Office Workers Assn of MI TPOAM Represents clerical, public works employees, building, and ordinance officers	6/30/2014	24
Nonunion Employees (Full-time)		
City Administrator	N/A	1
Confidential Secretary to City Administrator	N/A	1
City Assessor	N/A	1
Treasurer/Comptroller	N/A	1
Accounting Manager	N/A	1
Utility Billing Manager	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
Information Systems Technician	N/A	1
Building Official	N/A	1
Director of Public Works	N/A	1
Assistant Director of PW	N/A	1
Foreman	N/A	1
Recreation Supervisor	N/A	1
Confidential Administrative Assistant	N/A	<u>3</u>
		21

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Labor Agreements June 30, 2014

Bargaining Unit	Expiration Date	6/30/2014 Number of Employees
Police Officers Association of Michigan Represents police officers	6/30/2014	22
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City Administrator	N/A	1
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City Assessor	N/A	1
Treasurer/Comptroller	N/A	1
Accounting Manager	N/A	1
Utility Billing Manager	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
Information Systems Technician	N/A	1
Building Official	N/A	1
Director of Public Works	N/A	1
Assistant Director of PW	N/A	1
Foreman	N/A	1
Recreation Supervisor	N/A	1
Confidential Administrative Assistant	N/A	<u>3</u>
		<u>21</u>

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Water and Sewer Customers and Consumption June 30, 2014

<u>User Type</u>	<u>Number of Meters</u>	<u>Water Consumption Volume (100 cubic feet)</u>	<u>Percentage of Consumption</u>
Residential	6,545	6,291	86.81%
Commercial	286	692	9.55%
Churches, schools, and government	26	264	3.64%
Total	6,857	7,247	100.00%

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Historical Net Earnings, Cash Flow, and Debt Service Coverage June 30, 2014

Fiscal Years Ended June 30	Operating Expenses		Net Operating Income	Other Non- operating Income (I)	Annual	Annual Revenue Debt Service Requirements	Annual Coverage
	Operating Expense	Exclusive of Depreciation			Income Available for Debt Service		
2005	\$ 4,523,148	\$ 4,463,250	\$ 59,898	\$ 251,133	\$ 311,031	\$ 401,933	0.77
2006	4,558,523	4,255,169	303,354	504,551	807,905	381,296	2.12
2007	4,696,657	4,310,669	385,988	52,093	438,081	262,789	1.67
2008	4,594,730	4,430,308	164,422	26,241	190,663	420,079	0.45
2009	4,878,913	4,414,039	464,874	19,799	484,673	164,167	2.95
2010	4,856,083	4,031,251	824,832	10,393	835,225	425,115	1.96
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

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

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Water Usage and Revenue of the Ten Largest Customers June 30, 2014

Customer	Usage in Dollars	Volume of Water Used (in 100 cubic feet)
Grosse Pointe Board of Education	\$ 80,539	\$ 8,450
Lochmoor Club	69,910	12,279
St John Hospital	36,960	6,321
Shorepointe Condos	32,391	5,718
Berkshire Condo Association	24,154	4,048
Sunrise Development	23,795	4,152
Kroger	19,454	3,465
Original Pancake House	17,049	3,730
ANK Enterprises	15,904	3,176
The Rivers Condo Assn	14,939	1,039

Source: City of Grosse Pointe Woods financial reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Metered Water Rates June 30, 2014

Meter Size	Residential	Commercial*
5/8"	\$ 44.00	\$ 8.85
3/4"	44.00	13.28
1"	61.60	22.13
1 1/2"	79.20	48.68
2"	127.60	70.80
3"	484.00	128.33
4"	616.00	177.00
6"	924.00	265.50
8"	1,276.00	318.50
10"	2,565.20	619.50
Billing Charge	2.00	2.00
Water Rate per 100 cubic feet	2.17	2.17
Sewer Rate per 100 cubic feet	2.35	2.35

*Commercial rate includes churches, schools, and government

December 4, 2014

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, 2014 and have issued our report thereon dated December 4, 2014. 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 - Other Recommendations and Related Information

Section IV - 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 of the City of Grosse Pointe Woods, Michigan.

