

# **City of Grosse Pointe Woods, Michigan**

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## **Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2012**

**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, Michigan

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# 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

November 13, 2012

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

The Comprehensive Annual Financial Report (CAFR) of the City of Grosse Pointe Woods, Michigan (the "City") for the fiscal year ended June 30, 2012 is submitted herewith, in accordance with provisions of Section 8.7 (Charter) of the City of Grosse Pointe Woods and the rules and regulations as put forward by the State of Michigan Department of Treasury. This report was prepared by and is the responsibility of the City's finance department. This document represents the official report of the City's financial operations to its residents, elected officials, employees, investment firms, banks and rating and regulatory agencies, and other interested parties. The data as presented in the report is accurate in all material respects, is shown in a manner designed to clearly and fairly set forth the financial activity of all the various funds established and utilized by the City and that all disclosures have been included to enable the reader to gain the maximum understanding of the City's financial operations. The independent auditing firm of Plante & Moran, PLLC performed the annual audit of the City of Grosse Pointe Woods' financial statements as required by the Michigan Department of Treasury and has issued its unqualified opinion here within.

## **Format**

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

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

November 13, 2012

This document consists of management's representations concerning the finances of the City of Grosse Pointe Woods. Consequently, administration assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these presentations, city administration has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with generally accepted accounting principles. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. To ensure that the City's system of internal controls are 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, requires that an annual independent audit of the City's financial records of accounts and transactions be performed. The opinion by the City's independent auditor, Plante & Moran, PLLC, dated November 13, 2012 on the basic financial statements and individual fund statements and schedules is included in the financial section of this report. A separately issued single audit report has been completed for the Federal Grant Fund under the A-133 Federal Single Audit Act. Total federal grant expenditures of \$1,582,489 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 and 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**

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 toward improved budgeting, cost containment, and improved efficiency which has helped in dealing with the current economic conditions. The City has developed a proactive economic 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 is an important component 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.

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

November 13, 2012

- 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 reduces the cost to the City taxpayers.
- g. The City continues to work with the surrounding communities on service-sharing agreements.
- h. The City continues to comply with the requirements of the Economic Vitality Incentive Program (EVIP).
- i. More than 100 volunteers dedicate their time and talents to the City's boards, commissions, and committees that support a true "sense of community."

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 revenue. It appears that the ongoing economic slump will temporarily continue to have a negative impact on the local housing values 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 2012 millage rate is 0.0080 mills under the Headlee cap.

The General Fund fund balance has an unassigned balance of \$3.8 million and \$583,000 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 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.



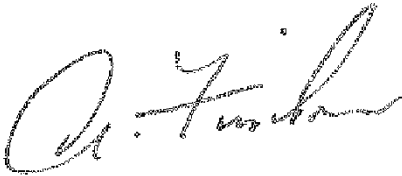
To the Honorable Mayor  
and City Council  
City of Grosse Pointe Woods, Michigan

November 13, 2012

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, 2011. This is the 43<sup>rd</sup> consecutive year that the City of Grosse Pointe Woods received this prestigious award. In fact, our City is the longest standing recipient in GFOA's history.

The City continues to retain its status as a well respected and one of the most desired areas to live in Southeast Michigan. The challenge to the City is to continue to provide a multitude of public services, while complying with increased State regulations, as imposed by the Economic Vitality Incentive Program (EVIP). Administration also remains confident that City Council and the employees possess the capability, foresight, and resolve necessary to successfully meet these challenges.

