

City of Grosse Pointe Woods, Michigan

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2013

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

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, 2013 is submitted herewith, in accordance with provisions of Section 8.7 (Charter) of the City of Grosse Pointe Woods and the rules and regulations as put forward by the State of Michigan Department of Treasury. This report was prepared by and is the responsibility of the City's Finance Department. This document represents the official report of the City's financial operations to its residents, elected officials, employees, investment firms, banks and rating and regulatory agencies, and other interested parties. The data as presented in the report is accurate in all material respects, and is shown in a manner designed to clearly and fairly set forth the financial activity of all the various funds established and utilized by the City and that all disclosures have been included to enable the reader to gain the maximum understanding of the City's financial operations. The independent auditing firm of Plante & Moran, PLLC performed the annual audit of the City of Grosse Pointe Woods' financial statements as required by the Michigan Department of Treasury and has issued its unqualified opinion here within.

Format

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. This narrative details the Financial Staff's letter of transmittal and introduces the reader to the City's financial background, the legal requirements expected and details of financial/economic events that occurred during the year and the impact that they had on the financial statements. It is important to note that this letter complements the Management's Discussion and Analysis (MD&A), which is found in the financial section.

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 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 as of November 15, 2013 on the basic financial statements and individual fund statements and schedules, is included in the Financial Section of this report. A separately issued Single Audit Report has been completed for the Federal Grant Fund under the A-133 Federal Single Audit Act. Total federal grant expenditures of \$4,317,136 were in excess 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 is to effectively adhere to the fiscal policies and initiatives established by the City Council while remaining cost-efficient and responsive to the needs of the residents. Many of the financial policies and procedures established by the City Council are detailed in the City's annual budget. In accordance with the City Charter, the City Administrator and the Treasurer/Comptroller will have presented their budgetary estimates of revenues and expenditures of all the City's funds (excluding Trust & Agency Funds and selected Special Revenue Funds) to the Mayor and City Council no later than the first meeting in April. These estimates are then forwarded to the City's Finance Committee, which performs a thorough review of the operational, financial and capital components of the budget. Upon completing this budget review along with recommendations, the budget is presented back to the Mayor and City Council for additional review and comments. The proposed budget document is formally approved by the Mayor and City Council no later than the third Monday in May. Throughout the course of the fiscal year, the Finance Committee may review any significant changes to the original budget document as recommended by the City Administrator and/or the Treasurer/Comptroller. Per the City Charter, the Mayor and City Council must formally approve any proposed adjustments to the budget. This process allows the City to remain flexible to changes in the revenue and expenditure patterns that occur throughout the year as well as keeping the elected officials updated on the financial condition of the City. Following the passage of the budget, a summary of the completed document is made available to all residents, 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 29.3 percent of actual expenses, we have been depleting the balance over the last several years. Our cash reserves, while acceptable based upon the recommendation of a 10-15 percent fund balance, keep us ever cognizant of our expenses and continuing 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 has 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.
- c. The City has eliminated 19 full-time positions since 2007. This is the lowest staffing level in the history of the City.
- d. The City has implemented significant labor concessions resulting in cost savings for health care and wages. Retiree healthcare benefits have also been reduced, thereby lowering our legacy costs.
- e. The City implemented a two-tier system of wages, benefits and pension for new hires, which will result in future savings.
- f. The City has secured grants for Public Safety equipment and Public Works vehicles, which reduce the cost to the City taxpayers.
- g. The City continues to work with the surrounding communities on 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.

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

November 15, 2013

With regard to water and sewer infrastructure improvements, the City qualified for low-cost loans from the State of Michigan Drinking Water Revolving Fund (DWRF) and Sewer Revolving Fund (SRF). This loan program made it possible for the City to make significant repairs and replace sections of the City's water and sewer lines.

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 2013 millage rate is at the Headlee cap.

The General Fund fund balance has an unassigned balance of \$3.4 million and \$586,000 assigned to the Cable Fund. The fund balance will be used to balance the budget and offset future tax revenue decreases.

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.

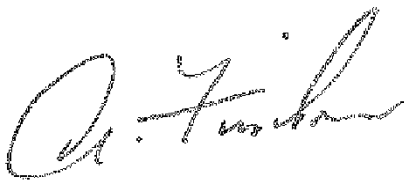
The Government Finance Officers Association (GFOA) of the United States and Canada awarded the Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2012. This is the 44th consecutive year that the City of Grosse Pointe Woods received this prestigious award. In fact, our City is the longest-standing recipient in GFOA's history.

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

November 15, 2013

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,

A handwritten signature in cursive script, appearing to read "A. Fincham".

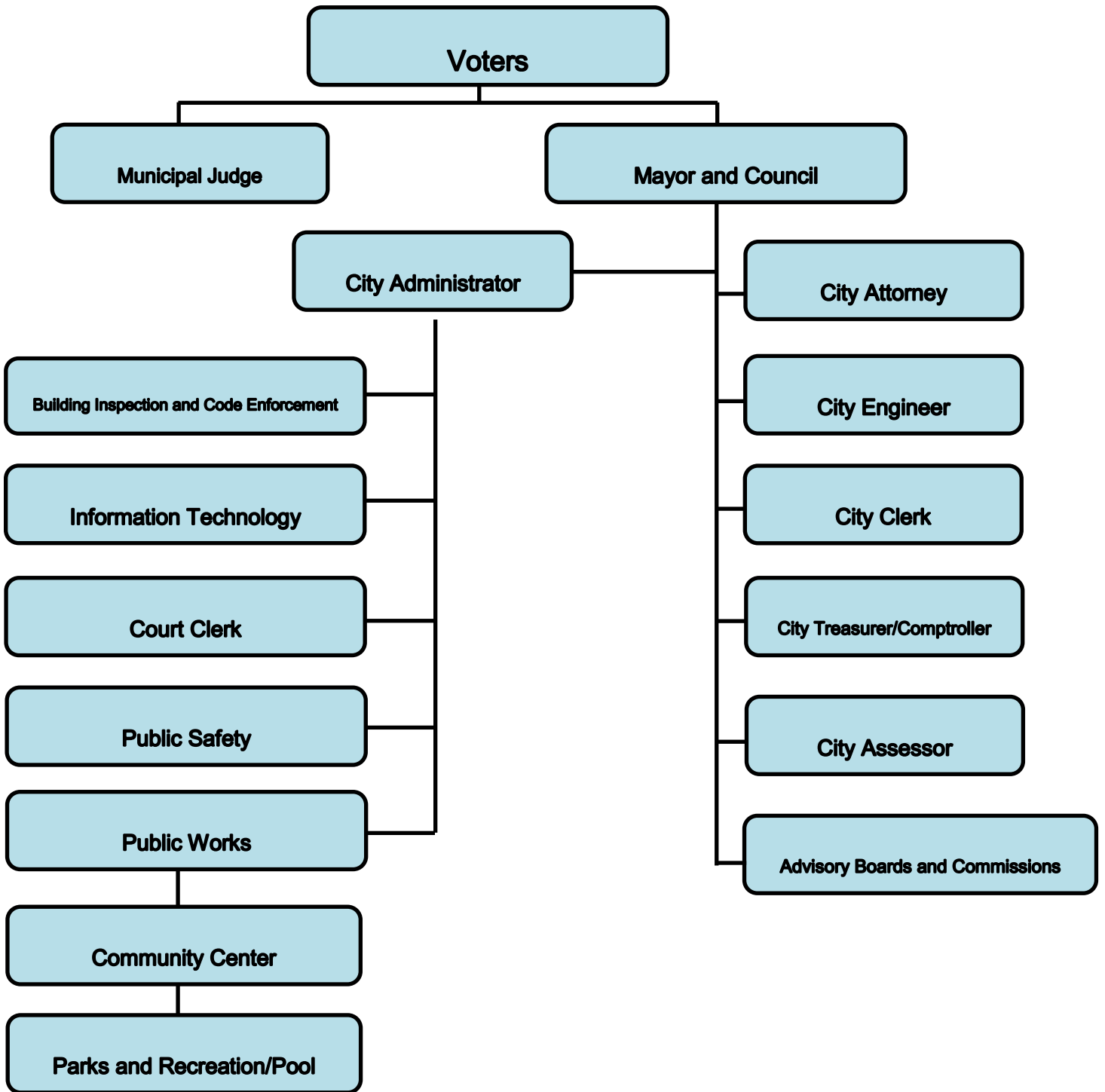
Alfred John Fincham, III
City Administrator

A handwritten signature in cursive script, appearing to read "Dee Ann Irby".

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, 2012

Executive Director/CEO

City of Grosse Pointe Woods, Michigan

List of Principal Officers Year Ended June 30, 2012

Elected Officials

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

Robert E. Novitke
Kevin Ketels
Victoria A. Granger
Arthur W. Bryant
Richard Shelter 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, 2013

<u>Fund Name</u>	<u>Fund Number</u>
<u>GOVERNMENTAL FUNDS</u>	
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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, 2013, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the 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, 2013 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

Other Matters

Required Supplemental Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, pension system schedules of 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.

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.

To the City Council
City of Grosse Pointe Woods, Michigan

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 on our consideration of the City of Grosse Pointe Woods, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Grosse Pointe Woods, Michigan's internal control over financial reporting and compliance.

Plante & Morse, PLLC

November 15, 2013

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, 2013. 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, 2013:

- General property tax revenue increased approximately \$126,000 over fiscal year 2011-2012. This increase is attributable to an increase in the millage rate as well as an increase in penalty and interest payments. Property taxes continue to be the City's largest source of revenue; however, like most communities in Michigan, the taxable value of property has continually declined since 2007.
- State-shared revenue remains our second largest revenue source. Payments from the State of Michigan have been consistent for the past three years.
- Building license and permit revenues increased \$101,000 over fiscal year 2011-2012. This increase in permit revenue is the result of development on Cook Road and minor home improvements. The direct cost of operating the building department increased approximately \$20,000 over the previous year due to an increase in the number of inspections.
- Revenue from District Court fees and fines decreased by \$219,000 as compared to fiscal year 2011-2012. The previous year revenue was high due to the collection of aged receivables. The direct cost of operating the Municipal Court decreased, due to fewer fees passed on to the State of Michigan.
- Cable franchise fees increased \$118,000 over the previous fiscal year; however, the Retiree Drug Subsidy decreased \$148,000.
- Although there were fluctuations in the various revenue categories, overall the General Fund's net revenue decreased approximately \$196,000 from fiscal year 2011-2012 revenue.
- General Fund expenditures and transfers out for fiscal year 2012-2013 decreased approximately \$136,000 as compared to the previous year. Current year expenditures were 7 percent less than budgeted.
- Approximately 5 percent of the 7 percent reduction in budgeted expenditures is attributable to employee concessions and overall cost containment in all departments. The remaining 2 percent reduction in budgeted expenditures is related to fewer transfers out to the Parking, 911, and Workers' Compensation Funds. These reductions in expenditures were offset by an increase in consultant fees to defend Michigan Tax Tribunal (MTT) appeals and the resulting tax refunds. The MTT's cost for 2012-2013 was \$370,000, an increase of \$246,000 over fiscal year 2011-2012.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

- As a result of the reduced expenses and unexpected increase to revenue, the General Fund fund balance, exclusive of Cable Franchise and Local Street Funds, increased \$260,000. It is important to mention that the significant increase in building permit revenue is not expected to continue, nor is the cost of MTT appeals. In addition, many capital purchases were removed from the budget, for a third 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.

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	
	2012	2013	2012	2013	2012	2013
Assets						
Current assets	\$ 10.0	\$ 10.8	\$ 5.8	\$ 6.4	\$ 15.8	\$ 17.2
Noncurrent assets:						
Restricted assets	-	-	-	0.4	-	0.4
Capital assets	28.1	27.1	26.8	27.9	54.9	55.0
Total assets	38.1	37.9	32.6	34.7	70.7	72.6
Liabilities						
Current liabilities	3.1	1.2	1.6	0.7	4.7	1.9
Long-term liabilities	11.8	15.0	8.8	11.0	20.6	26.0
Total liabilities	14.9	16.2	10.4	11.7	25.3	27.9
Net Position						
Net investment in capital assets	26.9	27.1	18.6	18.6	45.5	45.7
Restricted	0.9	0.9	0.4	0.3	1.3	1.2
Unrestricted	(4.6)	(6.3)	3.2	4.1	(1.4)	(2.2)
Total net position	<u>\$ 23.2</u>	<u>\$ 21.7</u>	<u>\$ 22.2</u>	<u>\$ 23.0</u>	<u>\$ 45.4</u>	<u>\$ 44.7</u>

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net position decreased \$0.7 million over the prior year. Increased current assets within the governmental activities are due primarily to the increase in net revenue over expenditures, resulting from cost containment. 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 2012-2013, which is the third 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. In fiscal year 2012-2013, the City received a low interest loan from the State of Michigan Sewer Revolving Fund. This \$3.525 million loan is for sewer infrastructure repairs and improvements. The \$2.1 million increase in business-type assets relates to the meters and 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.

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

	Governmental Activities		Business-type Activities		Total	
	2012	2013	2012	2013	2012	2013
Revenue						
Program revenue:						
Charges for services	\$ 1.6	\$ 1.4	\$ 6.3	\$ 6.6	\$ 7.9	\$ 8.0
Operating grants and contributions	0.9	0.9	-	-	0.9	0.9
General revenue:						
Property taxes	12.8	12.9	-	-	12.8	12.9
State-shared revenue	1.5	1.5	-	-	1.5	1.5
Unrestricted investment earnings	0.1	-	0.1	-	0.1	-
Cable franchise fees	0.1	0.4	-	-	0.3	0.4
Other miscellaneous revenue	0.4	0.3	-	-	0.2	0.3
Total revenue	17.4	17.4	6.4	6.6	23.7	24.0
Program Expenses						
General government	3.1	3.2	-	-	3.1	3.2
Public safety	7.2	6.9	-	-	7.2	6.9
Public works	6.0	5.8	-	-	6.0	5.8
Solid waste	1.1	1.1	-	-	1.1	1.1
Recreation and culture	1.7	1.8	-	-	1.7	1.8
Municipal improvements	0.2	0.1	-	-	0.2	0.1
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	5.1	5.4	5.1	5.4
Parking	-	-	0.2	0.2	0.2	0.2
Boat dock	-	-	0.1	0.1	0.1	0.1
Commodity sales	-	-	0.0	0.1	0.0	0.1
Total program expenses	19.3	18.9	5.4	5.8	24.7	24.7
Change in Net Position	\$ (1.9)	\$ (1.5)	\$ 1.0	\$ 0.8	\$ (1.0)	\$ (0.7)

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Total revenue for governmental activities remains the same as fiscal year 2011-2012. A \$0.1 million increase in property taxes is offset by a slight decrease in charges for services. An increase in cable franchise fees offsets a reduction in interest income and miscellaneous revenue. State-shared revenue and operating grants remain relatively unchanged. Total governmental expenses decreased \$0.4 million (2.1 percent). The majority of the decreased expenses in Public Safety and Public Works pertain to a decrease in staff through attrition and cost containment efforts. General Government and Recreation shows an increase, due in part to a reallocation of employees from other funds and a reallocation of utilities.

In the business-type activities, revenue increased \$0.2 million. The increase in revenue is a result of the increase in water and sewer rates to cover planned capital improvements. The \$0.4 million increase in expenses is attributable to the water and sewer infrastructure improvements.

Governmental Activities

The City's governmental revenue totaled approximately \$17.4 million, with the greatest revenue source being property taxes. Property taxes make up approximately 74 percent of total governmental revenue. That percentage is up by 1 percent, from approximately 73 percent of total governmental revenue in fiscal year 2011-2012 due to an increase in late fees and penalties. The City experienced a slight decline in taxable value for 2012-2013; however, we remain hopeful for positive numbers in the next fiscal year. Although there were a large number of Michigan Tax Tribunal cases settled by stipulation in 2012-2013, the City must report a reduction in revenue by 64 percent of the total dollar amount of all cases currently under appeal.

Total governmental expenses for the City were approximately \$18.9 million. This is down by \$0.4 million from fiscal year 2011-2012. This is the second year with a reduction in expenses, due to concessions by employees and departments following cost containment. In addition, the City was able to reduce the transfers out to other funds. In 2013-2014, the City continues to operate with a hiring freeze and unpaid furlough days.

Business-type Activities

The City's business-type activities consist of the funds for water and sewer, parking utility, and boat dock. In 2012-2013, the City was in the third year of the meter and mains construction project. This project is expected to be completed during the next fiscal year. The parking funds have not had any major changes.

The Boat Dock Fund recently completed a \$220,000 dredging project. In addition, 2012-2013 was the first year of a two-year project to repair the boat docks and seawalls. The funds used were from boat well user fees.

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.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The business-type activities expenses increased \$0.4 million over 2011-2012, due to increased water and sewer infrastructure improvements as well as increased fees for water use and sewerage disposal. A total of \$3.4 million is collected from Grosse Pointe Woods customers and paid to the City of Detroit for water and sewer treatment. This represents an increase of \$266,000 over last fiscal year.

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 2012-2013 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.

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 \$0.5 million to the Major and Local Streets Funds and \$0.1 million to the Ambulance Fund. The Grosse Gratiot Drain Fund transferred \$0.1 million to the General 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 2012-2013, the General Fund's fund balance increased by approximately \$316,600. Of this, \$260,000 is related to employee concessions, a reduced workforce and cost containment efforts of the City Council, appointed officials, and department directors. In addition, this increase is the result of eliminating capital purchases. The Local Streets Fund added \$54,000 to the General Fund fund balance, due to cost containment and a reduction in road repairs. The Cable Fund also contributed \$2,600 in investment earnings. Both the Local Streets and the Cable Funds are now shown as part of the General Fund as a result of GASB No. 54.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The City's General Fund year-end fund balance is approximately \$5.52 million; \$2.08 million is committed, assigned and non-spendable, leaving \$3.43 million unassigned. The unassigned amount represents approximately 29.3 percent of fiscal year 2012-2013 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 this fund balance to the next three years of operations to cover the shortfall in revenue from declining property taxes.