Section III presents recommendations related to internal control, procedures, and other matters noted during our current year audit. These comments are offered in the interest of helping the City in its efforts toward continuous improvement, not just in the areas of internal control and accounting procedures, but also in operational or administrative efficiency and effectiveness.

Section IV 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 of Grosse Pointe Woods, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

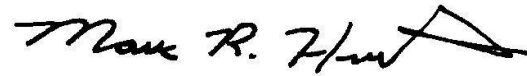
To the City Council and Management
City of Grosse Pointe Woods, Michigan

December 4, 2014

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

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

Mark Hurst

Section I - Internal Control Related Matters Identified in an Audit

In planning and performing our audit of the financial statements of the City of Grosse Pointe Woods, Michigan as of and for the year ended June 30, 2014, 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 a certain 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 deficiency in the City's internal control to be a material weakness:

During the course of the audit process, journal entries were made to properly state various year-end balances. The entries individually were not significant but in aggregate they are. The need for audit identified journal entries was the result of a lack of review of year-end adjustments. Without these adjustments, year-end balances would not have been properly stated in accordance with GAAP. We recommend the City have work performed and separately reviewed by a person with the necessary background and experience to perform an effective review.

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 April 4, 2014, 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 of Grosse Pointe Woods, Michigan. 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 September 18, 2014.

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.

As described in Note 2, the City adopted Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans*. This statement required changes to the actuarial valuations, resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote have changed considerably along with the related schedules in the required supplemental information.

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 were:

- The pension and other postemployment benefit cost recorded in the financial statements is based on the actuary's calculation of the annual required contributions (ARCS). The actuary's calculations are based on numerous significant estimates, including future rate of return on investments, future healthcare costs, employee eligibility rates, life expectancies, and projected salary increases. Management is responsible for reviewing the assumptions used in the actuary's calculation for reasonableness. As noted above, during the current year, the City was required to report additional pension disclosures in accordance with GASB Statement No. 67. Based on our review of the actuarial study performed in connection with these required disclosures, we noted that one of the two actuarial studies did not use the most recent available mortality tables when preparing required estimates. We recommend that in future studies, the actuarial valuation use the latest availability mortality tables. Additionally, we noted that one of the actuarial valuations used a discount rate of 8 percent whereas we felt that a blended discount rate should have been used.
 - 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.
 - 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 11 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 above accounting 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.

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. Management has corrected all such misstatements.

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 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 4, 2014.

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.

Section III - Other Recommendations and Related Information

During our audit, we noted areas where we believe there are opportunities for the City to further strengthen internal control or to increase operating efficiencies. Our observations on those areas are presented for your consideration below:

User Access Reviews - During the audit of the City's information technology (IT) systems and applications, we noted the City is not maintaining documentation of any user access reviews performed throughout the year. We recommend the City maintain detailed records of reviews performed to ensure they are completed in a timely manner.

Formal Depreciation Policy - During our testing of the City's depreciation calculations in the current year, we noted the City does not have a formal depreciation policy to determine useful lives and depreciation methods for its assets. We recommend the City create a formal written policy for the Council to approve as this will ensure consistent application of depreciation methods.

Section IV - Legislative and Informational Items

Revenue Sharing

The State of Michigan's 2014-2015 budget eliminates the Economic Vitality Incentive Program (EVIP) for cities, villages, and townships. EVIP created the need for communities to meet certain requirements to obtain what had been the statutory portion of state-shared revenue.

The statutory revenue sharing will now be called "City, Village, and Township Revenue Sharing (CVTRS)." The total appropriation for revenue sharing is \$23 million less than originally proposed. The decrease is a result of the May revenue estimation conference, which showed declines in the State's projected revenue. Year to year, there is still an overall increase to the appropriation for this portion of revenue sharing.

There will be an increase of \$13 million to the City, Village, and Township Revenue Sharing. Key provisions of the new revenue sharing formula are as follows:

1. The CVTRS revenue sharing for cities, villages, and townships that are currently receiving EVIP will be as follows:
 - a. Communities with a population greater than 7,500 - the greater of a payment that is equal to the prior year (fiscal year 2013-2014) payment plus 3.05 percent or a total payment equal to \$2.64659 per capita. The State estimates that only about 15 local units will receive more using the per capita formula, all others will see a 3.05 percent increase.
 - b. Communities with populations less than 7,500 will simply receive a payment equal to an increase of 3.05 percent over their 2013-2014 EVIP payment.
2. An additional appropriation of \$5.8 million will be available for one-time funding to cities, villages, and townships that are newly eligible. These communities will receive a per capita payment of \$2.64659.