Sincerely,

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

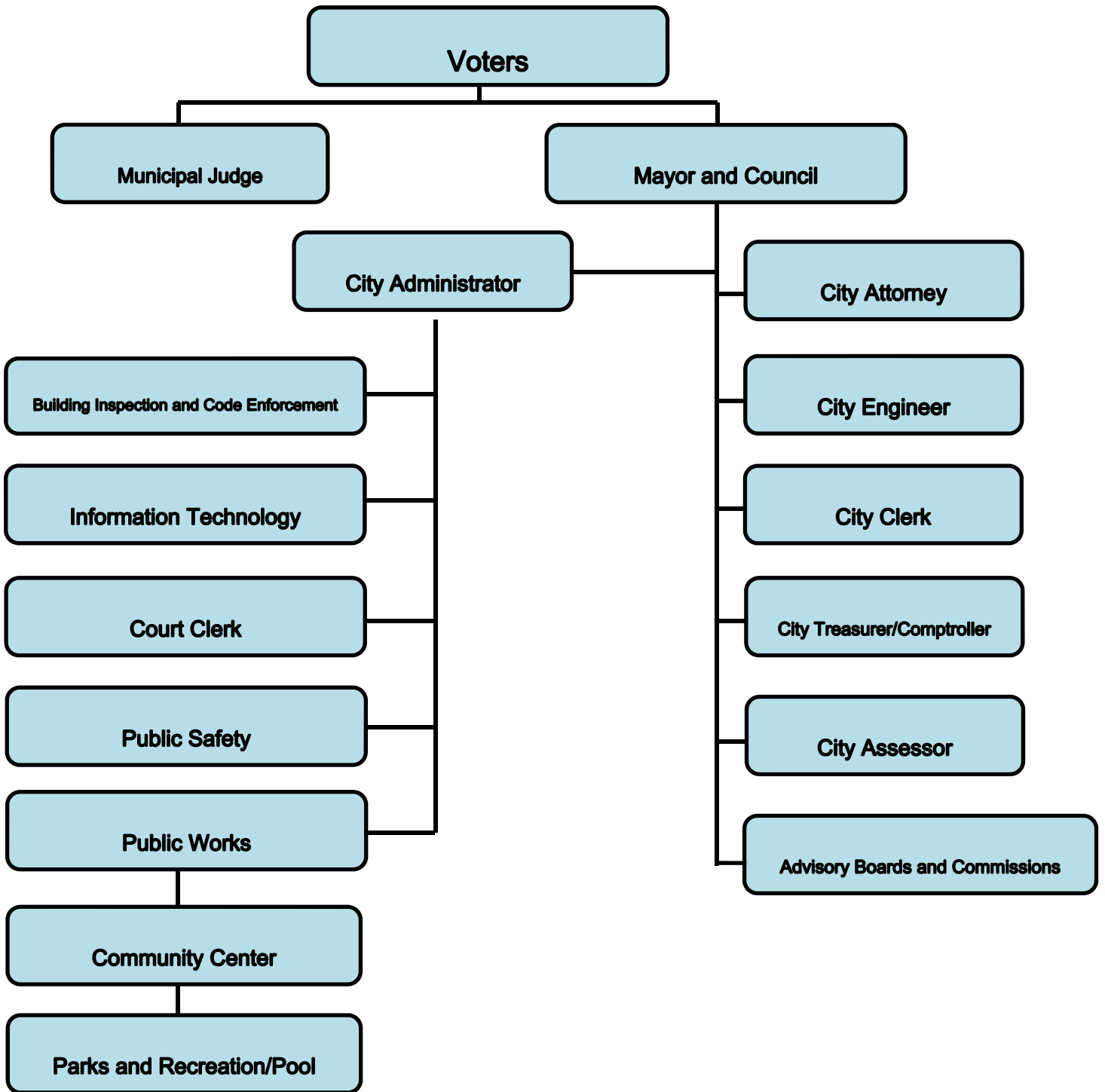
Alfred John Fincham, III  
City Administrator

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

Dee Ann Irby  
City Treasurer/Comptroller

# City of Grosse Pointe Woods, Michigan

## Organizational Chart



# Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Grosse Pointe Woods  
Michigan

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 2011

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



*Linda C. Danison*

President

*Jeffrey R. Emer*

Executive Director

# City of Grosse Pointe Woods, Michigan

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## 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, 2012

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

## Independent Auditor's Report

To the City Council  
City of Grosse Pointe Woods, Michigan

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Grosse Pointe Woods, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods, Michigan as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, retirement system schedules of funding progress, and the budgetary comparison schedules, as identified on pages 68-76, 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.