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 \$78,000 from the City's General Fund and approximately \$629,000 in gas and weight tax revenue. Current year expenditures were approximately \$142,000 less than fiscal year 2012-2013, due to reallocation of employees and costs of forestry services. Due to transfers in, the Major Streets Fund's revenue exceeded expenditures by approximately \$43,000. The reserves at year end are \$305,326.

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 2012-2013 was 2.0251 mills, an increase of 0.1444 mills over the previous year. The millage rate increase was necessary to offset the continued decrease in taxable value. The slight millage increase generated \$57,000 in revenue. Net expenses in 2012-2013 decreased \$18,500 as compared to the previous year. Transfers out of the Solid Waste Fund were decreased to offset the increase in disposal costs. The reserves at year end are \$369,813.

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 \$2,750,000 in fiscal year 2012-2013. The millage rate remains at 4.4685 mills. Despite a constant millage rate, the revenue generated has decreased by approximately \$33,000 for fiscal year 2012-2013. This decrease is a result of the decrease in taxable value. Expenditures are primarily related to drain operations and maintenance provided by Wayne County. This is the fourth year of increases for these services, a cost of \$1,382,000 in fiscal year 2012-2013. In addition to operations and maintenance costs, the cost of the principal and interest payments was approximately \$1,188,000. The Grosse-Gratiot Drain Fund significantly reduced the transfers to other funds, from \$320,000 to \$120,000.

This Grosse-Gratiot Drain Fund's fund balance increased approximately \$59,000, which was due to a reduction in the final principal and interest payment to Wayne County. Therefore, the remaining fund balance is \$83,255.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

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.

General Fund Budgetary Highlights

The City's General Fund ended fiscal year 2012-2013 with concessions from all four labor unions and nonunion employees. Facing continued uncertainty in revenue, the City eliminated road construction and capital equipment purchases. The planned reduction in expenditures, through cost containment, added an additional \$260,000 to the fund balance. Since the Cable and Local Street Funds are reported in the General Fund, their increase in fund balance of \$56,600 is a part of the total \$316,600 increase. Without significant cuts to expenditures, the City's fund balance will be exhausted by the end of 2018.

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 interfund transfers of \$430,000 from the City's General Fund and approximately \$257,000 in gas and weight tax revenue. Revenue plus transfers in fiscal year 2012-2013 is \$118,000 less than the previous year. This is a result of the transfers from the Grosse-Gratiot Drain Fund being eliminated. The department receives a small amount of its revenue from fees, other state funding, special assessment, and interest on investments. Expenditures for fiscal year 2012-2013 were reduced by \$153,000 due to reallocation of employees and cost of forestry services and a reduction in sidewalk and road repairs.

The Local Streets Fund fund balance increased approximately \$54,000 with a year-end balance of \$197,000. For reporting purposes, this fund balance has been classified as "committed" and rolled into the General Fund. This increase is primarily due to expenses reallocated to the General Fund.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Cable Franchise Activity

The Cable Franchise Fund was established to invest the proceeds from the sale of the City's interest in a cable company's earnings used for capital improvements. Due to cost containment, there were no transfers out of the Cable Fund for four years, including fiscal year 2012-2013.

The Cable Franchise Fund's fund balance is approximately \$586,000 and is reported in the General Fund as "assigned."

Capital Asset and Debt Administration

During fiscal year 2012-2013, the City continued to invest in capital assets. The City was awarded a Sewer Revolving Fund loan and began sewer infrastructure improvements. The repair of water mains and replacement of water meters continued. All of the City's debt is related to the Water & 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 4 and Note 6, respectively. In fiscal year 2013-2014, the City will finalize water meter replacement and main repairs and continue with sewer infrastructure improvements.

Economic Factors

The City of Grosse Pointe Woods has not been immune to the recession and as a result, road construction has significantly declined. Additionally, fleet replacement has also been put on hold or severely scaled back.

Due to the decline in 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.

Such actions have included across-the-board budget reductions, the elimination of vacant positions, implementation of a hiring freeze over the past four years, and budget reduction actions that have resulted in reductions in total personnel which included layoffs. 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 and the City has negotiated various concessions with its bargaining units. As a result of the above actions, the City has reduced staffing by approximately 19 employees.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

In looking to the future, the City continues to work with its employee bargaining groups in an effort to attain more savings through further employee concessions. Additionally, consolidation partnerships are being explored to reduce costs and increase efficiencies in the area of dispatch operations and Public Safety in an ongoing effort to further comply with the Economic Vitality Incentive Program (EVIP). One example of consolidation or sharing of services this past year has been the implementation of an Automatic Aid response to augment our Mutual Aid pact with our neighboring communities. This program has increased immediate response of personnel and equipment to the scene of any reported working fire in certain target hazard locations throughout member communities.

Applications for grants continue to be explored, and as a result, two grants were recently awarded, one being an \$800,000 grant for federally eligible roads (Marter and Morningside) and another for \$170,000 for the replacement of a 22-year-old Department of Public Works vehicle.

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, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 3)	\$ 9,646,863	\$ 5,159,393	\$ 14,806,256
Receivables:			
Taxes	305,222	-	305,222
Customers	-	1,310,267	1,310,267
Accrued interest	140,445	1,995	142,440
Other	6,877	-	6,877
Due from other governmental units	504,775	31,698	536,473
Internal balances (Note 5)	12,749	(12,749)	-
Prepaid expenses	172,340	1,250	173,590
Restricted cash (Note 1)	-	349,500	349,500
Investments in Grosse Pointes-Clinton Refuse Disposal Authority (Note 12)	46,870	-	46,870
Capital assets (Note 4):			
Nondepreciable capital assets	1,547,967	3,257,320	4,805,287
Depreciable capital assets - Net	25,548,959	24,526,940	50,075,899
Bond issuance costs	-	128,055	128,055
Total assets	37,933,067	34,753,669	72,686,736
Liabilities			
Accounts payable	718,827	617,464	1,336,291
Due to fiduciary fund	11,000	-	11,000
Accrued liabilities and other	640,084	64,483	704,567
Deferred revenue	14,556	-	14,556
Noncurrent liabilities (Note 6):			
Due within one year	638,424	700,000	1,338,424
Due in more than one year	14,229,701	10,338,179	24,567,880
Total liabilities	16,252,592	11,720,126	27,972,718
Net Position			
Net investment in capital assets	27,096,926	18,579,142	45,676,068
Restricted for:			
Roads	305,326	-	305,326
Debt service	-	349,500	349,500
Fireworks	76,014	-	76,014
Public safety	173,467	-	173,467
Solid waste	369,813	-	369,813
Community development	2	-	2
Unrestricted	(6,341,073)	4,104,901	(2,236,172)
Total net position	\$ 21,680,475	\$ 23,033,543	\$ 44,714,018

City of Grosse Pointe Woods, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 3,207,643	\$ 568,735	\$ 25,815
Public safety	6,869,020	667,782	-
Public works	5,841,495	70,479	886,947
Solid waste	1,152,236	-	-
Municipal improvements	63,982	-	-
Recreation and culture	1,827,476	119,399	-
Interest on long-term debt	17,369	-	-
Total governmental activities	18,979,221	1,426,395	912,762
Business-type activities:			
Water/Sewer	5,432,429	6,144,410	-
Parking	206,982	301,696	-
Boat dock	69,894	129,805	-
Commodity sales	40,085	37,922	-
Total business-type activities	5,749,390	6,613,833	-
Total primary government	\$ 24,728,611	\$ 8,040,228	\$ 912,762
General revenue:			
Property taxes			
State-shared revenue (unrestricted)			
Unrestricted investment earnings			
Franchise fees			
Other miscellaneous income			
Total general revenue			
Transfers			
Change in Net Position			
Net Position - Beginning of year			
Net Position - End of year			

**Statement of Activities
Year Ended June 30, 2013**

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (2,613,093)	\$ -	\$ (2,613,093)
(6,201,238)	-	(6,201,238)
(4,884,069)	-	(4,884,069)
(1,152,236)	-	(1,152,236)
(63,982)	-	(63,982)
(1,708,077)	-	(1,708,077)
(17,369)	-	(17,369)
(16,640,064)	-	(16,640,064)
-	711,981	711,981
-	94,714	94,714
-	59,911	59,911
-	(2,163)	(2,163)
-	864,443	864,443
(16,640,064)	864,443	(15,775,621)
12,869,618	-	12,869,618
1,500,662	-	1,500,662
27,817	3,254	31,071
380,964	-	380,964
287,829	-	287,829
15,066,890	3,254	15,070,144
30,000	(30,000)	-
(1,543,174)	837,697	(705,477)
23,223,649	22,195,846	45,419,495
\$ 21,680,475	\$ 23,033,543	\$ 44,714,018

City of Grosse Pointe Woods, Michigan

Governmental Funds Balance Sheet June 30, 2013

	General Fund	Special Revenue Funds		Debt Service	Nonmajor	Total
		Major	Solid Waste	Fund		
		Streets	Fund	Gratnot	Funds	
		Fund		Drain Fund		
Assets						
Cash and investments (Note 3)	\$ 5,309,485	\$ 268,377	\$ 399,675	\$ 353,560	\$ 703,324	\$ 7,034,421
Receivables:						
Taxes	189,711	-	23,775	85,232	6,504	305,222
Accrued interest receivable	107,571	209	1,750	-	1,508	111,038
Other receivables	6,877	-	-	-	-	6,877
Due from other governmental units	400,581	104,194	-	-	-	504,775
Due from other funds (Note 5)	21,884	-	351	-	3,000	25,235
Prepays	121,380	-	-	-	-	121,380
Total assets	<u>\$ 6,157,489</u>	<u>\$ 372,780</u>	<u>\$ 425,551</u>	<u>\$ 438,792</u>	<u>\$ 714,336</u>	<u>\$ 8,108,948</u>
Liabilities						
Accounts payable	\$ 267,742	\$ 6,860	\$ 30,778	\$ 342,015	\$ 53,237	\$ 700,632
Due to fiduciary funds	11,000	-	-	-	-	11,000
Due to other funds (Note 5)	3,306	1,641	-	-	7,130	12,077
Accrued liabilities and other:						
Accrued salaries and wages	140,016	6,274	1,729	-	89,424	237,443
Payroll taxes and withholdings	527	-	-	-	-	527
Accrued other liabilities	203,800	52,679	23,231	13,522	5,444	298,676
Deferred revenue	14,556	-	-	-	-	14,556
Total liabilities	640,947	67,454	55,738	355,537	155,235	1,274,911
Fund Balances						
Nonspendable - Prepays	121,380	-	-	-	-	121,380
Restricted:						
Roads	-	305,326	-	-	-	305,326
Solid Waste	-	-	369,813	-	-	369,813
Public Safety	-	-	-	-	173,467	173,467
Community Development	-	-	-	-	2	2
Fireworks	-	-	-	-	76,014	76,014
Committed:						
Local Streets	197,461	-	-	-	17,750	215,211
Fixed asset repair	10,500	-	-	-	-	10,500
Assigned:						
Subsequent year's budget	1,165,350	-	-	-	-	1,165,350
Debt Service	-	-	-	83,255	-	83,255
Public Safety	-	-	-	-	141,509	141,509
Capital Projects	-	-	-	-	63,349	63,349
Parkway Beautification	-	-	-	-	87,010	87,010
Cable	586,140	-	-	-	-	586,140
Unassigned	3,435,711	-	-	-	-	3,435,711
Total fund balances	<u>5,516,542</u>	<u>305,326</u>	<u>369,813</u>	<u>83,255</u>	<u>559,101</u>	<u>6,834,037</u>
Total liabilities and fund balances	<u>\$ 6,157,489</u>	<u>\$ 372,780</u>	<u>\$ 425,551</u>	<u>\$ 438,792</u>	<u>\$ 714,336</u>	<u>\$ 8,108,948</u>

The Notes to Financial Statements are an
Integral Part of this Statement.

City of Grosse Pointe Woods, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Position June 30, 2013

Fund Balance Reported in Governmental Funds	\$ 6,834,037
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	26,479,996
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	(13,735,371)
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	(675,818)
Internal service funds are included as part of governmental activities	<u>2,730,761</u>
Net Position of Governmental Activities	<u>\$ 21,680,475</u>

City of Grosse Pointe Woods, Michigan

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances Year Ended June 30, 2013

	General Fund	Special Revenue Funds		Debt Service Fund	Nonmajor Funds	Total
		Major Streets Fund	Solid Waste Fund	Grosse-Gratiot Drain Fund		
Revenue						
Property taxes	\$ 8,672,989	\$ -	\$ 1,229,465	\$ 2,748,907	\$ 217,316	\$ 12,868,677
Licenses and permits	875,743	-	-	-	-	875,743
Federal sources	-	-	-	-	6,800	6,800
State and local sources	1,627,768	629,291	-	-	6,185	2,263,244
Charges for services	121,379	-	-	-	-	121,379
Fines and forfeitures	431,512	-	-	-	-	431,512
Interest income	18,078	-	2,737	-	1,173	21,988
Other revenue	243,384	42,927	671	-	450,610	737,592
Total revenue	11,990,853	672,218	1,232,873	2,748,907	682,084	17,326,935
Expenditures						
Current:						
General government	2,665,260	-	-	-	218,798	2,884,058
Public safety	4,964,212	-	-	-	489,083	5,453,295
Public works	2,633,675	706,935	1,183,377	1,381,636	-	5,905,623
Municipal improvements	74,612	-	-	-	49,470	124,082
Parks and recreation	1,351,972	-	-	-	69,973	1,421,945
Debt service:						
Principal	-	-	-	1,173,754	-	1,173,754
Interest on long-term debt	-	-	-	14,676	-	14,676
Total expenditures	11,689,731	706,935	1,183,377	2,570,066	827,324	16,977,433
Excess of Revenue Over (Under) Expenditures	301,122	(34,717)	49,496	178,841	(145,240)	349,502
Other Financing Sources (Uses)						
Proceeds from sale of capital assets	1,000	-	-	-	-	1,000
Transfers in	200,000	77,854	-	-	107,647	385,501
Transfers out	(185,501)	-	(50,000)	(120,000)	-	(355,501)
Total other financing sources (uses)	15,499	77,854	(50,000)	(120,000)	107,647	31,000
Net Change in Fund Balances	316,621	43,137	(504)	58,841	(37,593)	380,502
Fund Balances - Beginning of year	5,199,921	262,189	370,317	24,414	596,694	6,453,535
Fund Balances - End of year	\$ 5,516,542	\$ 305,326	\$ 369,813	\$ 83,255	\$ 559,101	\$ 6,834,037

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 June 30, 2013

Net Change in Fund Balances - Total Governmental Funds	\$ 380,502
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	219,541
Depreciation expense	(1,081,876)
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities	33,140
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(2,465,564)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)	1,222,096
Change in investment in a joint Grosse Pointes-Clinton Refuse Disposal Authority is not recorded in the funds	(7,477)
Internal Service Funds are included as part of governmental activities	<u>156,464</u>
Change in Net Position of Governmental Activities	<u>\$ (1,543,174)</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Net Position June 30, 2013

	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 3)	\$ 4,312,903	\$ 846,490	\$ 5,159,393	\$ 2,612,442
Receivables:				
Customers	1,310,267	-	1,310,267	-
Accrued interest receivable	1,723	272	1,995	29,407
Due from other governmental units	31,698	-	31,698	-
Due from other funds (Note 5)	-	-	-	255
Prepaid expenses and other assets	1,250	-	1,250	50,960
Total current assets	<u>5,657,841</u>	<u>846,762</u>	<u>6,504,603</u>	<u>2,693,064</u>
Noncurrent assets:				
Restricted cash (Note 1)	349,500	-	349,500	-
Capital assets (Note 4):				
Assets not subject to depreciation	3,257,320	-	3,257,320	-
Assets subject to depreciation	24,112,984	413,956	24,526,940	616,930
Bond issuance costs	128,055	-	128,055	-
Total noncurrent assets	<u>27,847,859</u>	<u>413,956</u>	<u>28,261,815</u>	<u>616,930</u>
Total assets	<u>33,505,700</u>	<u>1,260,718</u>	<u>34,766,418</u>	<u>3,309,994</u>
Liabilities				
Current liabilities:				
Accounts payable	601,595	15,869	617,464	18,195
Due to other funds	2,330	10,419	12,749	664
Accrued liabilities and other	61,877	2,606	64,483	103,438
Current portion of long-term debt (Note 6)	700,000	-	700,000	-
Total current liabilities	<u>1,365,802</u>	<u>28,894</u>	<u>1,394,696</u>	<u>122,297</u>
Noncurrent liabilities:				
Provision for claims - Greater than one year	-	-	-	28,323
Other postemployment benefit obligation (Note 9)	1,138,116	284,183	1,422,299	428,613
Bond premium (Note 6)	282,707	-	282,707	-
Long-term debt (Note 6)	8,633,173	-	8,633,173	-
Total noncurrent liabilities	<u>10,053,996</u>	<u>284,183</u>	<u>10,338,179</u>	<u>456,936</u>
Total liabilities	<u>11,419,798</u>	<u>313,077</u>	<u>11,732,875</u>	<u>579,233</u>
Net Position				
Net investment in capital assets	18,165,186	413,956	18,579,142	616,930
Restricted - Debt Service	349,500	-	349,500	-
Unrestricted	3,571,216	533,685	4,104,901	2,113,831
Total net position	<u>\$ 22,085,902</u>	<u>\$ 947,641</u>	<u>\$ 23,033,543</u>	<u>\$ 2,730,761</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Position Year Ended June 30, 2013