Constitutional Revenue Sharing - Communities will also see an increase of 2.4 percent in their constitutional revenue-sharing payment.

County Incentive Program - Counties still have to participate in the County Incentive Program (CIP), which is basically the EVIP. The good news is that an additional \$65.4 million was appropriated for counties. As a result, it is expected that counties will receive full funding when CIP payments (20 percent) and county revenue sharing (80 percent) are combined.

In addition to the dollars above, \$8 million has been set aside to help financially distressed cities. The funds will be applied for and disbursed through a grant-type program by the Department of Treasury.

The question is when will these payments be made? It appears that they will be distributed on the last business day of October, December, February, April, June, and August - 1/6th of the total payment is distributed on each date. This is the same distribution schedule currently being used for bi-monthly distributions.

The State has published the estimated payments for each community for 2014-2015 at the following link: [State Shared Revenue 2014-2015 estimates](#)

We have not seen a formal listing of the new communities that will be eligible under the CVTRS program that were not eligible under EVIP. However, they can be identified in the State's document as they will have \$0 as the payment in the "estimated FY 2013-2014 payment" column of the above document and will have an amount in the "estimated FY 2014-2015 payment" column.

It is important to note that the CVTRS program will still require communities to complete the accountability and transparency documents including the following:

- A citizen's guide of its most recent local finances (including recognition of its unfunded liabilities)
- A performance dashboard
- A debt service report containing a detailed listing of its debt service requirements including at a minimum:
 - The issuance date
 - Issuance amount
 - Type of debt instrument
 - Listing of all revenues pledged to finance debt service by instrument
 - Listing of the annual payment amounts
- Projected budget report including at a minimum:
 - Current fiscal year
 - Projection for the immediately following fiscal year
 - Revenues and expenditures as well as an explanation of assumptions

These documents are to be made available for public viewings either in the municipality's clerk's office or posted for public internet access. In addition, all of the above documents must be submitted to the Department of Treasury. The accountability and transparency requirements apply to all eligible cities, villages, townships, and counties. The Department of Treasury will post and distribute to all eligible local units the detailed guidance by October 1.

The dashboard will now be due December 1 (which is a change from the October 1 deadline under EVIP). Therefore, the October payment will be made to all eligible local units (under EVIP, local units were only eligible if they certified by October 1). Under CVTRS, if a local unit does not certify by December 1, they will forfeit the December payment. By certifying by the first day of any payment month subsequent to December, a local unit can qualify for that month's payment.

Personal Property Tax

Significant personal property tax legislation has recently passed. Key provisions of the new acts include:

1. In August 2014, Michigan voters overwhelmingly approved Proposal 1. As a result, there will be a shift in use tax dollars to create a replacement fund. The eligible manufacturing exemption described below will occur, and the \$40,000 Small Taxpayer Exemption under PA 48 of 2012 will be effective for 2014 and subsequent tax years.
2. The much-talked-about local Essential Services Assessment (ESA) will be replaced with a State-assessed ESA, which is actually a tax but is being referred to as an assessment simply so that it is recognized as the substitute for the local ESA.
3. The new bills increase the reimbursement to local units for lost personal property tax revenue to an amount stated as 100 percent replacement.

Two key provisions under the previous personal property tax reform legislation (PA 408 of 2012) remain. Businesses will benefit from the following provisions:

1. Under PA 408 of 2012, businesses with less than \$40,000 of combined industrial and commercial personal property TV (\$80,000 true cash value) would not have to file PPT returns or pay any personal property tax. This provision remains unchanged in these new bills. This exemption begins with the 2014 tax year (December 31, 2013 assessments).
2. "Eligible Manufacturing" property would be exempt from PPT. This would be phased in beginning in 2016 (December 31, 2015 assessment date), with the following provisions:
 - a. Any property purchased subsequent to December 31, 2012 would be exempt immediately effective in 2016.
 - b. Property purchased prior to December 31, 2012 would be reduced to zero by its tenth year of existence (should take nine years).