	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	\$ 6,022,244	\$ -	\$ 6,022,244	\$ -
Penalties	52,011	-	52,011	-
Fees and violations	-	301,696	301,696	-
Dockings and launching fees	-	129,805	129,805	-
Commodity sales	-	37,922	37,922	-
Other revenue	70,155	-	70,155	4,000
Revenue and billings to other funds	-	-	-	1,014,827
Total operating revenue	6,144,410	469,423	6,613,833	1,018,827
Operating Expenses				
Cost of water and disposal	3,442,895	-	3,442,895	-
Insurance expense and contractual services	-	-	-	35,039
Operation and maintenance	219,911	188,854	408,765	477,116
General and administrative	734,236	95,688	829,924	171,303
Charges from internal service funds	50,000	8,611	58,611	-
Depreciation	721,823	23,808	745,631	209,688
Total operating expenses	5,168,865	316,961	5,485,826	893,146
Operating Income	975,545	152,462	1,128,007	125,681
Nonoperating Revenue (Expenses)				
Interest income	3,718	(464)	3,254	2,958
Expense from joint venture	(6,471)	-	(6,471)	-
Interest expense	(257,093)	-	(257,093)	-
Gain on disposal of asset	-	-	-	2,884
Other nonoperating revenue - Insurance proceeds	-	-	-	24,941
Total nonoperating (expenses) revenue	(259,846)	(464)	(260,310)	30,783
Income - Before transfers	715,699	151,998	867,697	156,464
Transfers Out (Note 5)	(25,000)	(5,000)	(30,000)	-
Change in Net Position	690,699	146,998	837,697	156,464
Net Position - Beginning of year	21,395,203	800,643	22,195,846	2,574,297
Net Position - End of year	<u>\$ 22,085,902</u>	<u>\$ 947,641</u>	<u>\$ 23,033,543</u>	<u>\$ 2,730,761</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2013

	Enterprise Funds		Governmental
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Internal Service Activities Funds
		Total	
Cash Flows from Operating Activities			
Receipts from customers	\$ 6,201,194	\$ 469,584	\$ 6,670,778
Payments for interfund services and reimbursements	(45,578)	-	(45,578)
Payments to suppliers	(3,571,516)	(193,443)	(3,764,959)
Payments to employees	(664,500)	(67,272)	(731,772)
Internal activity - Payments to other funds	1,400	255	1,655
Claims paid	-	-	-
Other receipts	37,803	2,176	39,979
Other payments	(128,055)	-	(128,055)
Net cash provided by operating activities	1,830,748	211,300	2,042,048
Cash Flows from Noncapital Financing Activities -			
Transfers to other funds	(25,000)	(5,000)	(30,000)
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of capital assets	-	-	-
Purchase of capital assets	(1,554,848)	(219,603)	(1,774,451)
Principal and interest paid on capital debt	905,716	-	905,716
Insurance proceeds	-	-	-
Net cash used in capital and related financing activities	(649,132)	(219,603)	(868,735)
Cash Flows from Investing Activities -			
Interest received on investments	(2,753)	(736)	(3,489)
Net Increase (Decrease) in Cash and Cash Equivalents	1,153,863	(14,039)	1,139,824
Cash and Cash Equivalents - Beginning of year	3,508,540	860,529	4,369,069
Cash and Cash Equivalents - End of year	\$ 4,662,403	\$ 846,490	\$ 5,508,893
Balance Sheet Classification of Cash and Cash Equivalents			
Cash and investments	\$ 4,312,903	\$ 846,490	\$ 5,159,393
Restricted cash	349,500	-	349,500
Total cash and cash equivalents	\$ 4,662,403	\$ 846,490	\$ 5,508,893
Reconciliation of Operating Income to Net Cash from Operating Activities			
Operating income	\$ 975,545	\$ 152,462	\$ 1,128,007
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	721,823	23,808	745,631
Changes in assets and liabilities:			
Receivables	94,587	2,176	96,763
Due from others	4,422	-	4,422
Other assets	-	-	-
Accounts payable	(35,222)	1,116	(34,106)
Due to other funds	1,400	255	1,655
Accrued and other liabilities	196,248	31,483	227,731
Other assets	(128,055)	-	(128,055)
Net cash provided by operating activities	\$ 1,830,748	\$ 211,300	\$ 2,042,048

Noncash Activity - There were no noncash transactions for the year ended June 30, 2013

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Position June 30, 2013

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 1,694,393	\$ 42,228
Investments:		
U.S. government securities	4,641,223	-
Stocks	27,970,301	-
Corporate bonds	142,319	-
Mutual funds	3,457,926	-
Receivables:		
Accrued interest receivable	17,454	-
Other receivables	81,347	-
Due from primary government	11,000	-
	38,015,963	\$ 42,228
Liabilities		
Accounts payable	247,860	\$ 6,877
Due to other governmental units	-	17,718
Court bonds payable	-	17,633
	247,860	\$ 42,228
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 37,768,103	

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Position Year Ended June 30, 2013

	Pension and Other Employee Benefits
Additions	
Investment income:	
Interest and dividends	\$ 1,122,723
Net decrease in fair market value	3,307,333
Less investment expenses	(298,014)
Contributions:	
Employer	1,006,100
Employee	376,235
Total contributions	<u>1,382,335</u>
Total additions - Net	5,514,377
Deductions - Pension payments	<u>3,236,567</u>
Net Increase	2,277,810
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>35,490,293</u>
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 37,768,103</u></u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies

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

Reporting Entity

The City was incorporated as a home rule village on January 4, 1927 and as a home rule city on December 11, 1950. The City has a population of 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 six-member council. The City's administration operates under the overall direction of an elected mayor. In accordance with accounting principles generally accepted in the United States of America, there are no component units to be included in the City's reporting entity.

Government-wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function (governmental activities) or segment (business-type activities) are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenue are reported instead as general revenue.

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.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for the agency funds, which have no measurement focus. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes billed during the month of December will be used to finance the following year's operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, licenses, and interest are susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The City reports the following major governmental funds:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The Major 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.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies (Continued)

The City reports the following major proprietary fund:

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

Additionally, the City reports the following activities in its internal service funds and fiduciary fund types:

- The internal service funds are used to account for the financing of goods and services provided by one department to other departments of the City on a cost reimbursement basis. The City has 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.
- 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.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies (Continued)

When an expense is incurred for purposes for which both restricted and unrestricted net position or fund balance are available, the City's policy is to first apply restricted resources. When an expense is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy to spend funds in this order: restricted, committed, assigned, and unassigned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. The Water and Sewer Fund also recognizes the portion of tap fees intended to recover current costs (e.g., labor and materials to hook up new customers) as operating revenue. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Property Tax Revenue

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

The City's 2012 tax is levied and collectible on December 1, 2012 and is recognized as revenue in the year ended June 30, 2013, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2012 taxable valuation of the City of Grosse Pointe Woods totaled \$605 million, on which ad valorem taxes levied consisted of 14.0409 mills for operating purposes, .0810 mills for public relations, 2.0251 mills for solid waste disposal, and 4.3072 mills for the Grosse-Gratiot Drain. This resulted in \$8.4 million for operating purposes, \$0.05 million for public relations, \$1.22 million for solid waste disposal, and \$2.7 million for the Grosse-Gratiot Drain. These amounts are recognized in the respective General Fund, special revenue funds, and debt service funds financial statements as property tax revenue.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note I - Nature of Business and Significant Accounting Policies (Continued)

Assets, Liabilities, and Net Position or Equity

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

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

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 \$349,500 at June 30, 2013. 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, and infrastructure assets (e.g., bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of a 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:

Infrastructure	10-50 years
Buildings	25 years
Vehicles	3-7 years
Equipment	5 years
Land improvement	10-40 years

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

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

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

Provision for Claims - The City participates in a self-insurance pool for health insurance with the other four Grosse Pointe communities. The provision for claims recorded represents the incurred but not reported liability related to this insurance.

Pension and Other Postemployment Benefit Costs - The City offers both pension and retiree healthcare benefits to retirees. The City receives an actuarial valuation to compute the annual required contribution (ARC) necessary to fund the obligation over the remaining amortization period. In 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.

Fund Equity - In the fund financial statements, governmental funds report the following components of fund balance:

- **Nonspendable:** Amounts that are not in spendable form or are legally or contractually required to be maintained intact
- **Restricted:** Reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 1 - Nature of Business and Significant Accounting Policies (Continued)

- Committed: Amounts that have been formally set aside by the Council for use for specific purposes. Commitments are made and can be rescinded only via resolution of the Council.
- Assigned: Intent to spend resources on specific purposes expressed by the Council, which is authorized to make assignments
- Unassigned: Amounts that do not fall into any other category above. This is the residual classification for amounts in the General Fund and represents fund balance that has not been assigned to other funds and has not been restricted, committed, or assigned to specific purposes in the General Fund. In other governmental funds, only negative unassigned amounts are reported, if any, and represent expenditures incurred for specific purposes exceeding the amounts previously restricted, committed, or assigned to those purposes.

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.

Accounting Change - Effective July 1, 2012, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989 that is included in FASB statements and interpretations, APB opinions, and accounting research bulletins of the AICPA Committee on Accounting Procedure. This statement did not have a significant impact on the City's financial statements.

Effective July 1, 2012, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. This statement incorporates deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets. This statement also provided a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. This statement impacted the format and report of the balance sheet at the government-wide level and also at the fund level.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 2 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall at July 1, 2012	\$ (764,416)
Current year building permit revenue	434,686
Related expense - Direct costs	<u>355,480</u>
Current year surplus	<u>79,206</u>
Cumulative shortfall at June 30, 2013	<u>\$ (685,210)</u>

Note 3 - Deposits and Investments

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

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, 2013

Note 3 - Deposits and Investments (Continued)

The City has designated seven banks for the deposit of its funds. The investment policy adopted by the board (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 \$3,927,499 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.

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:

Primary Government	Fair Value	0-5 Years	5-15 Years	15 Years and More
U.S. government agencies and securities:				
Negotiable certificates of deposit	\$ 2,206,052	\$ 2,206,052	\$ -	\$ -
Federal Home Loan Mortgage Corporation	200,368	200,368	-	-
Federal National Mortgage Association	484,243	484,243	-	-
Federal Home Loan Bank	547,958	547,958	-	-
Federal Farm Credit Bank	496,345	496,345	-	-

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 3 - Deposits and Investments (Continued)

<u>Fiduciary Funds</u>	<u>Fair Value</u>	<u>0-5 Years</u>	<u>5-15 Years</u>	<u>15 Years and More</u>
Mutual funds - Fixed-income shares	\$ 3,457,926	\$ 3,457,926	\$ -	\$ -
U.S. Treasury notes	1,865,540	-	1,865,540	-
U.S Treasury Inflation	914,068	596,097	-	317,971
Federal National Mortgage Association	1,156,597	-	-	1,156,597
Federal Home Loan Mortgage Corporation	705,018	-	-	705,018

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Rating Organization</u>
Primary government:			
Negotiable CDs	\$ 2,206,052	Not rated	N/A
Federal Home Loan Mortgage Corporation	200,368	AAA	Moody's
Bank investment pools	7,164,286	AI/PI/FI	S&P
Bank investment pools	197,144	Not rated	N/A
Federal National Mortgage Association	100,190	AAA	Moody's
Federal National Mortgage Association	384,053	AA+	S&P
Federal Farm Credit Bank	496,345	AAA	Moody's
Federal Home Loan Bank Fixed Rate	248,270	AAA	Moody's
Federal Home Loan Bank	299,688	AAA	Moody's
Fiduciary funds:			
Federal National Mortgage Association	1,156,597	AAA	Moody's
U.S. Treasury notes	2,779,608	AAA	Moody's
Federal Home Loan Mortgage Corporation	705,018	AAA	Moody's

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	13.93%
Federal National Mortgage Association	12.31%
Federal Home Loan Mortgage Corporation	5.09%
Federal Farm Credit Bank	12.61%

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Capital Assets

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

Governmental Activities	Balance July 1, 2012	Additions	Disposals and Adjustments	Balance June 30, 2013	
Capital assets not being depreciated - Land	\$ 1,547,967	\$ -	\$ -	\$ 1,547,967	
Capital assets being depreciated:					
Infrastructure	27,348,633	136,627	-	27,485,260	
Buildings	8,997,829	12,852	-	9,010,681	
Equipment and vehicles	6,683,875	98,908	292	6,783,075	
Land improvements	253,120	10,000	-	263,120	
Subtotal	43,283,457	258,387	292	43,542,136	
Accumulated depreciation:					
Infrastructure	6,560,181	573,185	-	7,133,366	
Buildings	3,850,194	297,970	-	4,148,164	
Equipment and vehicles	6,151,463	399,840	292	6,551,595	
Land improvements	139,483	20,569	-	160,052	
Subtotal	16,701,321	1,291,564	292	17,993,177	
Net capital assets being depreciated	26,582,136	(1,033,177)	-	25,548,959	
Net governmental funds capital assets	\$ 28,130,103	\$ (1,033,177)	\$ -	\$ 27,096,926	
Business-type Activities	Balance July 1, 2012	Reclassifications	Additions	Disposals and Adjustments	Balance June 30, 2013
Capital assets not being depreciated - Construction in progress	\$ 2,871,615	\$ (1,137,929)	\$ 1,523,634	\$ -	\$ 3,257,320
Capital assets being depreciated:					
Infrastructure	34,088,503	1,137,929	31,214	-	35,257,646
Land improvements	1,536,709	-	219,603	(1,100)	1,755,212
Subtotal	35,625,212	1,137,929	250,817	(1,100)	37,012,858
Accumulated depreciation:					
Infrastructure	10,422,839	-	721,823	-	11,144,662
Land improvements	1,318,548	-	23,808	(1,100)	1,341,256
Subtotal	11,741,387	-	745,631	(1,100)	12,485,918
Net capital assets being depreciated	23,883,825	1,137,929	(494,814)	-	24,526,940
Net business-type capital assets	\$ 26,755,440	\$ -	\$ 1,028,820	\$ -	\$ 27,784,260

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 4 - Capital Assets (Continued)

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

Governmental activities:

General government	\$ 82,447
Public safety	71,782
Public works	627,397
Recreation and culture	300,250
Internal service funds	<u>209,688</u>
Total governmental activities	<u>\$ 1,291,564</u>

Business-type activities:

Water and sewer	\$ 721,823
Parking utility	15,351
Boat dock	<u>8,457</u>
Total business-type activities	<u>\$ 745,631</u>

Construction Commitments - The City has active construction projects at year end. At year end, the City spent \$4,207,532 in connection with the active construction project and the City's commitment with contractors was \$6,686,866.

Note 5 - 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	Major Streets Fund	\$ 1,641
	Nonmajor governmental funds	7,130
	Nonmajor enterprise funds	10,119
	Internal Service Funds	664
	Water and Sewer Fund	<u>2,330</u>
	Total General Fund	21,884
Solid Waste Fund	General Fund	51
	Nonmajor enterprise funds	<u>300</u>
	Total Solid Waste Fund	351
Nonmajor governmental funds	General Fund	3,000
Internal service funds	General Fund	<u>255</u>
	Total	<u>\$ 25,490</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

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

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

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Major Streets Fund	\$ 77,854
	Nonmajor governmental funds	<u>107,647</u>
	Total General Fund (1)	185,501
Solid Waste Disposal	General Fund (2)	50,000
Grosse-Gratiot Drain Fund	General Fund (1)	120,000
Nonmajor enterprise funds	General Fund (2)	5,000
Water and Sewer Fund	General Fund (2)	<u>25,000</u>
	Total	<u>\$ 385,501</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, 2013

Note 6 - Long-term Debt

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

	Interest Rate Ranges	Principal Maturity Ranges	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental Activities							
General obligation bonds -							
County Contractual - Wayne County							
Drain Commission -							
Combined Drain Bonds:							
Amount of issue - \$19,208,696							
Maturing through 2013							
	Various	\$ 1,222,096	1,222,096	-	1,222,096	-	-
Other long-term obligations:							
Employee compensated absences							
Estimated liability for workers'							
compensation and health claims							
(Note 11)							
			249,853	24,586	96,101	178,338	70,015
Other postemployment benefit obligation							
(Note 9)							
			11,623,985	4,149,664	1,689,665	14,083,984	-
Total governmental activities							
			<u>\$ 13,804,892</u>	<u>\$ 4,810,840</u>	<u>\$ 3,677,592</u>	<u>\$ 14,938,140</u>	<u>\$ 708,439</u>
Business-type Activities							
Revenue bonds:							
2003 Revenue Bond:							
Amount of issue - \$5,300,000							
Maturing through 2022							
	3.13%	\$305,000	\$ 3,975,000	\$ -	\$ 3,670,000	\$ 305,000	\$ 305,000
2003 Revenue Refunding Bond:							
Amount of refunding - \$3,190,000							
Maturing through 2023							
	2.00% - 4.00%	\$310,000 - \$415,000	-	3,190,000	-	3,190,000	-
2010 Drinking Water Revolving Fund Bond-7301-01:							
Amount of issue - \$1,915,991							
Maturing through 2030							
	2.50%	\$95,000 - \$135,000	1,920,606	-	90,000	1,830,606	95,000
2010 Drinking Water Revolving Fund - 7332-01:							
Amount of issue - \$60,497							
Maturing through 2029							
	2.50% - 3.95%	\$155,000 - \$250,000	2,274,758	1,220,046	155,000	3,339,804	160,000
2012 State Revolving Fund Bond - 5365-01:							
Amount of issue - \$3,525,000							
Maturing through 2033							
	2.50%	\$140,000 - \$220,000	-	667,763	-	667,763	140,000
Total revenue bonds							
			8,170,364	5,077,809	3,915,000	9,333,173	700,000
Other long-term obligations -							
Other postemployment benefit obligation (Note 9)							
			1,174,925	410,910	163,536	1,422,299	-
Estimated liability for workers' compensation and health claims (Note 11)							
			8,363	-	3,111	5,252	5,252
Bond premium							
			-	282,707	-	282,707	-
Total business-type activities							
			<u>\$ 9,353,652</u>	<u>\$ 5,771,426</u>	<u>\$ 4,081,647</u>	<u>\$ 11,043,431</u>	<u>\$ 705,252</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - 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 that the individual employee's salaries and wages are paid from.

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 \$4,074,288. During the current year, net revenue of the system was \$715,699 compared to the annual debt requirements of \$351,588.

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
2014	\$ 700,000	\$ 193,571	\$ 893,571
2015	710,000	229,439	939,439
2016	730,000	213,239	943,239
2017	750,000	196,652	946,652
2018	702,763	179,589	882,352
2019-2023	3,400,000	609,525	4,009,525
2024-2028	1,690,000	187,350	1,877,350
2029-2033	650,410	12,200	662,610
Total	<u>\$ 9,333,173</u>	<u>\$ 1,821,565</u>	<u>\$ 11,154,738</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 6 - Long-term Debt (Continued)

Advance and Current Refundings - During the year, the City issued \$3,190,000 in revenue bonds at a premium totaling \$282,707 with an average interest rate of 2.78 percent. The proceeds of these bonds were used to advance refund \$3,380,000 of outstanding 2003 Water and Sewer Revenue bonds with an average interest rate of 3.13 percent. The net proceeds of \$3,439,362 (after payment of \$128,055 in underwriting fees and other issuance costs) were used to purchase U.S. government securities and were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the City's long-term obligations. The advance refunding reduced total debt service payments over the next nine years by approximately \$4,412,000, which represents an economic gain of approximately \$648,000.

Note 7 - 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	\$ 1,460,279	\$ 84,577	\$ 149,537	\$ 1,694,393
Investments:				
Mutual funds	3,457,926	-	-	3,457,926
U.S. government securities	4,641,223	-	-	4,641,223
Corporate bonds	142,319	-	-	142,319
Stocks	26,922,001	1,048,300	-	27,970,301
Accrued interest receivable	17,454	-	-	17,454
Contributions receivable	74,065	11,000	7,282	92,347
Accounts payable	(227,044)	(20,816)	-	(247,860)
Net position held in trust for pension and other employee benefits	<u>\$ 36,488,223</u>	<u>\$ 1,123,061</u>	<u>\$ 156,819</u>	<u>\$ 37,768,103</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 7 - Pension and Other Employee Benefit Trust Funds (Continued)

	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	\$ 1,122,723	\$ -	\$ -	\$ 1,122,723
Net increase (decrease) in fair market value	3,243,074	65,928	(1,669)	3,307,333
Less investment expenses	(298,014)	-	-	(298,014)
Total investment income (loss)	4,067,783	65,928	(1,669)	4,132,042
Contributions:				
Employer	767,521	238,579	-	1,006,100
Employee	286,383	-	89,852	376,235
Total contributions	1,053,904	238,579	89,852	1,382,335
Deductions - Pension payments	2,968,210	268,357	-	3,236,567
Net increase	2,153,477	36,150	88,183	2,277,810
Net position held in trust for pension and other employee benefits:				
Beginning of year	34,334,746	1,086,911	68,636	35,490,293
End of year	\$ 36,488,223	\$ 1,123,061	\$ 156,819	\$ 37,768,103

Note 8 - Pension Plans

Pension Trust Fund

Plan Description

The City administers a single-employer defined benefit pension plan, the City of Grosse Pointe Woods Employees' Retirement System (the "System"). The System covers substantially all full-time employees and provides retirement benefits as well as death and disability benefits. The plan does not publish a separate financial report. The City also offers a supplemental annuity plan, which covers the same employees. Net pension obligations are typically paid from the funds that the individual employee's salaries and wages are paid from.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Pension Plans (Continued)

At June 30, 2012, the date of the most recent actuarial valuation, membership consisted of the following:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	97
Current active employees	82
	<hr/>
Total membership	179
	<hr/> <hr/>

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

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

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 83.5 percent funded. The actuarial accrued liability for benefits was \$44.7 million and the actuarial value of assets was \$37.4 million, resulting in an unfunded actuarial accrued liability of \$7.3 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.2 million.

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

Note 8 - Pension Plans (Continued)

Annual Pension Costs

For the year ended June 30, 2013, the City was required to make a contribution to the pension plan of \$1,053,904, exclusive of \$286,383 of employee contributions, which was equal to the City's required and actual contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2012 using the entry actual age cost method. Significant actuarial assumptions used include an 8.0 percent investment rate of return, and projected salary increases ranging from 4.0 percent to 7.8 percent. The projected salary increases include an inflation factor of 4.0 percent. The actuarial value of assets was determined using techniques that smooth the effects of the short-term volatility over a four-year period. The unfunded actuarial liability is being amortized as a level percentage of payroll contributions on an open basis. The remaining amortization period is 25 years perpetual.

Supplemental Annuity Fund

Plan Description

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

Funded Status and Funding Progress

As of June 30, 2012, the most recent actuarial valuation date, the plan was 34.8 percent funded. The actuarial accrued liability for benefits was \$3.1 million and the actuarial value of assets was \$1.1 million, resulting in an unfunded actuarial accrued liability of \$2.0 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.2 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 38.8 percent.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 8 - Pension Plans (Continued)

Annual Pension Costs

For the year ended June 30, 2013, the City's actual annual supplemental annuity cost of \$238,579 for the system met the required contribution. The annual required contribution was determined as part of an actuarial valuation at June 30, 2012 using the entry level dollar cost method. Significant actuarial assumptions used include an 8.0 percent investment rate of return and projected salary increases ranging from 4.0 percent to 7.8 percent. The projected salary increases include an inflation factor of 4.0 percent. The actuarial value of assets was determined using market value. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 11 years.

Three-year Trend Information

The information presented below was determined as part of the actuarial valuations at the dates indicated:

	Fiscal Year Ended June 30		
	2011	2012	2013
Pension trust:			
Annual pension costs (APC)	\$ 786,228	\$ 743,380	\$ 891,295
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	None	None	None
Supplemental annuity:			
Annual pension costs (APC)	\$ 227,345	\$ 238,579	\$ 245,862
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	None	None	None

Note 9 - Other Postemployment Benefits

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 that the individual employee's salaries and wages are paid from.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 9 - Other Postemployment Benefits (Continued)

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, 2013, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2010. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 4,192,613
Interest on the prior year's net OPEB obligation	447,962
Less adjustment to the annual required contribution	<u>(395,578)</u>
Annual OPEB cost	4,244,997
Amounts contributed	<u>(1,457,623)</u>
Increase in net OPEB obligation	2,787,374
Net OPEB obligation - Beginning of year	<u>12,798,910</u>
Net OPEB obligation - End of year	<u>\$ 15,586,284</u>

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/09	6/30/07	\$ 3,245,706	43.7 %	\$ 3,245,706
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	4,640,575	31.4	15,586,284

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 9 - Other Postemployment Benefits (Continued)

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	N/A
6/30/10	-	57,033,150	57,033,150	-	5,454,568	1,046 %

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.

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

In the June 30, 2010 actuarial valuation, the individual entry age actuarial cost method was used. The actuarial assumptions included a 3.5 percent investment rate of return (net of investment expenses), a projected salary increase rate of 4.0 percent to 7.8 percent and an annual healthcare cost trend rate of 8.5 percent initially, reduced by 0.5 percent decrements to an ultimate rate of 4.5 percent after eight years. The projected salary increases include an inflation factor of 4.0 percent. 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.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

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. The City matches employee contributions for public safety officers and command, up to 3 percent of base salary, depending upon seniority. As of June 30, 2013, employees who had elected to participate in the Plan had contributed \$4,620,535.

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.

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 Village of Grosse Pointe Shores serves as the administrative agent for the program; however, each municipality is responsible for its individual claims.

The City estimates the liability for medical benefits claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of claims.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 11 - Risk Management (Continued)

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

	<u>Workers' Compensation</u>		<u>Medical Claims</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Estimated liability - Beginning of year	\$ 138,347	\$ 136,975	\$ 119,869	\$ 128,942
Estimated claims incurred, including changes in estimates	24,586	91,947	1,246,945	1,480,112
Claim payments	<u>(54,610)</u>	<u>(90,575)</u>	<u>(1,291,547)</u>	<u>(1,489,185)</u>
Estimated liability - End of year	<u>\$ 108,323</u>	<u>\$ 138,347</u>	<u>\$ 75,267</u>	<u>\$ 119,869</u>

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.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2013

Note 13 - Upcoming Accounting Pronouncements

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is required to be implemented for financial statements for periods beginning after December 15, 2012. Statement No. 65 establishes accounting and financial reporting standards that reclassify, as deferred outflows and inflows of resources, certain items that were previously reported as assets and liabilities. This statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources. Statement No. 65 will be implemented for the City as of June 30, 2014.

In June 2012, GASB Statement No. 67, *Financial Reporting for Pension Plans*, was issued by the Governmental Accounting Standards Board. This new standard, which replaces the requirements of GASB Statements No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and No. 50, *Pension Disclosures*, 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(s) and certain nonemployer contributing entities, about which information is required to be disclosed. GASB Statement No. 67 is required to be adopted for years beginning after June 15, 2013. For the City of Grosse Pointe Woods, this standard will be adopted for the year ending June 30, 2014.

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, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 8,575,928	\$ 8,575,928	\$ 8,672,989	\$ 97,061
Licenses and permits	589,034	589,034	875,743	286,709
State-shared revenue and grants	1,302,200	1,302,200	1,370,112	67,912
Charges for services	113,502	113,502	121,379	7,877
Fines and forfeitures	576,000	576,000	431,512	(144,488)
Interest income	35,000	35,000	15,452	(19,548)
Other revenue	876,542	1,141,608	207,805	(933,803)
Transfers in	200,000	200,000	200,000	-
Total revenue	12,268,206	12,533,272	11,894,992	(638,280)
Expenditures				
Current:				
General government:				
City council	65,630	65,630	49,953	15,677
City comptroller	319,313	319,313	272,250	47,063
Commission	21,606	21,106	11,648	9,458
Municipal court	468,144	468,144	370,893	97,251
City assessor	210,097	241,097	242,561	(1,464)
City clerk	272,900	272,900	272,979	(79)
Building inspection	367,382	367,382	355,480	11,902
City attorney	254,618	481,644	406,792	74,852
Administration	184,462	183,962	184,393	(431)
Fringe benefits	405,862	405,862	392,776	13,086
Other services and charges	125,713	125,713	105,535	20,178
Total general government	2,695,727	2,952,753	2,665,260	287,493
Public safety:				
Police service	3,055,313	3,055,313	3,062,573	(7,260)
Fire prevention and inspection	23,050	18,927	9,413	9,514
Fringe benefits	1,438,212	1,438,212	1,309,979	128,233
Support service	155,449	155,449	137,847	17,602
Administration	245,171	245,171	240,234	4,937
Other services and charges	218,087	218,087	204,166	13,921
Total public safety	5,135,282	5,131,159	4,964,212	166,947

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Expenditures (Continued)				
Current (Continued):				
Public works:				
Street maintenance	\$ 167,911	\$ 167,911	\$ 149,727	\$ 18,184
Management information system	272,584	273,984	260,059	13,925
Forestry services	107,821	107,821	90,319	17,502
Other services and charges	1,116,512	1,155,239	1,197,326	(42,087)
Supervision and engineering	76,739	76,739	63,831	12,908
Fringe benefits	173,537	173,537	155,813	17,724
City building and grounds	135,071	136,107	121,542	14,565
Total public works	2,050,175	2,091,338	2,038,617	52,721
Parks and recreation:				
Other services and charges	63,747	63,747	63,732	15
Supervision and engineering	16,722	16,722	14,091	2,631
Lake Front Park	1,162,533	1,132,533	961,567	170,966
Fringe benefits	141,742	141,742	112,653	29,089
Community center	241,134	241,134	164,204	76,930
City parks	42,133	42,133	35,725	6,408
Total parks and recreation	1,668,011	1,638,011	1,351,972	286,039
Transfers out	719,011	720,011	615,585	104,426
Total expenditures	12,268,206	12,533,272	11,635,646	897,626
Other Financing Sources -				
Proceeds from sale of capital assets	-	-	1,000	1,000
Net Change in Fund Balance	-	-	260,346	260,346
Fund Balance - Beginning of year	4,472,598	4,472,598	4,472,598	-
Fund Balance - End of year	<u>\$ 4,472,598</u>	<u>\$ 4,472,598</u>	<u>\$ 4,732,944</u>	<u>\$ 260,346</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 585,000	\$ 585,000	\$ 629,291	\$ 44,291
Other revenue	46,300	46,300	42,927	(3,373)
Transfers in	127,854	127,854	77,854	(50,000)
Total revenue	759,154	759,154	750,072	(9,082)
Expenditures - Current -				
Public works				
Street construction	79,500	79,500	62,181	17,319
Routine maintenance	310,033	310,033	294,706	15,327
Winter maintenance	20,400	20,400	9,895	10,505
Traffic services	17,600	17,600	5,724	11,876
Administration	145,931	145,931	146,087	(156)
Fringe benefits	185,690	185,690	188,342	(2,652)
Total expenditures	759,154	759,154	706,935	52,219
Net Change in Fund Balance	-	-	43,137	43,137
Fund Balance - Beginning of year	262,189	262,189	262,189	-
Fund Balance - End of year	<u>\$ 262,189</u>	<u>\$ 262,189</u>	<u>\$ 305,326</u>	<u>\$ 43,137</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Disposal Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,224,780	\$ 1,224,780	\$ 1,229,465	\$ 4,685
Interest income	500	500	2,737	2,237
Transfers	133,824	133,824	-	(133,824)
Other revenue	2,005	2,005	671	(1,334)
Total revenue	1,361,109	1,361,109	1,232,873	(128,236)
Expenditures - Current				
Public works:				
Solid waste	1,245,184	1,245,184	1,122,247	122,937
Fringe benefits	65,925	65,925	61,130	4,795
Total public works	1,311,109	1,311,109	1,183,377	127,732
Transfers out	50,000	50,000	50,000	-
Total expenditures	1,361,109	1,361,109	1,233,377	127,732
Net Change in Fund Balance	-	-	(504)	(504)
Fund Balance - Beginning of year	370,317	370,317	370,317	-
Fund Balance - End of year	\$ 370,317	\$ 370,317	\$ 369,813	\$ (504)

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2013

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
6/30/07	\$ 35,801,000	\$ 38,744,000	\$ 2,943,000	92.4	\$ 5,740,000	51.3
6/30/08	37,728,000	36,310,000	(1,418,000)	103.9	5,739,000	(24.7)
6/30/09	37,149,000	40,417,000	3,268,000	91.9	6,214,000	52.6
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

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, 2012, 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, 2013

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
6/30/07	\$ 788,000	\$ 2,733,000	\$ 1,945,000	28.8	\$ 5,740,000	33.9
6/30/08	869,000	2,836,000	1,967,000	30.6	5,739,000	34.3
6/30/09	905,000	2,882,000	1,977,000	31.4	6,214,000	31.8
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

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	\$ 248,038	100
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

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2012, the latest actuarial valuation, follows:

Actuarial cost method	Entry age, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	11 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

Note to Required Supplemental Information Year Ended June 30, 2013

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	\$ 11,990,853	\$ 11,689,731	\$ 301,122
Local Streets Fund budgeted separately from the General Fund	(293,235)	(669,670)	376,435
Cable franchise funds budgeted separately from the General Fund	(2,626)	-	(2,626)
Operating transfers budgeted as revenue and expenditures	200,000	615,585	(415,585)
Other financing sources	-	-	1,000
Amounts per budget statement	<u>\$ 11,894,992</u>	<u>\$ 11,635,646</u>	<u>\$ 260,346</u>
<u>Major Streets Fund</u>			
Amounts per operating statement	\$ 672,218	\$ 706,935	\$ (34,717)
Operating transfers budgeted as revenue and expenditures	77,854	-	77,854
Amounts per budget statement	<u>\$ 750,072</u>	<u>\$ 706,935</u>	<u>\$ 43,137</u>
<u>Solid Waste Disposal</u>			
Amounts per operating statement	\$ 1,232,873	\$ 1,183,377	\$ 49,496
Operating transfers budgeted as revenue and expenditures	-	50,000	(50,000)
Amounts per budget statement	<u>\$ 1,232,873</u>	<u>\$ 1,233,377</u>	<u>\$ (504)</u>

City of Grosse Pointe Woods, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2013

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the City of Grosse Pointe Woods did not incur any significant expenditures which were in excess of the amounts budgeted.