Determining the Amount of Community Loss:

Communities will first need to calculate their losses. Losses are classified as either debt loss or non-debt loss, as follows:

- **Debt Loss** - Debt loss is defined as the amount of ad valorem and dedicated taxes that go toward debt that are lost as a result of the personal property tax exemption. During FY 2014-2015 and 2015-2016, revenue distributed by the newly created Local Community Stabilization Authority (LCSA) would equal either a community's debt loss or, in the case of a TIF, the small taxpayer loss. Through the 2015-2016 fiscal year, the losses are limited to the impact of the \$40,000 small business exemption. When the phase-out of Eligible Manufacturing property would begin to occur when tax bills go out in 2016, the debt loss (and corresponding reimbursement) will increase.

- **Non-debt Loss** - Non-debt loss is calculated using the lowest rate of each individual millage levied in the period between 2012 and the year immediately preceding the current year. This will exclude debt millage. The department will compute the loss by comparing the current year taxable value of commercial and industrial property to the taxable value that existed at December 31, 2012 (2013 tax year). In 2016, cities will be reimbursed for non-debt loss for 2014 and 2015 related to the small taxpayer exemption loss. This is for cities only. For 2014 and 2015, townships will be getting reimbursed for the debt loss related to the small business exemption, but not the other losses created by the small business exemption. Starting in 2016, all municipalities are reimbursed for non-debt loss.

Reimbursement Mechanisms:

Beginning in 2015-2016, the LCSA would reimburse local units. Reimbursement to communities for the losses comes from two funding sources:

- **Use Tax Shift** - A portion of use tax will shift to the LCSA.
- **Essential Services Reimbursement** - Beginning in 2015-2016, the LCSA would receive a portion of the use tax as well as the full Essential Services Assessments in which to reimburse local units. This assessment is set at a prescribed millage rate based on the acquisition cost of property (depreciation will no longer apply). The rate is set at 2.4 mills for a property's first five years; then 1.25 mills for the next five; then 0.9 mills thereafter. Essential services are defined as ambulance, fire, and police services as well as jail operations. This includes the cost of related pension funding.

The losses described by the bill are to be paid in order of this priority: school debt; Intermediate School District losses; school operations; government essential services; debt and TIFA forgone increases; and all other reimbursements (defined below). In theory, if there is not enough money available, the lower priority items may not be fully reimbursed. However, the department has indicated that they expect the fund to have enough to cover all reimbursements.

All other reimbursements - These reimbursements come from the use tax and would also begin in 2015-2016 and initially be proportional to each local unit's share of total "qualified losses", taking into account the losses of all municipalities. Over time, the reimbursement will shift to be based on each entity's share of eligible manufacturing personal property (based on the amount used in the ESA calculation above). Beginning in FY 2017-2018, 5 percent of the revenue would be distributed proportionally based on each local unit's share of eligible manufacturing personal property. The 5 percent portion would increase in 5 percent increments in each subsequent year. By FY 2036-2037, all revenue in the last category of reimbursements would be distributed based on the local unit's share of eligible manufacturing personal property. In short, in the beginning, the reimbursement is closely tied to the amount of lost personal property taxes, but over time, the community's reimbursement will be tied to the level of eligible manufacturing personal property.

Retro-pay Prohibition - Proposed Changes

Public Act 54 of 2011, which was signed by the governor on June 7, 2011, prohibits retroactive pay on an expired contract and calls for employees working under an expired agreement to bear the cost of any increased healthcare costs until a new contract is in effect. During that period, the public employer is authorized to make payroll deductions necessary to pay the increased cost of maintaining those benefits.

The Legislature has been working over the past two years to pass a bill to amend PA 54 of 2011 to allow those who are eligible to negotiate contracts under PA 312 of 1969 to be exempt from PA 54. HB 5097 of 2013, which has now been signed into law by the governor as PA 301 of 2014, provides for exceptions to the retro-pay prohibition for public safety personnel that are subject to compulsory arbitration of labor disputes under PA 312 of 1969. The passing of this legislation would mean that police, fire, and emergency medical personnel would be eligible to receive retroactive increases in compensation (this includes wage or benefit increases and step increases) that cover the period after a bargaining agreement expires and before a new agreement is in place if those higher benefit levels are a result of arbitration under PA 312 or included in a negotiated bargaining agreement after expiration of their collective bargaining agreement. In addition, these employees would only be required to pay increases in insurance benefits after a collective bargaining agreement expired and before a new agreement is in place that would not exceed the amount of the employee's share under the Publicly Funded Health Insurance Contribution Act.