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, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,780,459	\$ 2,738,595	\$ 2,748,907	\$ 10,312
Interest income	500	-	-	-
Total revenue	2,780,959	2,738,595	2,748,907	10,312
Expenditures				
Current - Public works	1,424,186	1,381,822	1,381,636	186
Debt service	1,236,773	1,236,773	1,188,430	48,343
Transfers out	120,000	120,000	120,000	-
Total expenditures	2,780,959	2,738,595	2,690,066	48,529
Net Change in Fund Balance	-	-	58,841	58,841
Fund Balance - Beginning of year	24,414	24,414	24,414	-
Fund Balance - End of year	<u>\$ 24,414</u>	<u>\$ 24,414</u>	<u>\$ 83,255</u>	<u>\$ 58,841</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
	Fund	Fund	Service Fund	Fund	Fund	Fund
Assets						
Cash and investments	\$ 213,667	\$ 43,215	\$ 6,952	\$ 143,630	\$ 3,409	\$ 193,602
Accounts receivable and other assets	6,504	-	-	-	-	1,508
Due from other funds	-	3,000	-	-	-	-
Total assets	\$ 220,171	\$ 46,215	\$ 6,952	\$ 143,630	\$ 3,409	\$ 195,110
Liabilities						
Accounts payable	\$ 2,729	\$ 760	\$ -	\$ 92	\$ -	\$ 31,906
Due to other funds	-	-	6,950	-	-	180
Accrued liabilities and other	92,839	-	-	2,029	-	-
Total liabilities	95,568	760	6,950	2,121	-	32,086
Fund Balances						
Restricted:						
Public Safety	124,603	45,455	-	-	3,409	-
Community Development	-	-	2	-	-	-
Fireworks	-	-	-	-	-	76,014
Committed - Local Streets	-	-	-	-	-	-
Assigned:						
Public Safety	-	-	-	141,509	-	-
Capital Projects	-	-	-	-	-	-
Parkway Beautification	-	-	-	-	-	87,010
Total fund balances	124,603	45,455	2	141,509	3,409	163,024
Total liabilities and fund balances	\$ 220,171	\$ 46,215	\$ 6,952	\$ 143,630	\$ 3,409	\$ 195,110

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

Capital Projects Funds	Total Nonmajor Governmental Funds
Municipal Improvement Fund	Nonmajor Governmental Funds
\$ 98,849	\$ 703,324
-	8,012
-	3,000
<u>\$ 98,849</u>	<u>\$ 714,336</u>
\$ 17,750	\$ 53,237
-	7,130
-	94,868
17,750	155,235
-	173,467
-	2
-	76,014
17,750	17,750
-	141,509
63,349	63,349
-	87,010
<u>81,099</u>	<u>559,101</u>
<u>\$ 98,849</u>	<u>\$ 714,336</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	\$ 217,316	\$ -	\$ -	\$ -
Federal financial sources	-	-	6,800	-
State and local sources	-	6,185	-	-
Interest income	943	-	-	-
Other revenue	235,659	611	50	115,993
Total revenue	453,918	6,796	6,850	115,993
Expenditures - Current				
General government	182,471	-	7,000	29,327
Public safety	427,468	2,603	-	57,387
Municipal improvements	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	609,939	2,603	7,000	86,714
Excess of Revenue (Under) Over Expenditures	(156,021)	4,193	(150)	29,279
Other Financing Sources - Transfers in	106,647	-	-	-
Net Change in Fund Balances	(49,374)	4,193	(150)	29,279
Fund Balances - Beginning of year	173,977	41,262	152	112,230
Fund Balances - End of year	\$ 124,603	\$ 45,455	\$ 2	\$ 141,509

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013

<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>	
\$ -	\$ -	\$ -	\$ 217,316
-	-	-	6,800
-	-	-	6,185
-	230	-	1,173
<u>3,543</u>	<u>68,239</u>	<u>26,515</u>	<u>450,610</u>
3,543	68,469	26,515	682,084
-	-	-	218,798
1,625	-	-	489,083
-	-	49,470	49,470
<u>-</u>	<u>69,973</u>	<u>-</u>	<u>69,973</u>
<u>1,625</u>	<u>69,973</u>	<u>49,470</u>	<u>827,324</u>
1,918	(1,504)	(22,955)	(145,240)
<u>-</u>	<u>-</u>	<u>1,000</u>	<u>107,647</u>
1,918	(1,504)	(21,955)	(37,593)
<u>1,491</u>	<u>164,528</u>	<u>103,054</u>	<u>596,694</u>
<u>\$ 3,409</u>	<u>\$ 163,024</u>	<u>\$ 81,099</u>	<u>\$ 559,101</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Ambulance Fund Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 216,397	\$ 216,397	\$ 217,316	\$ 919
Interest income	4,000	4,000	943	(3,057)
Other revenue	285,000	285,000	235,659	(49,341)
Transfers in	106,647	106,647	106,647	-
Total revenue	<u>612,044</u>	<u>612,044</u>	<u>560,565</u>	<u>(51,479)</u>
Expenditures - Current				
General government	174,020	174,020	182,471	(8,451)
Public safety	438,024	438,024	427,468	10,556
Total expenditures	<u>612,044</u>	<u>612,044</u>	<u>609,939</u>	<u>2,105</u>
Net Change in Fund Balance	-	-	(49,374)	(49,374)
Fund Balance - Beginning of year	<u>173,977</u>	<u>173,977</u>	<u>173,977</u>	-
Fund Balance - End of year	<u>\$ 173,977</u>	<u>\$ 173,977</u>	<u>\$ 124,603</u>	<u>\$ (49,374)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Act 302 Training Fund Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 7,500	\$ 7,500	\$ 6,185	\$ (1,315)
Other revenue	500	500	611	111
Total revenue	8,000	8,000	6,796	(1,204)
Expenditures - Current -				
Public safety	8,000	8,000	2,603	5,397
Net Change in Fund Balance	-	-	4,193	4,193
Fund Balance - Beginning of year	41,262	41,262	41,262	-
Fund Balance - End of year	<u>\$ 41,262</u>	<u>\$ 41,262</u>	<u>\$ 45,455</u>	<u>\$ 4,193</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Grants Fund Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Federal grants	\$ 7,000	\$ 7,000	\$ 6,800	\$ (200)
Other revenue	-	-	50	50
Total revenue	7,000	7,000	6,850	(150)
Expenditures - Current - General government - Contractual services	7,000	7,000	7,000	-
Net Change in Fund Balance	-	-	(150)	(150)
Fund Balance - Beginning of year	152	152	152	-
Fund Balance - End of year	<u>\$ 152</u>	<u>\$ 152</u>	<u>\$ 2</u>	<u>\$ (150)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 911 Emergency Service Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Other revenue	\$ 52,500	\$ 52,500	\$ 115,993	\$ 63,493
Transfers in	37,782	37,782	-	(37,782)
Total revenue	90,282	90,282	115,993	25,711
Expenditures - Current				
General government	33,728	33,728	29,327	4,401
Public safety	56,554	56,554	57,387	(833)
Total expenditures	90,282	90,282	86,714	3,568
Net Change in Fund Balance	-	-	29,279	29,279
Fund Balance - Beginning of year	112,230	112,230	112,230	-
Fund Balance - End of year	\$ 112,230	\$ 112,230	\$ 141,509	\$ 29,279

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Enforcement Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 1,000	\$ 1,000	\$ 3,543	\$ 2,543
Expenditures - Current - Public safety	1,000	1,000	1,625	(625)
Net Change in Fund Balance	-	-	1,918	1,918
Fund Balance - Beginning of year	1,491	1,491	1,491	-
Fund Balance - End of year	<u>\$ 1,491</u>	<u>\$ 1,491</u>	<u>\$ 3,409</u>	<u>\$ 1,918</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Parkway Beautification Fund Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Interest income	\$ 3,550	\$ 3,550	\$ 230	\$ (3,320)
Other revenue	66,725	66,725	68,239	1,514
Total revenue	70,275	70,275	68,469	(1,806)
Expenditures - Current - Parks and recreation - Community center	70,275	70,275	69,973	302
Net Change in Fund Balance	-	-	(1,504)	(1,504)
Fund Balance - Beginning of year	164,528	164,528	164,528	-
Fund Balance - End of year	<u>\$ 164,528</u>	<u>\$ 164,528</u>	<u>\$ 163,024</u>	<u>\$ (1,504)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Municipal Improvement Fund Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
Other revenue	\$ 87,260	\$ 87,260	\$ 26,515	\$ (60,745)
Transfers in	-	1,000	1,000	-
Total revenue	87,260	88,260	27,515	(60,745)
Expenditures - Current - Municipal improvements	87,260	88,260	49,470	38,790
Net Change in Fund Balance	-	-	(21,955)	(21,955)
Fund Balance - Beginning of year	103,054	103,054	103,054	-
Fund Balance - End of year	<u>\$ 103,054</u>	<u>\$ 103,054</u>	<u>\$ 81,099</u>	<u>\$ (21,955)</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Streets Fund Budgetary Comparison Schedule Year Ended June 30, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 240,000	\$ 240,000	\$ 257,656	\$ 17,656
Interest income	100	100	-	(100)
Other revenue	516,084	516,084	35,579	(480,505)
Total revenue	<u>756,184</u>	<u>756,184</u>	<u>293,235</u>	<u>(462,949)</u>
Expenditures - Current				
Public works:				
Routine maintenance	223,271	223,271	205,734	17,537
Traffic services	24,000	24,000	3,677	20,323
Winter maintenance	38,600	38,600	29,569	9,031
Administration	185,446	185,446	184,852	594
Fringe benefits	183,367	183,367	171,226	12,141
Municipal improvements	101,500	101,500	74,612	26,888
Total expenditures	<u>756,184</u>	<u>756,184</u>	<u>669,670</u>	<u>86,514</u>
Net Change in Fund Balance	-	-	(376,435)	(376,435)
Fund Balance - Beginning of year	<u>143,809</u>	<u>143,809</u>	<u>143,809</u>	-
Fund Balance - End of year	<u><u>\$ 143,809</u></u>	<u><u>\$ 143,809</u></u>	<u><u>\$ (232,626)</u></u>	<u><u>\$ (376,435)</u></u>

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, 2013

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
Revenue - Interest income	\$ -	\$ -	\$ 2,626	\$ 2,626
Fund Balance - Beginning of year	583,514	583,514	583,514	-
Fund Balance - End of year	<u>\$ 583,514</u>	<u>\$ 583,514</u>	<u>\$ 586,140</u>	<u>\$ 2,626</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, 2013

	Parking Meter Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 527,440	\$ 209,498	\$ 109,552	\$ 846,490
Receivables	272	-	-	272
Total current assets	527,712	209,498	109,552	846,762
Noncurrent assets - Depreciable capital assets	156,089	257,867	-	413,956
Total assets	683,801	467,365	109,552	1,260,718
Liabilities				
Current liabilities:				
Accounts payable	15,401	468	-	15,869
Accrued and other liabilities	103	10,000	316	10,419
Accrued liabilities and other	2,072	534	-	2,606
Total current liabilities	17,576	11,002	316	28,894
Noncurrent liabilities - Other postemployment benefit obligation	284,183	-	-	284,183
Total liabilities	301,759	11,002	316	313,077
Net Position				
Net investment in capital assets	156,089	257,867	-	413,956
Unrestricted	225,953	198,496	109,236	533,685
Total net position	<u>\$ 382,042</u>	<u>\$ 456,363</u>	<u>\$ 109,236</u>	<u>\$ 947,641</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, 2013

	Parking Meter Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Operating Revenue				
Fees and violations	\$ 301,696	\$ -	\$ -	\$ 301,696
Dockings and launching fees	-	129,805	-	129,805
Commodity sales	-	-	37,922	37,922
Total operating revenue	301,696	129,805	37,922	469,423
Operating Expenses				
Operation and maintenance	95,943	52,826	40,085	188,854
General and administrative	95,688	-	-	95,688
Charges from internal service funds	-	8,611	-	8,611
Depreciation	15,351	8,457	-	23,808
Total operating expenses	206,982	69,894	40,085	316,961
Operating Income (Loss)	94,714	59,911	(2,163)	152,462
Nonoperating (Expense) Revenue	(522)	36	22	(464)
Income (Loss) - Before contributions	94,192	59,947	(2,141)	151,998
Transfers Out	-	(5,000)	-	(5,000)
Change in Net Position	94,192	54,947	(2,141)	146,998
Net Position - Beginning of year	287,850	401,416	111,377	800,643
Net Position - End of year	<u>\$ 382,042</u>	<u>\$ 456,363</u>	<u>\$ 109,236</u>	<u>\$ 947,641</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2013

	Parking Meter Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 301,696	\$ 129,966	\$ 37,922	\$ 469,584
Payments to suppliers	(89,707)	(63,651)	(40,085)	(193,443)
Payments to employees	(66,988)	(284)	-	(67,272)
Internal activity - (Payments to) receipts from other funds	(61)	-	316	255
Other receipts	2,176	-	-	2,176
	<u>147,116</u>	<u>66,031</u>	<u>(1,847)</u>	<u>211,300</u>
Net cash provided by (used in) operating activities				
Transfers to other funds	-	(5,000)	-	(5,000)
Cash Flows from Capital and Related Financing Activities - Purchase of capital assets	-	(219,603)	-	(219,603)
Cash Flows from Investing Activities - Interest received on investments	(794)	36	22	(736)
Net Increase (Decrease) in Cash and Cash Equivalents	146,322	(158,536)	(1,825)	(14,039)
Cash and Cash Equivalents - Beginning of year	381,118	368,034	111,377	860,529
Cash and Cash Equivalents - End of year	<u>\$ 527,440</u>	<u>\$ 209,498</u>	<u>\$ 109,552</u>	<u>\$ 846,490</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 94,714	\$ 59,911	\$ (2,163)	\$ 152,462
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	15,351	8,457	-	23,808
Changes in assets and liabilities:				
Receivables	2,176	-	-	2,176
Accounts payable	3,330	(2,214)	-	1,116
Due to others	(61)	-	316	255
Accrued and other liabilities	31,606	(123)	-	31,483
	<u>147,116</u>	<u>66,031</u>	<u>(1,847)</u>	<u>211,300</u>
Net cash provided by (used in) operating activities				

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, 2013

	Motor Vehicle Fund	Workers' Compensation Fund	Total
Assets			
Current assets:			
Cash and investments	\$ 1,778,558	\$ 833,884	\$ 2,612,442
Accrued interest receivable	17,528	11,879	29,407
Due from other funds	-	255	255
Prepaid expenses and other assets	495	50,465	50,960
Total current assets	1,796,581	896,483	2,693,064
Noncurrent assets - Depreciable capital assets	616,930	-	616,930
Total assets	2,413,511	896,483	3,309,994
Liabilities			
Current liabilities:			
Accounts payable	13,052	5,143	18,195
Due to other funds	664	-	664
Accrued liabilities and other	23,438	80,000	103,438
Total current liabilities	37,154	85,143	122,297
Noncurrent liabilities:			
Provision for claims - Greater than one year	-	28,323	28,323
Other postemployment benefit obligation	428,613	-	428,613
Total noncurrent liabilities	428,613	28,323	456,936
Total liabilities	465,767	113,466	579,233
Net Position			
Net investment in capital assets	616,930	-	616,930
Unrestricted	1,330,814	783,017	2,113,831
Total net position	\$ 1,947,744	\$ 783,017	\$ 2,730,761

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, 2013

	Motor Vehicle Fund	Workers' Compensation Fund	Total
Operating Revenue			
Other revenue	\$ 4,000	\$ -	\$ 4,000
Revenue and billings to other funds	999,366	15,461	1,014,827
Total operating revenue	1,003,366	15,461	1,018,827
Operating Expenses			
Insurance expense and contractual services	5,457	29,582	35,039
Vehicle operation and maintenance	462,790	14,326	477,116
General and administrative	171,303	-	171,303
Depreciation	209,688	-	209,688
Total operating expenses	849,238	43,908	893,146
Operating Income (Loss)	154,128	(28,447)	125,681
Nonoperating Revenue			
Interest income	668	2,290	2,958
Gain on disposal of asset	2,884	-	2,884
Other nonoperating revenue - Insurance proceeds	24,941	-	24,941
Change in Net Position	182,621	(26,157)	156,464
Net Position - Beginning of year	1,765,123	809,174	2,574,297
Net Position - End of year	<u>\$ 1,947,744</u>	<u>\$ 783,017</u>	<u>\$ 2,730,761</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2013

	Motor Vehicle Fund	Workers' Compensation Fund	Total
Cash Flows from Operating Activities			
Receipts from customers	\$ 1,003,366	\$ 15,111	\$ 1,018,477
Payments to suppliers	(185,723)	(74,517)	(260,240)
Payments to employees	(377,424)	(39,207)	(416,631)
Internal activity - Receipts from other funds	284	-	284
Claims paid	-	(4,996)	(4,996)
Other receipts	2,399	-	2,399
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	442,902	(103,609)	339,293
Cash Flows from Capital and Related Financing Activities			
Proceeds from sales of capital assets	2,884	-	2,884
Purchase of capital assets	(38,846)	-	(38,846)
Insurance proceeds	24,941	-	24,941
	<hr/>	<hr/>	<hr/>
Net cash used in capital and related financing activities	(11,021)	-	(11,021)
Cash Flows from Investing Activities - Interest received			
on investments	668	2,290	2,958
	<hr/>	<hr/>	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	432,549	(101,319)	331,230
Cash and Cash Equivalents - Beginning of year	1,346,009	935,203	2,281,212
	<hr/>	<hr/>	<hr/>
Cash and Cash Equivalents - End of year	\$ 1,778,558	\$ 833,884	\$ 2,612,442
	<hr/>	<hr/>	<hr/>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities			
Operating income (loss)	\$ 154,128	\$ (28,447)	\$ 125,681
Adjustments to reconcile operating income (loss) to net cash from operating activities:			
Depreciation and amortization	209,688	-	209,688
Changes in assets and liabilities:			
Receivables	2,399	(350)	2,049
Prepaid and other assets	-	(49,931)	(49,931)
Accounts payable	773	-	773
Due to others	284	-	284
Accrued and other liabilities	75,630	(24,881)	50,749
	<hr/>	<hr/>	<hr/>
Net cash provided by (used in) operating activities	\$ 442,902	\$ (103,609)	\$ 339,293

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, 2013

	Pension Trust Funds			Total Pension Trust Funds
	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	
Assets				
Cash and cash equivalents	\$ 1,460,279	\$ 84,577	\$ 149,537	\$ 1,694,393
Investments:				
U.S. government securities	4,641,223	-	-	4,641,223
Stocks	26,922,001	1,048,300	-	27,970,301
Bonds	142,319	-	-	142,319
Mutual funds	3,457,926	-	-	3,457,926
Receivables:				
Accrued interest receivable	17,454	-	-	17,454
Other receivables	74,065	-	7,282	81,347
Due from primary government	-	11,000	-	11,000
Total assets	36,715,267	1,143,877	156,819	38,015,963
Liabilities - Accounts payable	227,044	20,816	-	247,860
Net Position Held in Trust for Pension and Other Employee Benefits	\$ 36,488,223	\$ 1,123,061	\$ 156,819	\$ 37,768,103

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Position Fiduciary Funds Year Ended June 30, 2013

	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	Total
Additions				
Investment income:				
Interest and dividends	\$ 1,122,723	\$ -	\$ -	\$ 1,122,723
Net increase (decrease) in fair market value	3,243,074	65,928	(1,669)	3,307,333
Less investment expenses	(298,014)	-	-	(298,014)
Net investment income	4,067,783	65,928	(1,669)	4,132,042
Contributions:				
Employer	767,521	238,579	-	1,006,100
Employee	286,383	-	89,852	376,235
Net contributions	1,053,904	238,579	89,852	1,382,335
Total additions	5,121,687	304,507	88,183	5,514,377
Deductions - Pension payments	2,968,210	268,357	-	3,236,567
Net Increase in Net Assets Held in Trust	2,153,477	36,150	88,183	2,277,810
Net Position Held in Trust for Pension and Other Employee Benefits - Beginning of year	34,334,746	1,086,911	68,636	35,490,293
Net Position Held in Trust for Pension and Other Employee Benefits - End of year	\$ 36,488,223	\$ 1,123,061	\$ 156,819	\$ 37,768,103

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2013

	Wayne County Tax Fund	Cash Bond Escrow Fund	Total
Assets - Cash and investments	\$ 24,595	\$ 17,633	\$ 42,228
Liabilities			
Accounts payable	\$ 6,877	\$ -	\$ 6,877
Due to other governmental units	17,718	-	17,718
Court bonds payable	-	17,633	17,633
Total liabilities	\$ 24,595	\$ 17,633	\$ 42,228

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2013

	Balance at July 1, 2012	Additions	Reductions	Balance at June 30, 2013
<u>Wayne County Tax Fund</u>				
Assets - Cash and investments	\$ 17,853	\$ 41,250,207	\$ (41,243,465)	\$ 24,595
Liabilities - Due to other governmental units	\$ 17,853	\$ 41,250,207	\$ (41,243,465)	\$ 24,595
<u>Cash Bond Escrow Fund</u>				
Assets - Cash and investments	\$ 8,951	\$ 88,090	\$ (79,408)	\$ 17,633
Liabilities - Court bonds payable	\$ 8,951	\$ 88,090	\$ (79,408)	\$ 17,633
<u>Agency Funds</u>				
Assets - Cash and investments	\$ 26,804	\$ 41,338,297	\$ (41,322,873)	\$ 42,228
Liabilities				
Due to other governmental units	\$ 17,853	\$ 41,250,207	\$ (41,243,465)	\$ 24,595
Court bonds payable	8,951	88,090	(79,408)	17,633
Total liabilities	\$ 26,804	\$ 41,338,297	\$ (41,322,873)	\$ 42,228

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	91
Changes in Governmental Activities, Business-type Activities, and Primary Government Net Position	92-93
Fund Balances of Governmental Funds	94-95*
Changes in Fund Balances of Governmental Funds	96-97

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	98
Property Tax Levies and Collections	99*
Assessed Value and Actual Value of Taxable Property	100*
Direct and Overlapping Property Tax Rates	101-102*
Principal Property Taxpayers (Major Taxpayers)	103*

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	104-105
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Ratios of General Bonded Debt Outstanding	107*
Direct and Overlapping Debt	108
Legal Debt Margin	109-110

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	111
Principal Employers	112*

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	113
Operating Indicators by Function	114-115
Capital Asset Statistics by Function	116

Continuing Disclosure

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

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

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Historical Net Earnings, Cash Flow, and Debt Service Coverage	121
Water Usage and Revenue of the Ten Largest Customers	122
Metered Water Rates	123

* 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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities										
Invested in capital assets - Net of related debt	\$ 6,921,840	\$ 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
Restricted	6,541,005	6,368,884	4,540,093	1,935,523	2,018,840	782,422	727,050	772,268	923,644	924,572
Unrestricted	7,849,979	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)
Total net assets	<u>\$ 21,312,824</u>	<u>\$ 23,061,336</u>	<u>\$ 25,887,600</u>	<u>\$ 27,493,039</u>	<u>\$ 30,806,672</u>	<u>\$ 28,214,252</u>	<u>\$ 27,535,532</u>	<u>\$ 25,095,346</u>	<u>\$ 23,223,649</u>	<u>\$ 21,680,475</u>
Business-type Activities										
Invested in capital assets - Net of related debt	\$ 14,781,305	\$ 16,548,499	\$ 17,634,292	\$ 17,640,281	\$ 18,626,103	\$ 18,921,503	\$ 18,573,221	\$ 18,345,231	\$ 18,585,076	\$ 18,579,142
Restricted	-	-	-	453,789	453,789	453,789	453,789	425,500	397,500	349,500
Unrestricted	3,520,495	2,298,649	1,434,870	1,524,686	1,484,347	1,191,484	1,802,604	2,461,914	3,213,270	4,104,901
Total net assets	<u>\$ 18,301,800</u>	<u>\$ 18,847,148</u>	<u>\$ 19,069,162</u>	<u>\$ 19,618,756</u>	<u>\$ 20,564,239</u>	<u>\$ 20,566,776</u>	<u>\$ 20,829,614</u>	<u>\$ 21,232,645</u>	<u>\$ 22,195,846</u>	<u>\$ 23,033,543</u>
Primary Government in Total										
Net investment in capital assets	\$ 21,703,145	\$ 29,160,429	\$ 34,177,458	\$ 37,300,744	\$ 42,864,638	\$ 44,756,547	\$ 45,317,620	\$ 45,263,399	\$ 45,493,083	\$ 45,676,068
Restricted	6,541,005	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
Unrestricted	11,370,474	6,379,171	6,239,211	7,421,739	6,033,644	2,788,270	1,866,687	(133,176)	(1,394,732)	(2,236,122)
Total net position	<u>\$ 39,614,624</u>	<u>\$ 41,908,484</u>	<u>\$ 44,956,762</u>	<u>\$ 47,111,795</u>	<u>\$ 51,370,911</u>	<u>\$ 48,781,028</u>	<u>\$ 48,365,146</u>	<u>\$ 46,327,991</u>	<u>\$ 45,419,495</u>	<u>\$ 44,714,018</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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Expenses										
Governmental activities:										
General government	\$ 2,462,927	\$ 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
Public Safety	4,933,399	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
Public Works	3,925,956	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
Solid Waste	1,226,878	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
Municipal improvement	72,408	44,676	30,127	196,696	270,819	386,989	59,724	130,849	191,180	63,982
Recreation and culture	1,610,864	1,872,760	2,014,389	2,386,985	2,040,528	2,370,954	2,181,206	1,967,708	1,717,327	1,827,476
Interest on long-term debt	396,661	283,417	271,234	207,182	238,813	153,736	113,653	72,814	40,214	17,369
Total governmental activities expenses	14,629,093	16,026,075	16,125,106	17,365,693	17,067,384	21,440,260	19,826,924	20,250,387	19,332,892	18,979,221
Business-type activities:										
Water/Sewer	5,137,969	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
Parking	377,288	375,660	331,892	325,058	293,746	316,991	241,562	198,866	237,150	206,982
Boat dock	199,823	235,846	277,276	144,289	146,403	121,541	85,257	73,870	74,172	69,894
Commodity sales	88,412	84,762	186,296	52,789	46,518	45,185	68,571	30,689	26,018	40,085
Total business-type activities expenses	5,803,492	5,356,449	5,643,612	5,619,116	5,716,700	5,723,463	5,248,702	5,347,762	5,397,055	5,749,390
Total primary government expenses	20,432,585	21,382,524	21,768,718	22,984,809	22,784,084	27,163,723	25,075,626	25,598,149	24,729,947	24,728,611
Program Revenue										
Governmental activities:										
Charges for services:										
Municipal court	595,207	717,903	876,197	768,596	805,958	831,454	894,768	774,390	909,241	667,782
Building inspections and related	227,939	154,376	276,150	-	-	-	-	-	-	-
Recreation and culture	148,756	135,335	150,630	158,763	-	-	69,507	102,037	120,304	119,399
Other activities	1,499,491	1,743,905	1,326,003	509,323	872,235	675,914	826,085	435,796	541,545	639,214
Operating grants and contributions	77,979	81,447	41,464	1,011,171	943,139	908,512	873,343	886,569	907,211	912,762
Total governmental activities program revenue	2,549,372	2,832,966	2,670,444	2,447,853	2,621,332	2,415,880	2,663,703	2,198,792	2,478,301	2,339,157
Business-type Activities										
Charges for services:										
Water/Sewer	4,007,523	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
Parking	325,378	348,865	336,895	266,067	293,453	242,765	221,657	201,166	193,812	301,696
Boat dock	178,704	169,621	173,153	164,601	162,468	146,872	141,338	132,715	130,778	129,805
Commodity sales	91,572	81,683	-	-	-	48,410	45,560	40,225	40,918	37,922
Capital grants and contributions	-	-	-	125,373	731,943	146,962	-	-	-	-
Total business-type program revenue	4,603,177	5,123,317	5,068,571	5,252,698	5,782,594	5,463,922	5,264,638	5,779,142	6,342,458	6,613,833
Total primary government program revenue	7,152,549	7,956,283	7,739,015	7,700,551	8,403,926	7,879,802	7,928,341	7,977,934	8,820,759	8,952,990
Net (Expense) Revenue										
Governmental activities	(12,079,721)	(13,193,109)	(13,454,662)	(14,917,840)	(14,446,052)	(19,024,380)	(17,163,221)	(18,051,595)	(16,854,591)	(16,640,064)
Business-type activities	(1,200,315)	(233,132)	(575,041)	(366,418)	65,894	(259,541)	15,936	431,380	945,403	864,443
Total primary government net expense	\$ (13,280,036)	\$ (13,426,241)	\$ (14,029,703)	\$ (15,284,258)	\$ (14,380,158)	\$ (19,283,921)	\$ (17,147,285)	\$ (17,620,215)	\$ (15,909,188)	\$ (15,775,621)

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									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenue										
Governmental activities:										
Property taxes	\$ 12,285,813	\$ 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
State-shared revenue	2,607,456	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
Investment earnings	438,694	219,518	246,448	238,139	733,693	153,512	44,655	63,272	63,694	27,817
Donations	91,413	139,312	97,251	-	-	-	-	-	-	-
Franchise fees	-	-	-	230,453	238,054	271,953	295,688	320,426	262,837	380,964
Other	-	-	-	-	-	-	-	234,820	368,060	287,829
Transfers	(754,000)	(754,000)	(754,500)	(810,000)	(802,000)	(218,060)	(250,400)	35,500	(11,446)	30,000
Total governmental activities	14,669,376	14,942,621	16,280,926	16,523,279	17,389,122	16,321,848	16,484,501	15,611,409	14,982,894	15,096,890
Business-type activities:										
Unrestricted investment earnings	69,055	24,480	42,555	106,012	79,589	21,534	11,960	7,151	6,352	3,254
Transfers	754,000	754,000	754,500	810,000	802,000	218,060	250,400	(35,500)	11,446	(30,000)
Total business-type activities	823,055	778,480	797,055	916,012	881,589	239,594	262,360	(28,349)	17,798	(26,746)
Total primary government	15,492,431	15,721,101	17,077,981	17,439,291	18,270,711	16,561,442	16,746,861	15,583,060	15,000,692	15,070,144
Change in Net Position										
Governmental activities	2,589,655	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)
Business-type activities	(377,260)	545,348	222,014	549,594	947,483	(19,947)	278,296	403,031	963,201	837,697
Total primary government	\$ 2,212,395	\$ 2,294,860	\$ 3,048,278	\$ 2,155,033	\$ 3,890,553	\$ (2,722,479)	\$ (400,424)	\$ (2,037,155)	\$ (908,496)	\$ (705,477)

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

	Fiscal Year				
	2004	2005	2006	2007	2008
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved:					
Designated	-	-	-	500,000	673,600
Undesignated	4,887,262	4,889,093	4,674,366	2,862,514	2,367,734
Total General Fund	4,887,262	4,889,093	4,674,366	3,362,514	3,041,334
All Other Governmental Funds					
Designated:					
Special Revenue Funds	-	-	-	317,247	77,609
Capital Project Funds	-	-	-	35,000	19,060
Nonspendable					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Committed	-	-	-	-	-
Reserved	5,884,353	4,113,798	4,040,089	-	-
Unreserved, reported in:					
Special Revenue Funds	2,842,700	1,317,011	674,931	3,395,765	2,390,161
Capital Project Funds	229,333	138,075	-	50,033	210,272
Debt Service Funds	-	-	-	970,061	1,176,240
Total General Fund and all other governmental funds	\$ 13,843,648	\$ 10,457,977	\$ 9,389,386	\$ 8,130,620	\$ 6,914,676

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				
2009	2010	2011*	2012*	2013*		
\$ 37,750	\$ 99,767	\$ 6,111	\$ 94,412	\$ 121,380		
-	-	125,329	143,811	207,961		
-	-	949,395	1,198,046	1,751,490		
-	-	3,896,333	3,763,652	3,435,711		
-	-	-	-	-		
2,311,090	3,205,975	-	-	-		
2,348,840	3,305,742	4,977,168	5,199,921	5,516,542		
247,647	320,417	-	-	-		
63,850	-	-	-	-		
-	-	765,921	19,390	-		
-	-	447,234	905,950	924,622		
-	-	-	313,424	375,123		
-	-	-	14,850	17,750		
-	-	-	-	-		
1,223,726	1,124,603	-	-	-		
167,083	116,162	-	-	-		
1,180,314	763,214	-	-	-		
\$ 5,231,460	\$ 5,630,138	\$ 6,190,323	\$ 6,453,535	\$ 6,834,037		

City of Grosse Pointe Woods, Michigan

	Fiscal Year			
	2004	2005	2006	2007
Revenue				
Property taxes	\$ 12,285,813	\$ 12,742,873	\$ 14,083,603	\$ 14,727,101
State and local sources	2,607,456	2,594,914	2,608,124	2,565,900
Intergovernmental taxes	-	-	-	-
Delinquent interest and collection fee income	276,548	306,283	325,632	350,413
Federal financial assistance	32,000	81,447	41,464	20,564
Other revenue	2,593,351	2,445,239	2,303,348	1,929,902
Investment income	162,146	219,518	246,448	238,678
Donations	91,413	139,312	97,251	-
Total revenue	18,048,727	18,529,586	19,705,870	19,832,558
Expenditures				
Current:				
General government	2,187,028	2,253,072	2,342,482	3,013,153
Public safety	4,661,117	4,988,001	5,408,713	5,042,765
Public works	822,600	816,472	875,237	906,530
Recreation and culture	1,610,864	1,635,410	1,750,909	2,936,496
Miscellaneous	5,284,069	7,307,338	7,526,139	7,800,076
Capital outlay	263,374	283,238	393,476	196,696
Debt administration:				
Principal	1,713,897	3,867,764	1,406,272	1,458,497
Interest	-	-	271,234	252,109
Total expenditures	16,542,949	21,151,295	19,974,462	21,606,322
Excess of Revenue Over (Under) Expenditures	1,505,778	(2,621,709)	(268,592)	(1,773,764)
Other Financing Sources (Uses)				
Debt issuance / proceeds from sale of capital assets	2,175,000	-	-	1,325,000
Transfers in	3,334,690	3,461,977	4,102,869	5,091,500
Transfers out	(4,088,690)	(4,225,940)	(4,902,869)	(5,901,500)
Total other financing sources (uses)	1,421,000	(763,963)	(800,000)	515,000
Net Change in Fund Balances	2,926,778	(3,385,672)	(1,068,592)	(1,258,764)
Fund Balances - Beginning of year (as restated)	10,916,870	13,843,648	10,457,976	9,389,384
Fund Balances - End of year	\$ 13,843,648	\$ 10,457,976	\$ 9,389,384	\$ 8,130,620
Debt service as a percentage of noncapital expenditures	10.53%	18.53%	8.57%	7.99%

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

Source: City annual financial statements

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

		Fiscal Year					
		2008	2009	2010	2011	2012	2013
\$		15,082,641	\$ 14,093,330	\$ 14,471,027	\$ 13,525,921	\$ 12,816,628	\$ 12,868,677
		2,481,832	2,382,912	2,197,887	2,209,151	2,220,847	2,263,244
		-	-	-	-	-	-
		395,910	293,797	511,840	-	-	-
		-	31,646	11,090	8,083	7,621	6,800
		2,193,987	1,986,433	2,153,729	1,968,095	2,363,851	2,166,226
		731,478	143,074	43,829	54,524	54,762	21,988
		-	-	-	-	-	-
		<u>20,885,848</u>	<u>18,931,192</u>	<u>19,389,402</u>	<u>17,765,774</u>	<u>17,463,709</u>	<u>17,326,935</u>
		3,749,368	3,764,577	2,580,898	2,728,228	2,726,596	2,884,058
		4,717,501	4,866,702	5,640,372	6,067,173	5,723,312	5,453,295
		964,247	887,819	950,521	5,618,581	5,824,444	5,905,623
		1,686,488	1,784,052	1,682,472	1,581,537	1,353,885	1,421,945
		7,197,683	5,467,476	5,529,332	-	-	-
		270,819	1,526,933	677,778	247,983	209,044	124,082
		2,823,747	1,552,022	1,539,247	1,152,522	1,185,797	1,173,754
		260,502	157,014	117,379	72,597	43,949	14,676
		<u>21,670,355</u>	<u>20,006,595</u>	<u>18,717,999</u>	<u>17,468,621</u>	<u>17,067,027</u>	<u>16,977,433</u>
		(784,507)	(1,075,403)	671,403	297,153	396,682	349,502
		-	-	-	-	500	1,000
		3,170,034	2,325,500	1,753,164	1,525,287	1,012,880	385,501
		(3,972,034)	(3,031,190)	(2,038,124)	(1,384,779)	(1,024,326)	(355,501)
		(802,000)	(705,690)	(284,960)	140,508	(10,946)	31,000
		(1,586,507)	(1,781,093)	386,443	437,661	385,736	380,502
		8,501,183 *	7,024,788	5,243,695	5,630,138	6,067,799	6,453,535
\$		<u>6,914,676</u>	<u>\$ 5,243,695</u>	<u>\$ 5,630,138</u>	<u>\$ 6,067,799</u>	<u>\$ 6,453,535</u>	<u>\$ 6,834,037</u>
		14.41%	9.25%	9.18%	7.54%	7.30%	7.09%