Emergency Manager

Public Act 4 of 2011, which is known as the “emergency manager bill”, was repealed by voters in the November 2012 election. In response to the repeal, the Legislature passed a replacement to this bill, PA 436, “the Local Financial Stability and Choice Act. This legislation gives distressed communities the following four options:

1. Enter into a consent agreement
2. Mediation with the State
3. Emergency manager
4. Chapter 9 bankruptcy

Another key change is that under this Act, the State will be responsible to pay the salary and other related costs of the Emergency Manager and not the distressed community. The Act took effect in March 2013.

Deficit Elimination Plans

In May 2014, the Michigan Department of Treasury issued another Numbered Letter addressing deficit elimination plans. This Numbered Letter, 2014-1, supersedes the prior Numbered Letter which the State issued in 2012. This new guidance clarifies when a deficit elimination plan is required and identifies when an entity would need to formulate a deficit elimination plan.

Key changes within this new guidance are:

- For governmental funds other than the General Fund, if the “deferred inflows of resources minus taxes and special assessments receivable” is greater than the “unrestricted fund balance”, no deficit elimination plan is necessary. Otherwise, for modified accrual funds, a deficit is still identified as having an unrestricted fund balance deficit, where unrestricted fund balance includes the sum of committed, assigned, and unassigned balances.
- For proprietary, fiduciary and discretely presented component units:
 - A deficit would not exist if the deferred inflows of resources minus taxes and special assessments receivable are greater than either the unrestricted net position or total net position deficit balance.
 - A deficit would also not exist if current assets less current liabilities is a positive figure. For purposes of this calculation, current liabilities should not include the current portion of long-term obligations.

This new Numbered Letter does not change the timing of filing the deficit elimination plan. Local units are responsible to file deficit elimination plans concurrent with the submission of the audit report to the Department of Treasury. Local units should not wait for a letter from the State to file their plans. The plans are due on or before the filing of your financial statement. Failure to file a plan can result in withholding of 25 percent of the EVIP revenue-sharing payments.

The plans should typically result in elimination of the deficit within one year but should never exceed five years. These plans should also have acceptable evidence to support the plan. The letter defines “acceptable evidence” as certified board/council resolutions approving the funding and the journal entry showing that the transfer was made in the general ledger. As stated in Numbered Letter 2012-1, “local units with multiple year plans that do not meet their subsequent year deficit projections must submit a revised plan that adheres to the time frame that was originally certified, not to exceed five years.” Additionally, if there is a projected multi-year budget, this too must be approved by the council/board and submitted. Plans and support can be emailed to Treas_MunicipalFinance@michigan.gov or mailed to the Michigan Department of Treasury.

Pension Obligation Bonds and Other Post-Employment Benefits Obligation Bonds

Michigan Public Act 329 of 2012 was passed on October 17, 2012 with immediate effect. The Act allows communities that meet certain criteria to issue bonds to fund all or a portion of their unfunded pension and Other Post-Employment Benefits (OPEB) liabilities. The bonds are called Pension Obligation Bonds or Other Post-Employment Benefits Obligation Bonds and are collectively referred to as “Benefit Bonds”.

These bonds are subject to federal taxation but are tax exempt by the State of Michigan and must be issued prior to December 31, 2014. The bonds are issued by ordinance or resolution and do not require a vote of the people.

Municipalities must meet all of the following key requirements (the Act also states additional requirements) in order to be eligible to issue benefit bonds:

- Prior to issuance, the municipality must obtain approval from the State Department of Treasury. In addition, the municipality must publish a notice of intent to issue the security.
- Be assigned a credit rating of AA rating or higher by one of the nationally recognized rating agencies (Standards & Poor's, Moody's, or Fitch)
- The issued security shall be rated investment grade by a nationally recognized rating agency.
- The property taxes necessary to meet the debt service obligation may not exceed the limit authorized by law.
- Have a legal capacity to issue the obligation as these bonds are not exempt from legal debt limitations
- Relative to the pension plan, have partial or complete cessation of accruals to a defined benefit plan or closed the defined benefit plan to new or certain existing employee groups and implemented a defined contribution plan (this requirement does not apply to the retiree health care, or OPEB plan)
- The municipality shall covenant with bond holders and the State that it will not, after the issuance of Benefit Bonds and while the bonds are outstanding, rescind any action taken for the cessation of accruals to a defined benefit plan or complete closure of defined benefit plans for new and existing employees.