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
2004	\$ 12,285,813	\$ 2,607,456	\$ 276,548	\$ 32,000	\$ 2,593,351	\$ 253,559	\$ 18,048,727
2005	12,742,873	2,594,914	306,283	81,447	2,445,239	358,830	18,529,586
2006	14,083,603	2,608,124	325,632	41,464	2,303,348	343,699	19,705,870
2007	14,727,101	2,565,900	350,413	20,564	1,929,902	238,678	19,832,558
2008	15,082,641	2,481,832	395,910	-	2,193,987	731,478	20,885,848
2009	14,093,330	2,382,912	293,797	31,646	1,986,433	143,074	18,931,192
2010	14,471,027	2,197,887	511,840	11,090	2,153,729	43,829	19,389,402
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	1,191,092	17,326,935

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
2004	\$ 12,379,468	\$ 12,124,901	\$ 98	\$ 266,290	\$ 12,391,191	100.09
2005	12,740,052	12,423,359	97.51	274,573	12,697,932	99.67
2006	14,033,157	13,660,396	97.34	323,441	13,983,837	99.65
2007	14,443,049	13,923,377	96.40	316,822	14,240,199	98.60
2008	14,931,695	14,474,262	96.94	446,046	14,920,308	99.92
2009	14,249,802	13,789,085	96.77	460,717	14,249,802	100.00
2010	14,465,586	13,993,400	96.74	472,187	14,465,587	100.00
2011	12,964,347	12,565,830	96.93	398,518	12,964,347	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

(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
2004	\$ 926,166,500	\$ 59,918,650	\$ 105,300	\$ 17,757,800	\$ 1,003,948,250	15.8159	\$ 2,007,896,500	50.00%
2005	943,491,400	65,834,100	110,100	19,677,000	1,029,112,600	17.2597	2,058,225,200	50.00%
2006	937,491,730	70,116,000	114,500	15,270,200	1,022,992,430	17.2368	2,045,984,860	50.00%
2007	935,577,570	74,871,700	118,200	16,723,700	1,027,291,170	17.2368	2,054,582,340	50.00%
2008	832,163,456	79,091,000	121,400	14,187,800	925,563,656	16.7917	1,851,127,312	50.00%
2009	703,687,882	63,418,163	99,310	13,775,117	780,980,472	18.5417	1,561,960,944	50.00%
2010	622,799,835	61,345,908	99,012	15,022,091	699,266,846	18.5417	1,398,533,692	50.00%
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%

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

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

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Millage Rates - Direct City Taxes (1)							Overlapping	
Tax Year	General Operating	Voted EMS	Voted Park Bond	Statutory Solid Waste	Ch 20/21 Milk River Drain	Total Direct Taxes	County	H.C.M.A.
2004	9.3983	0.4526	0.6710	1.9280	3.3660	15.8159	8.4200	0.2154
2005	10.2108	0.3690	0.5656	1.8443	4.2700	17.2597	8.4200	0.2146
2006	10.1847	0.3578	0.5665	1.8807	4.2471	17.2368	8.4120	0.2146
2007	10.1847	0.3578	0.5665	1.8807	4.2471	17.2958	8.4120	0.2146
2008	10.1847	0.3578	0.5665	1.8807	3.9986	17.0473	8.5120	0.2146
2009	11.2957	0.3578	0.5665	1.8807	2.6320	16.7917	8.5120	0.2146
2010	12.5012	0.3578	0.5665	1.8807	3.8050	19.1702	8.5120	0.2146
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 (3)	13.5212	0.5280	-	2.0251	4.5281	20.6024	8.7120	0.2146

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

(2) Previously termed homestead and nonhomestead

(3) 2013 Wayne County millage estimate at 2012 numbers, since no new information available on September 25, 2013 - WC rates available in November

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

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

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

Taxes					Total Tax Rate (2)	
Community College	Grosse Pointe Library	Intermediate School District	School District Principal	School District Nonprincipal	Principal	Non-principal
2.4844	1.5000	3.4643	14.8384	25.1152	46.7384	57.0152
2.4769	1.5000	3.4643	14.5498	26.2851	47.8853	59.6206
2.4769	1.5413	3.4643	14.5498	26.2851	47.8957	59.6310
2.4769	1.5412	3.4643	14.5498	26.2851	47.9546	59.6899
2.4769	1.5412	3.4643	14.0165	26.2499	47.2728	59.5062
2.4769	1.5412	3.4643	14.2900	26.3496	47.2907	59.3503
2.4769	1.5412	3.4643	14.2900	26.3496	49.6692	61.7288
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
2.2408	2.0012	3.4643	16.0882	26.7587	53.3235	63.9940

City of Grosse Pointe Woods, Michigan

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

Taxpayer	Type of Business	2013 Taxable Value	Percentage of Total City Value	2003 Taxable Value	Percentage of Total	2003 Rank (I)
1 Health Care Reit Inc	Assisted Living	\$ 7,346,200	0.0122	-	-	N/A
2 Pointe Plaza	Office Bldg	4,655,100	0.0077	\$ 3,893,380	0.0052	2
3 Detroit Edison	Utility	3,167,100	0.0053	3,771,690	0.0050	3
4 St. John Hospital	Hospital	2,712,300	0.0045	1,725,100	0.0023	6
5 Kroger Co. of Mich.	Grocery	2,284,500	0.0038	3,024,120	0.0040	4
6 Rivers GP Development LLC	Assisted Living	2,266,000	0.0038	-	-	N/A
7 Michigan Cons. Gas Co.	Utility	2,201,500	0.0037	2,696,430	0.0036	5
8 Lochmoor Club	Private Club	1,990,250	0.0033	4,416,220	0.0059	1
9 Comerica	Bank	1,911,800	0.0032	961,050	0.0013	7
10 A H Peters Funeral Home	Mortuary	1,622,400	0.0027	1,188,850	0.0016	8
Total		\$ 30,157,150	0.0501	\$ 21,676,840	0.0290	
Total City Taxable Value		\$ 601,362,400		\$ 747,008,930		

(I) A complete rank of top ten taxpayers in 2003 is unavailable

Source: City of Grosse Pointe Woods Assessing Department records

City of Grosse Pointe Woods, Michigan

	2004	2005	2006	2007	2008
Governmental Activities					
General obligation bonds (GOB)	\$ 4,610,000	\$ 2,155,000	\$ 1,750,000	\$ 1,320,000	\$ 880,000
GOB installment note	55,426	-	-	1,325,000	-
GOB contract - Wayne County Drain	<u>9,834,246</u>	<u>8,860,199</u>	<u>7,858,927</u>	<u>6,830,430</u>	<u>5,771,683</u>
Total	14,499,672	11,015,199	9,608,927	9,475,430	6,651,683
Business-type Activities					
Installment purchase agreements	389,574	-	-	-	-
2010 DWRF Bonds	-	-	-	-	-
2012 SRF Bonds	-	-	-	-	-
Revenue bonds	<u>5,910,000</u>	<u>5,705,000</u>	<u>5,510,000</u>	<u>5,300,000</u>	<u>5,050,000</u>
Total	<u>6,299,574</u>	<u>5,705,000</u>	<u>5,510,000</u>	<u>5,300,000</u>	<u>5,050,000</u>
Total debt of the government	<u>\$ 20,799,246</u>	<u>\$ 16,720,199</u>	<u>\$ 15,118,927</u>	<u>\$ 14,775,430</u>	<u>\$ 11,701,683</u>
Total taxable value (1)	\$ 778,377,290	\$ 813,304,250	\$ 838,542,390	\$ 867,467,911	\$ 847,756,558
Ratio of total debt to taxable value	2.67%	2.06%	1.80%	1.70%	1.38%
Total population	17,080	17,080	17,080	17,080	17,080
Total debt per capita	\$ 1,218	\$ 979	\$ 885	\$ 865	\$ 685

(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

2009	2010	2011	2012	2013
\$ 420,000	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
<u>4,679,661</u>	<u>3,560,414</u>	<u>2,407,892</u>	<u>1,222,095</u>	<u>-</u>
5,099,661	3,560,414	2,407,892	1,222,095	-
-	-	-	-	-
-	1,976,488	2,723,141	4,195,364	5,170,410
-	-	-	-	667,763
<u>4,795,000</u>	<u>4,530,000</u>	<u>4,255,000</u>	<u>3,975,000</u>	<u>3,975,000</u>
<u>4,795,000</u>	<u>6,506,488</u>	<u>6,978,141</u>	<u>8,170,364</u>	<u>9,813,173</u>
<u>\$ 9,894,661</u>	<u>\$ 10,066,902</u>	<u>\$ 9,386,033</u>	<u>\$ 9,392,459</u>	<u>\$ 9,813,173</u>
\$ 780,980,472	\$ 699,266,846	\$ 617,163,733	\$ 603,930,131	\$ 601,362,400
1.27%	1.44%	1.52%	1.56%	1.63%
17,080	17,080	16,135	16,135	16,135
\$ 579	\$ 589	\$ 582	\$ 582	\$ 608

City of Grosse Pointe Woods, Michigan

Debt Capacity Information Pledged-revenue Coverage Last Ten Fiscal Years

Debt Service Requirements (3)

Fiscal Year Ended June 30	Gross Revenue (1)	Applicable Expenses (2)	Net Revenue	Principal	Interest	Total	Coverage
2004	\$ 4,007,523	\$ 4,413,105	\$ (405,582)	\$ 552,688	\$ 210,941	\$ 763,629	- (4)
2005	4,523,148	4,463,250	59,898	205,000	196,933	401,933	0.15 (4)
2006	4,558,523	4,255,169	303,354	195,000	186,296	381,296	0.80 (4)
2007	4,696,657	4,310,669	385,988	210,000	172,524	382,524	1.01
2008	4,594,730	4,430,308	164,422	-	170,079	170,079	0.97 (4)
2009	4,878,913	4,414,039	464,874	-	164,167	164,167	2.83
2010	4,856,083	4,031,251	824,832	265,000	160,115	425,115	1.94
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

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 pg. 20

City of Grosse Pointe Woods, Michigan

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

Fiscal Year Ended June 30	Population Per Federal Census	Adjusted Taxable Equalized Valuation	General Obligation Bonds Outstanding	Percent Debt to Assessed Value	Debt Per Capita
2004	17,080	\$ 778,377,290	\$ 14,499,672	1.86%	\$ 849
2005	17,080	813,304,250	11,015,199	1.35%	645
2006	17,080	838,542,390	9,608,927	1.15%	563
2007	17,080	867,467,911	9,475,430	1.09%	555
2008	17,080	847,756,558	6,651,683	0.78%	389
2009	17,080	780,980,472	5,099,661	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%	-

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, 2013

	Debt Outstanding	Percent Applicable to City	Estimated Share of Overlapping Debt
Direct debt - General obligation debt	\$ 9,333,173	100.00	\$ 933,317,300
Overlapping debt:			
Grosse Pointe Public Library	14,040,000	24.14	3,389,256
Grosse Pointe Public Schools	46,830,000	24.14	11,304,762
County of Wayne Building Authority and Debt Fund	345,555,048	1.48	5,114,215
Wayne County Community College	7,470,000	2.35	175,545
Total overlapping debt	<u>413,895,048</u>		<u>19,983,778</u>
Total direct and overlapping debt	<u>\$ 423,228,221</u>		<u>\$ 953,301,078</u>

The estimated percentage applicable is calculated by the taxable value of GPW divided by the taxable value of the taxing authority's district.

Source: Municipal Advisory Council of Michigan

City of Grosse Pointe Woods, Michigan

	2004	2005	2006	2007
Calculation of Debt Limit (1)				
Taxable valuation	\$ 747,023,290	\$ 778,377,290	\$ 813,304,250	\$ 867,467,911
Debt limit (10% of equalized value)	74,702,329	77,837,729	81,330,425	86,746,791
Calculation of Debt Subject to Limit				
Total debt	20,844,246	16,720,199	15,118,927	14,775,430
Less Debt Not Subject to Charter Limitations				
Michigan Transportation Fund Bonds	-	-	-	-
Water and Sewer Revenue Bonds 1993	610,000	405,000	210,000	-
Grosse-Gratiot Drain/Milk River Debt	9,834,247	8,860,199	7,858,927	6,830,430
Water/Sewer Installment Note	389,574	-	-	-
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>5,300,000</u>
Total debt not subject to Charter limitations	<u>16,133,821</u>	<u>14,565,199</u>	<u>13,368,927</u>	<u>12,130,430</u>
Total net debt (2)	<u>4,710,425</u>	<u>2,155,000</u>	<u>1,750,000</u>	<u>2,645,000</u>
Legal debt margin	<u>\$ 69,991,904</u>	<u>\$ 75,682,729</u>	<u>\$ 79,580,425</u>	<u>\$ 84,101,791</u>
Net debt subject to limit as percentage of debt limit	6.73%	2.85%	2.20%	3.14%

(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

2008	2009	2010	2011	2012	2013
\$ 847,756,558	\$ 780,980,472	\$ 699,266,846	\$ 617,163,733	\$ 603,930,131	\$ 601,362,400
84,775,656	78,098,047	69,926,685	61,716,373	61,716,373	62,331,330
11,701,684	9,894,661	10,280,414	9,386,033	9,392,459	9,333,173
-	-	-	-	-	-
-	-	-	-	-	-
5,771,684	4,679,661	3,560,414	2,407,892	1,222,097	-
-	-	-	-	-	-
-	-	1,976,488	2,723,141	4,195,364	5,170,410
-	-	-	-	-	667,763
<u>5,050,000</u>	<u>4,795,000</u>	<u>4,530,000</u>	<u>4,255,000</u>	<u>3,975,000</u>	<u>3,495,000</u>
<u>10,821,684</u>	<u>9,474,661</u>	<u>10,066,902</u>	<u>9,386,033</u>	<u>9,392,461</u>	<u>9,333,173</u>
<u>880,000</u>	<u>420,000</u>	<u>213,512</u>	<u>-</u>	<u>(2)</u>	<u>-</u>
<u>\$ 83,895,656</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>
1.05%	0.54%	0.31%	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
2004	17,080 (1)	(5)	(5)	\$ 43,600	(5)	1.50%	9,182 (3)
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)

(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	2000 Rank
1	GP Public School	School	384	10.83%	(I)	(I)
2	Van Elslander Center	Medical	250	7.05%	(I)	(I)
3	Kroger	Grocery	159	4.48%	(I)	(I)
4	Sunrise Assisted Living	Medical	140	3.95%	(I)	(I)
5	University of Liggett	School	128	3.61%	(I)	(I)
6	Great Lakes Cancer Mgt Specialist	Medical	103	2.90%	(I)	(I)
7	Lochmoor Club	Country Club	100	2.82%	(I)	(I)
8	St. John I.T. & Desktop Support	Medical Business	100	2.82%	(I)	(I)
9	City of Grosse Pointe Woods	Municipal	86	2.42%	(I)	(I)
10	Grosse Pointe Hunt Club	Private Club	80	2.26%	(I)	(I)

Total People Employed in City 2013 3,547

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

Source: City Business License Registry

City of Grosse Pointe Woods, Michigan

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

Department	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	Percent of Total for 2013
Supervisor/Administrator	(2)	(2)	3	3	2	2	2	2	2	2	0.02
Assessing	(2)	(2)	2	2	2	2	1	1	1	1	0.01
Clerk's Office	(2)	(2)	3	3	3	3	3	3	3	3	0.04
Treasurer's Office	(2)	(2)	6	5	5	4	5	4	4	4	0.05
Municipal Court	(2)	(2)	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)	(2)	3	3	3	3	3	3	3	3	0.04
Parks and Recreation	(2)	(2)	4	4	4	3	2	2	2	2	0.02
Public Safety	(2)	(2)	52	54	54	52	50	44	43	42	0.50
Public Works	(2)	(2)	27	25	25	25	28	26	23	22	0.26
Total	<u>-</u>	<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>100.00</u>

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

(2) Data not available

Source: City personnel records

City of Grosse Pointe Woods, Michigan

Function/Program	2004	2005	2006	2007
Public safety (calendar year Jan 1 - Dec 31):				(3)
Police physical arrests	477	770	478	805
Police traffic violations	5,857	6,045	2,887	4,181
Fire runs	77	80	39	55
Fire actual fires	8	16	4	4
Fire basic ambulance runs	481	466	466	424
Fire Advance Life Support ambulance runs	193	263	169	328
Fire inspections	53	53	66	215
Parks and recreation (estimated):				
Recreation programs - Lake Front Park	345	338	428	406
Community center programs	22	22	24	24
Water:				
New connections (calendar year Jan 1 - Dec 31)	5	5	3	5
Water main breaks	(1)	(1)	(1)	(1)
Total consumption (billed to customers - HCF)- FY	954,848	920,271	1,006,841	874,908

(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

2008	2009	2010	2011	2012	2013
					(3)
676	727	486	507	357	(2)
4,635	5,106	3,146	3,182	1,986	(2)
71	53	56	62	139	(2)
14	12	17	12	15	(2)
368	474	543	753	715	(2)
356	328	359	403	362	(2)
180	183	77	144	78	(2)
426	415	392	362	359	267
40	41	41	53	42	67
1	-	-	-	-	1
36	19	20	22	28	35
932,395	804,221	750,096	791,987	746,113	813,574