Michigan's Public Pension Systems - Impact of PA 347 of 2012

In December 2012, Governor Rick Snyder signed Public Act 347 of 2012 into law. This legislation makes some significant changes that will impact all public retirement systems in Michigan. Amending Public Act 314 of 1965, these new rules are meant to provide greater flexibility to these systems as to how funds are invested while at the same time imposing additional requirements aimed at transparency and accountability. These changes, which went into effect in March 2013, are summarized below:

Changes to Allowable Investment Vehicles

Generally, rather than making it more restrictive, the new rules raise the maximums for several investment categories, such as real estate and global equities. As an example, the limitations within the "basket clause" are increasing by 10 percentage points, with most plans now allowed to invest between 15 percent and 20 percent within this section, depending upon plan size. Monitoring under these new limitations will continue to be important. Toward this end, plans will need to ensure their investment consultants, advisors, and managers are "on board" with the changes.

Spending Limitations

This Act limits the amount of spending on professional training, education, and travel. Under the legislation, the retirement system's board of trustees would be required to adopt an annual budget for professional training and education, including travel. This budget will be capped at the lesser of \$150,000 or an amount equal to \$12,000 multiplied by the number of board members, with professional training, education, and travel costs not to exceed \$30,000 for any one board member.

Additional Documentation and Reporting Requirements

Additional transparency reporting requirements for retirement systems, investment fiduciaries, and investment service providers are being imposed by this new Public Act. First, the legislation would require the publication by the plan of a Summary Annual Report (SAR). Although similar reporting requirements exist in the old legislation, this Act requires more detailed reporting than what we are used to.

The SAR would include several additional disclosures, including the following: names of investment service providers, the system's itemized budget (including professional training, education, and travel), disclosure of the system's investment returns, and numerous pieces of information from the system's most recent annual actuarial valuation report. The system is required to make its SAR available to plan participants and citizens via posting to its website if the system has a website or, alternatively, would require the plan sponsor to post it to their website.

In addition, investment service providers are now required to give the investment fiduciary a complete written disclosure of all fees or other compensation associated with its relationship with the retirement system. This disclosure would be required both before providing any investment services as well as on an annual ongoing basis. Finally, financial records of the system must be retained for a minimum six-year period.

Michigan Qualifying Statement Revisions and Changes to Filing Process

Bulletin 6 was issued by the State Department of Treasury and was effective beginning May 1, 2013. The bulletin details out the revisions made to the form, changes in the electronic filing process, and provides information on the new process to submit a reconsideration request.

The Qualifying Statement is now Form 5047. The new form and link to the online filing are available at: www.michigan.gov/municipalfinance. You can also find Bulletin 6 by following this same link.

Several minor changes have been made to the form including the following: additional question asking for the municipality's six-digit municode, information buttons to provide added instruction, and elimination of the requirement to include SEV and population. In addition, changes were made to help ease the completion of the form such as the elimination of certain questions which were duplicative of information that the Department of Treasury already had at its disposal (i.e., audit filing date) as well as separating out compound questions to ease the process of responding to them.

The more significant change, however, is with the electronic filing process. Since May 1, 2013, there is now only one way in which a Qualifying Statement can be submitted:

1. The form is now a PDF that can be downloaded and saved. The form is fillable allowing preparers to type in responses and save the form with answers intact.
2. The PDF will be uploaded via the Department of Treasury website. The upload page is: www.michigan.gov/municipalfinance. Once you are on the webpage, choose the Online Qualifying Statement link.
3. The State has a set naming convention that should be used for each uploaded file. The file should be named as follows: municipality's six-digit municode + fiscal year + the words "QStmt" (example: 7830402012QStmt). Please note, the system will only accept one Qualifying Statement per fiscal year per municipality.
4. Municipalities will not be able to use the same username and password that they used for filings prior to May 1, 2013. The State has directed each municipality to call the Local Audit and Finance Division at 517.373.3227 to obtain a new username and password.

The Bulletin also allows the Qualifying Statement to be filed by an individual other than the Chief Administrative Officer (CAO) as long as the CAO is made aware and takes full responsibility for the filing. The filer will be asked to indicate whether they are the CAO or the designee at the time the Qualifying Statement is filed.

EVIP-like Requirements Tied to Act 51 Monies (Public Act 506 of 2012)

A new reporting requirement by MDOT that was originally due each September 30, starting in 2014, has been delayed. Senate Bill 882 passed and has been sent to the governor for signature and will delay implementation until September 30, 2015. This requirement is a result of Public Act 506 of 2012 which places EVIP-like limitations on pension and healthcare benefits paid to transportation employees. For the purposes of this Act, "transportation employee" means an employee paid in whole or in part through Act 51 revenues or who is engaged in work funded through Act 51 revenues.

The Act requires local units receiving Act 51 money for the construction or maintenance of roads to comply with one of the following conditions by September 30, 2015:

1. Develop and publicize a transportation employee compensation plan that the local agency intends to implement with any new, modified, or extended employment contracts or agreements. This compensation plan must include all of the following:
 - For new employee hires, the employer contribution toward retirement plans must be capped at 10 percent of base salary.
 - Defined benefit pension plans may use a maximum multiplier of 1.5 percent of final average compensation if postemployment healthcare is provided and 2.25 percent if postemployment healthcare is not provided.
 - For defined benefit pension plans, the final average compensation must be calculated using a minimum of three years of compensation and must not include more than 240 hours of paid leave. Overtime hours cannot be used in calculating final average compensation.
 - The employer contribution for health care coverage for new employee hires is capped at 80 percent of the employee's premium or must be competitive with the new state preferred provider organization health plan on a per-employee basis.
2. Comply with Public Act 152 of 2011, which requires public employers to place hard caps on the amounts they contribute toward healthcare costs with an option to elect an 80 percent contribution cap rather than a hard cap. These hard caps are adjusted annually for inflation. The caps in 2012 were \$5,000 for single coverage, \$11,000 for individual and spousal coverage, and \$15,000 for family coverage. See below for a discussion of Senate Bill 542, which proposes changes to the individual and spousal coverage limit from \$11,000 to \$13,455.
3. Certify that the local road agency does not offer medical benefits to its transportation employees or elected public officials.

If a local unit receiving Act 51 money does not certify that it complies with one of the above criteria by September 30 of each year, the Department of Transportation may withhold Act 51 distributions until compliance is established.

Act 506 also requires local road agencies to maintain a searchable website (accessible to the public) that includes the current budget, the number of active transportation employees by job classification and wage rate, a financial performance dashboard, the names and contact information of the governing body, and a copy of the annual certification provided to MDOT.

For communities that are already complying with the requirements of Public Act 152 of 2011, we do not expect this new legislation to have a significant impact on operations since it essentially just creates a new reporting requirement; however, please contact your audit team if you would like to talk through the details of the Act and your community's compliance.

Amendments to Public Act 152 of 2011 (Health Care Limitations)

On December 11, 2013, legislation was passed (formerly SB 541-545) in an effort to clarify PA 152 of 2011. These amendments are effective immediately. SB 542 and 543 have perhaps the most direct financial impact on communities.

SB 542: This bill modified the current law which allows employers to opt between a percentage-based cap or a dollar limit (hard cap) on employee health insurance premiums. The bill increases the dollar cap for individual and spouse coverage from the current limit under PA 152 of \$11,000 to \$13,455. This applies for all medical plan coverage years beginning in calendar year 2013 according to the current language. The \$13,455 cap is increased annually for any changes in medical CPI on an annual basis. Please keep in mind that if your coverage year began after January 1, 2013, this could have resulted in an unanticipated additional cost of \$2,455 per employee. Several communities have questioned this aspect but it does not appear to have been addressed in the bill.

Currently, PA 152 excludes elected officials from the number of employees in the dollar cap formula. This would no longer be the case; they would become part of that calculation.