City of Grosse Pointe Woods, Michigan

Operating Information Capital Asset Statistics by Function

Function/Program	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	8	8	8
Fire trucks	3	3	3	3	3	3	3	3	3	3
Ambulances	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Acreage	92	92	92	92	92	92	92	92	92	92
Playgrounds	5	5	5	5	5	5	5	5	5	5
Soccer fields	2	2	2	2	2	2	2	2	2	2
Baseball/Softball diamonds	5	5	5	5	5	5	5	5	5	5
Water:										
Mains (miles)	60	60	60	63	63	63	63	63	63	63
Fire hydrants	603	603	603	606	603	603	603	603	603	603
Sewer - Miles of sanitary sewers	75	75	75	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>
2004	\$ 1,656,709
2005	1,655,968
2006	1,682,170
2007	1,570,567
2008	1,584,047
2009	1,514,040
2010	1,339,744
2011	1,452,878
2012	1,352,529
2013	1,363,026

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	
2004	\$ 675,278	\$ 275,469	\$ 950,747
2005	665,770	273,506	939,276
2006	656,119	269,835	925,954
2007	700,767	288,920	989,687
2008	636,344	261,441	897,785
2009	612,785	251,769	864,554
2010	602,084	247,497	849,581
2011	610,993	251,206	862,199
2012	624,586	255,891	880,477
2013	629,291	257,655	886,946

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Labor Agreements June 30, 2013

Bargaining Unit	Expiration Date	June 30, 2013 Number of Employees
Police Officers Association of Michigan Represents police officers	6/30/2013	24
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	11
Technical, Professional and Office Workers Assn of MI TPOAM Represents clerical, public works employees, building, and ordinance officers	6/30/2014	35
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>
		<u>21</u>

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Water and Sewer Customers and Consumption June 30, 2013

<u>User Type</u>	<u>Number of Meters</u>	<u>Water Consumption Volume (100 cubic feet)</u>	<u>Percentage of Consumption</u>
Residential	6,539	6,991	85.93%
Commercial	282	827	10.16%
Churches, schools, and government	34	318	3.91%
Total	6,855	8,136	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, 2013

Fiscal Years Ended June 30	Operating Revenue	Operating Expenses Exclusive of Depreciation	Net Operating Income (Loss)	Other Non-operating Income (I)	Annual (Loss) Income Available for Debt Service	Annual Revenue Debt Service Requirements	Annual Coverage
2004	\$ 4,007,523	\$ 4,413,105	\$ (405,582)	\$ 183,034	\$ (222,548)	\$ 763,629	(0.29)
2005	4,523,148	4,463,250	59,898	251,133	311,031	401,933	0.77
2006	4,558,523	4,255,169	303,354	504,551	807,905	381,296	2.12
2007	4,696,657	4,310,669	385,988	52,093	438,081	262,789	1.67
2008	4,594,730	4,430,308	164,422	26,241	190,663	420,079	0.45
2009	4,878,913	4,414,039	464,874	19,799	484,673	164,167	2.95
2010	4,856,083	4,031,251	824,832	10,393	835,225	425,115	1.96
2011	4,837,093	4,164,564	672,529	6,192	678,721	426,741	1.59
2012	4,827,454	4,116,499	711,046	5,335	716,381	593,209	1.21
2013	5,168,865	4,447,042	721,823	3,718	725,541	792,494	0.92

(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, 2013

Customer	Usage in Dollars	Volume of Water Used (in 100 cubic feet)
Lochmoor Club	\$ 96,148	21,430
Grosse Pointe Board of Education	80,717	12,190
Shorepointe Condos	34,265	7,029
Berkshire Condo Association	24,006	4,476
Sunrise Development	20,593	4,083
St John Hospital	17,595	2,313
Kroger	15,706	3,136
Original Pancake House	14,853	3,556
ANK Enterprises	13,959	3,038
Trattoria Corp	7,989	1,863

Source: City of Grosse Pointe Woods financial reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Metered Water Rates June 30, 2013

Meter Size	Fiscal Year 2012-2013	
	Residential	Commercial*
5/8"	\$ 43.70	\$ 8.46
3/4"	43.70	12.69
1"	61.18	21.15
1 1/2"	78.66	46.53
2"	126.73	67.68
3"	480.70	122.67
4"	611.80	169.20
6"	917.70	253.80
8"	1,267.30	318.50
10"	2,547.71	592.20
Billing Charge	2.00	2.00
Capital Improvement Charge	21.00	21.00
Water Rate per 100 cubic feet used	2.04	2.04
Sewer Rate per 100 cubic feet used	1.77	1.77

*Commercial rate includes churches, schools, and government

City of Grosse Pointe Woods, Michigan

**Federal Awards
Supplemental Information
June 30, 2013**

City of Grosse Pointe Woods, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated November 15, 2013 which contained unmodified opinions on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to November 15, 2013.

The accompanying schedule of expenditures of federal awards are presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

November 15, 2013

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

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan (the "City") as of and for the year ended June 30, 2013, and related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Grosse Pointe Woods' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity'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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, 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 deficiency described in the accompanying schedule of findings and questioned costs as Finding 2013-001 to be a material weakness.

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

Compliance and Other Matters

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

City of Grosse Pointe Woods' Response to Finding

The City of Grosse Pointe Woods' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Grosse Pointe Woods' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Morse, PLLC

November 15, 2013

Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Grosse Pointe Woods, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on its major federal programs for the year ended June 30, 2013. The City of Grosse Pointe Woods' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Grosse Pointe Woods' major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Grosse Pointe Woods' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City of Grosse Pointe Woods' compliance.

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

Opinion on Each Major Federal Program

In our opinion, the City of Grosse Pointe Woods complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City of Grosse Pointe Woods is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Grosse Pointe Woods' internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Morse, PLLC

November 15, 2013

City of Grosse Pointe Woods, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Federal Expenditures
U.S. Environmental Protection Agency - Passed through the State of Michigan Department of Environmental Quality - Capitalization Grants for Drinking Water State Revolving Fund - Drinking Water Relief Fund	66.458	7332-01	\$ 3,990,000	\$ 583,286
U.S. Environmental Protection Agency - Passed through the State of Michigan Department of Environmental Quality - Capitalization Grants for Drinking Water State Revolving Fund - Part 53, Clean Water Assistance of the Natural Resources & EPA	66.548	5365-01	<u>3,525,000</u>	<u>355,796</u>
Total U.S Environmental Protection Agency			7,515,000	939,082
U.S. Department of Housing and Urban Development - Passed through Wayne County, Michigan - Community Development Block Grant - Administration Fees	14.218	IDIS Project # 14	<u>6,800</u>	<u>6,800</u>
Total federal awards			<u>\$ 7,521,800</u>	<u>\$ 945,882</u>

City of Grosse Pointe Woods, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2013

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 6,800
Federally reimbursed expenditures recorded as long-term debt	<u>939,082</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 945,882</u>

City of Grosse Pointe Woods, Michigan

Note to Schedule of Expenditures of Federal Awards June 30, 2013

Note - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the the City of Grosse Pointe Woods under programs of the federal government for the year ended June 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the City of Grosse Pointe Woods, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the City of Grosse Pointe Woods. Pass-through entity identifying numbers are presented where available.

City of Grosse Pointe Woods, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
66.458	EPA Capitalization Grants for Drinking Water State Revolving Fund - DWRP
66.548	Capitalization Grants for Drinking Water State Revolving Fund - Part 53, Clean Water Assistance of the Natural Resources & EPA

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

Auditee qualified as low-risk auditee? Yes No

City of Grosse Pointe Woods, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2013

Section II - Financial Statement Audit Findings

Reference Number	Finding
2013-001	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal is to accurately record all transactions in the general ledger.</p> <p>Condition - During the course of the audit process, Plante & Moran, PLLC identified the need for certain adjustments to the City of Grosse Pointe Woods' general ledger for purposes of publishing its year-end financial statements.</p> <p>Context - The adjustments were made to account balances relating to properly state various year-end accrual balances. The adjustments made related to the following: other postemployment obligations, healthcare claims payable, property tax liabilities, and fair value of investments held.</p> <p>Cause - All accrual calculations prepared by City staff are not independently reviewed prior to audit for compliance with generally accepted accounting principles (GAAP).</p> <p>Effect - As a result, various adjustments were required to be made to the City's accounting records in order for the financial statements to be complete and in accordance with GAAP.</p> <p>Recommendation - The City of Grosse Pointe Woods should have work performed and separately reviewed by a person with the necessary background and experience to perform an effective review.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City of Grosse Pointe Woods will focus on adding additional procedures to correct and detect misstatements in the general ledger through a more rigorous review process.</p>

Section III - Federal Program Audit Findings

None

City of Grosse Pointe Woods, Michigan

Summary Schedule of Prior Audit Findings Year Ended June 30, 2013

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2012-2	66.468	The SEFA initially prepared by the City was not accurate, as federal program expenditures related to Drinking Water Revolving Fund were too high.		The City will ensure that amounts reported on the SEFA will be reviewed by supervisory personnel and reconciled to the financial statements.

November 15, 2013

To the City Council
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, 2013 and have issued our report thereon dated November 15, 2013. Professional standards require that we provide you with the following information related to our audit which is divided into the following sections:

Section I - Communications Required Under AU 260

Section II - Legislative and Informational Items

Section I 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 II presents legislative and informational items that potentially could have an effect on the City of Grosse Pointe Woods, Michigan.

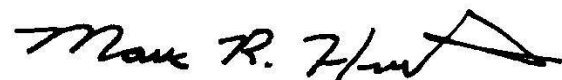
We would like to take this opportunity to thank the City's staff for the cooperation and courtesy extended to us during our audit. Their assistance and professionalism are invaluable.

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.

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



Mark R. Hurst

Section I - Communications Required Under AU 260

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated July 17, 2013, 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.

Our audit of the City's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we are obligated to communicate certain matters that come to our attention related to our audit to those responsible for the governance of the City, including compliance with certain provisions of laws, regulations, contracts, grant agreements, certain instances of error or fraud, illegal acts applicable to government agencies, and significant deficiencies in internal control that we identify during our audit. Toward this end, we issued a separate letter dated November 15, 2013 regarding our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements.

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 16, 2013.

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 1, the City changed accounting policies related to Governmental Accounting Standards Board Statements No. 62 and No. 63. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus.

There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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

- OPEB (other postemployment benefits) costs - Including the actuarial methods and assumptions, as well as the measurement of the "implied" healthcare costs actually incurred for 2012
- Pension costs (actuarial methods and assumptions)
- Potential Michigan tax tribunal refunds
- Unbilled water and sewer
- Self-insurance and health IBNR (incurred but not reported)

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 November 15, 2013.

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 II - Legislative and Informational Items

Revenue Sharing

The State's FY 2013-2014 budget agreement has been reached and has put in place new requirements for CIP (County Incentive Program) and EVIP (Economic Vitality Incentive Program) compliance in the coming year. As you will note below, there are changes to each of the three categories with the most dramatic change to the newly titled Category 3: Unfunded Accrued Liability Plan. The agreement also provides for a 4.8 percent increase for CIP and EVIP. Below are the new requirements in effect for the upcoming year:

Category 1 - Accountability and Transparency - Due date October 1, 2013

- Produce a citizens guide, including recognition of unfunded liabilities
- Produce a performance dashboard
- Publish a detail debt service listing which includes, at minimum, the following:
 - Issuance date, issuance amount, type of debt instrument
 - Listing of all revenues pledged to finance debt service by debt instrument
 - Listing of the annual payment amounts
- Publish a projected budget report - Include current and succeeding year and assumptions used
- Note: All four of the above items must be made available in the city, village, township, or county clerk's office or posted on a publicly accessible website. In addition, all items shall be submitted directly to the State Department of Treasury.

Category 2 - Consolidation of Services - Due date February 1, 2014

- Produce a consolidation plan and make it readily available in the city, village, township, or county clerk's office or posted on a publicly accessible website, in addition to submitting it to the State Department of Treasury.
- If first-time filer of a consolidation plan:
 - Include any previous service cooperations, collaborations, consolidations, innovations, or privatizations with an estimated cost savings for each.
 - Include one or more new proposals to increase the level of cooperation, collaboration, consolidation, innovation, or privatization within jurisdiction or with others. The timeline to implement and potential savings are also required.
- For all other than first-time filers:
 - Must include an update on all previous initiatives addressing:
 - Whether the previously proposed plans were fully implemented
 - Barriers experienced in implementing the proposals
 - Estimated timeline of steps to accomplish the proposed plans
 - Include one or more new proposals to increase the level of cooperation, collaboration, consolidation, innovation, or privatization within jurisdiction or with others. The timeline to implement and potential savings are also required.
 - If no new initiatives identified, must address why it is not feasible to enter into any new consolidation efforts

Category 3 - Unfunded Accrued Liability Plan (UALP) - Due date June 1, 2014

If the most recent audited financial report includes unfunded accrued liabilities for employee pensions or other postemployment benefits, a plan to lower all unfunded accrued liabilities must be completed with the following elements:

- Listing of all previous actions taken to reduce unfunded accrued liabilities. This should include an estimated cost savings.
- Detailed plan of how the previous actions will continue to be implemented and maintained
- A list of additional actions that could be taken
- In the event that no actions have been taken to reduce the liabilities, an explanation as to why this is the case and what potential actions could be taken
- Note that any actuarial assumption changes and issuance of debt do not qualify as a new proposal
- The plan shall be readily available in the city, village, township, or county clerk's office or posted on a publicly accessible website. In addition, the entity should certify with the Department of Treasury that the plan is publicly available.
- If there are no unfunded accrued liabilities, the unit must certify to the Department of Treasury by the deadline and explain why none exist.

Personal Property Tax

The personal property tax was repealed by the passing of several bills during the Legislature's lame duck session in December. This repeal is contingent upon a state-wide vote in August 2014 to allow for a shifting of the use tax to a reimbursement fund. Key provisions of the act phase out the industrial portion of the tax over a nine-year period beginning in 2016. Also, businesses with less than \$40,000 taxable value in industrial and commercial personal property in any jurisdiction would no longer pay the tax. For the July 2013 and December 2013 levies, it will be business as usual and communities will continue to levy as they normally have. However, for the July 2014 levy, this will change. Communities will not be able to levy businesses with less than \$40,000 taxable value in industrial and commercial personal property. If during the state-wide vote in August 2014, the proposed personal property tax legislation fails, for future levies the less than \$40,000 taxable value will no longer be in effect. If this is the case, the communities will not be able to recover the amounts that were not levied in the July 2014 levy for the taxable values less than \$40,000 for industrial and commercial personal property - this will just be lost.

As for the impact on local communities, in short, those local governments that would lose at least 2.3 percent of their property tax base as a result of the changes would be eligible to be reimbursed at 80 percent of the revenue the personal property tax currently provides. This reimbursement would come from the Metropolitan Area Authority, a newly created entity led by five members appointed by the governor. This authority would be responsible for distributing the use tax collections as well as monies generated from expiring tax credits.

In addition, local governments would have the option to assess a special assessment on industrial property (referred to as essential services assessments). This assessment would not require local voter approval and would reimburse police, fire, ambulance services, and jail operations to ensure they receive 100 percent of the funding that they now get from the personal property tax.

When working through upcoming budgets and longer-term projections, please keep these items in mind. The final act has not yet been published by the State.

The Michigan Municipal League has developed a tool to aid communities in calculating the potential impact of the personal property tax cuts:

<http://www.mml.org/advocacy/inside208/post/PPT-calculation-spreadsheet-available.aspx>

Michigan Qualifying Statement Revisions and Changes to Filing Process

Bulletin 6 was recently issued by the State Department of Treasury and is 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. Starting May 1, 2013, there is only one way in which a qualifying statement can be submitted, as follows:

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)

In recent weeks, cities, villages and road commissions in Michigan began receiving notices from MDOT about a new reporting requirement due each September 30, starting in 2014. 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 new 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, 2014:

- 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.

- 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 that proposes changes to the individual and spousal coverage limit from \$11,000 to \$13,455.
- 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 our 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.

Senate Bill 542 Increases the Hard-cap Limit for Individual and Spouse Coverage

On October 8, the Senate passed a five-bill package (SB 541-545) in an effort to clarify PA 152 of 2011. SB 542 has perhaps the most direct financial impact on communities.

SB 542: This bill modifies 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 proposed bill increases the dollar-cap for individual and spouse coverage from the current limit under PA 152 of \$11,000 to \$13,455. This would apply for all medical plan coverage years beginning in calendar year 2013 according to the current language. The \$13,455 cap would be 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 bill may result 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 Senate's version of 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 if this bill is passed; they would become part of that calculation.

The bill also would define "family coverage" as "individual-plus-1-nonspouse-dependent coverage."

Below is a summary of the remaining related bills that passed the Senate:

SB 541: This bill more clearly states that employer contributions to a healthcare fund for plans that are only available to the employee or elected official after retirement or separation of service (HSAs) are not considered costs of a public employer's medical benefit plan. This was the original intent of the legislature and therefore, this amendment would be applied retroactively. In addition, the legislative analysis by the House fiscal agency states the bill would define the "medical benefit plan coverage year" to be "the 12-month period after the effective date of the contractual or self-insured medical coverage plan that a public employer provides to its employees or public officials."

Several items would be excluded from the calculation of the public employer's total annual medical benefit costs including the following:

- Any amount paid directly or indirectly for the assessment levied pursuant to the health insurance claims act, 2011 PA 142 (MCL 550.1731 to 550.1741)
- Amounts paid by the employer as a tax or fee under the federal Patient Protection and Affordable Care Act
- Payments made to employees or elected officials in lieu of medical benefits
- Any employee or elected official that declines coverage

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.

SB 544 and SB 545: These two bills work to clarify the language regarding a public employer's ability under PA 152 to exempt themselves from the Act requirements. SB 544 requires the effective date of the Act (September 27, 2011) to be the date that on or after any new collective bargaining agreement must comply with the Act. Additionally, SB 545 states that a 2/3 vote by the governing body is required by the governing body prior to the beginning of each medical benefit plan year in order to exempt itself.