SB 543: This bill applies only to those public employers that adopt the 80/20 percentage-based option. It clarifies that all public employers (excluding the State) have to have support of a 2/3 vote by the governing body prior to the start of each medical benefit plan coverage year. If this does not occur, the public employer would then have to follow the hard cap requirement.

New Rules Governing Management of Federal Programs

In December 2013, the Office of Management and Budget (OMB) issued long-awaited reforms to the compliance requirements that must be followed by non-federal entities receiving federal funding. All entities receiving federal dollars will need to understand the changes made as a result of these reforms and may be required to make some changes to your internal procedures, processes, and controls.

These reforms impact three key areas of federal grants management:

1. **Audit Requirements** - For fiscal years beginning on or after January 1, 2015, the threshold for obtaining a federal awards audit will increase from the current threshold of \$500,000 of annual federal spending to \$750,000. There will also be significant changes to the criteria for qualifying as a low-risk auditee and a reduction in the number of major programs required to be tested for some clients.

The City has historically been below the current \$500,000 threshold. However, from time to time, depending upon the level of federal spending, the City may still be subject to an audit requirement even at the new higher \$750,000 threshold.

2. **Cost Principles** - Effective December 26, 2014, the grant reforms related to cost principles go into effect. Not only were certain changes made to allowable costs under this new guidance, but there were significant changes in the area of time and effort reporting and indirect costs.

3. **Administrative Requirements** - Also effective December 26, 2014, non-federal entities receiving federal funding must adhere to new rules related to administering federal awards. Most notably, these requirements may impact the City's procurement systems, including maintaining written conflict of interest policies and disclosures.

These revisions are clearly the most significant change to occur to federal grants management in recent history. Entities receiving federal funding will need to carefully digest these changes. Plante & Moran, PLLC has many experts in these rules who can assist you in understanding the changes and how they impact the City. As we continue to delve into these new rules, we will keep you informed and updated.

Potential Change in Audited Financial Statement Due Date

Senate Bill 949 of 2014 was recently introduced. Among other things, the bill changes the due date for audits.

- The audit deadline would be moved to 150 days from 180 days (effective for fiscal years ending after June 30, 2014).
- If the deadline cannot be met, the State can move in and either perform or contract for audit services and charge the local unit for the audit services.
- There would be a requirement that budgets conform to the Uniform Chart of Accounts.
- The biennial audit exception for units under 4,000 population would be removed.
- Very specific language is added to say a unit cannot adopt or operate under a deficit budget, nor incur an operating deficit. If a unit is operating under a deficit, the State is to be notified. In that situation, a deficit elimination plan is due to the State within 90 days. Failure to comply will allow the State to withhold state funds as is necessary to gain compliance.

Client: **City of Grosse Pointe Woods, Michigan**
 Opinion Unit: **Aggregate Remaining Funds**
 Y/E: **6/30/2014**

SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS

The pretax effect of misstatements and classification errors identified would be to increase (decrease) the reported amounts in the financial statement categories identified below:

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Net Income Statement Impact
FACTUAL MISSTATEMENTS:									
A1									
A2									
JUDGMENTAL ADJUSTMENTS:									
B1									
B2									
PROJECTED ADJUSTMENTS:									
C1									
C2									
	Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PASSED DISCLOSURES:

- D1 The expected long-term rate of return is a required disclosure under GASB 67 for the City's pension system and supplemental annuity. This information was not available and has been excluded from the footnote disclosures as a result.
- D2 The GASB 67 actuarial valuation for the Supplemental Annuity should have used, in our judgment, a lower blended rate.

Client: **City of Grosse Pointe Woods, Michigan**
 Opinion Unit: **Business-type Activities; Water and Sewer Fund; General Fund**
 Y/E: **6/30/2014**

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FACTUAL MISSTATEMENTS:									
A1									
A2									
JUDGMENTAL ADJUSTMENTS:									
B1									
B2									
PROJECTED ADJUSTMENTS:									
C1									
C2									
	Combined effect	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	Less: Effect of adjustments for which auditor's report is qualified	-	-	-	-	-	-	-	-
	Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

PASSED DISCLOSURES:

- D1 The transfer for \$25,000 between the Water & Sewer Fund and the General Fund should be shown as revenue and expense and not transfer in and out
- D2