To the City Council  
City of Grosse Pointe Woods, Michigan

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2012 on our consideration of the City of Grosse Pointe Woods, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide opinions on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

*Plante & Moran, PLLC*

November 13, 2012

# **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, 2012. 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, 2012:

- Total fiscal year 2011-2012 General Fund revenue decreased approximately \$280,000 from fiscal year 2010-2011 revenue. Property taxes are the City's largest source of revenue. Like most communities in Michigan, the taxable value of property has been declining since 2007.
- State-shared revenue remains our second largest revenue source. During the City's 2011-2012 fiscal year, state-shared revenue remained the same as fiscal year 2010-2011.
- Licenses/permits revenue increased \$38,000. This increase in permit revenue is likely attributable to the increase in building and home improvements. The direct cost of operating the building department decreased over the previous year due to cost containment.
- Revenue from District Court fees and fines increased by \$123,000 as compared to fiscal year 2010-2011. This increase is related to the addition of a part-time employee to concentrate on collection of outstanding violations.
- General Fund expenditures and transfers out for fiscal year 2011-2012 decreased approximately \$498,000 over the previous year. Nearly half of this savings was realized in the departments of public safety and parks and recreation. This decrease is attributable to employee concessions and a reduction in staffing. All departments contributed to the overall cost containment. As a result of the reduced expenses, the General Fund fund balance increased \$345,000. It is important to mention that capital purchases were removed from the budget 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 assets and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.



# City of Grosse Pointe Woods, Michigan

## Management's Discussion and Analysis (Continued)

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 assets as of the current date as compared to the prior year (in millions of dollars):

### Summary of Condensed Statement of Net Assets

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
<b>Assets</b>						
Current assets	\$ 9.2	\$ 10.0	\$ 4.1	\$ 5.8	\$ 13.3	\$ 15.8
Noncurrent assets:						
Restricted assets	-	-	0.4	-	0.4	-
Capital assets	<u>29.3</u>	<u>28.1</u>	<u>25.3</u>	<u>26.8</u>	<u>54.6</u>	<u>54.9</u>
Total assets	38.5	38.1	29.8	32.6	68.3	70.7
<b>Liabilities</b>						
Current liabilities	1.0	3.1	0.7	1.6	1.7	4.7
Long-term liabilities	<u>12.3</u>	<u>11.8</u>	<u>7.9</u>	<u>8.8</u>	<u>20.2</u>	<u>20.6</u>
Total liabilities	<u>13.3</u>	<u>14.9</u>	<u>8.6</u>	<u>10.4</u>	<u>21.9</u>	<u>25.3</u>
<b>Net Assets</b>						
Invested in capital assets -						
Net of related debt	27.0	26.9	18.3	18.6	45.3	45.5
Restricted	0.7	0.9	0.4	0.4	1.1	1.3
Unrestricted	<u>(2.5)</u>	<u>(4.6)</u>	<u>2.5</u>	<u>3.2</u>	<u>-</u>	<u>(1.4)</u>
Total net assets	<u>\$ 25.2</u>	<u>\$ 23.2</u>	<u>\$ 21.2</u>	<u>\$ 22.2</u>	<u>\$ 46.4</u>	<u>\$ 45.4</u>

The City's combined net assets decreased \$1.0 million from 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.

# City of Grosse Pointe Woods, Michigan

## Management's Discussion and Analysis (Continued)

Total liabilities in the business-type activities increased about \$1.8 million in fiscal year 2011-2012, which is the second year of a three-year construction project for water meters and water main repairs. This construction project is being financed with a low interest loan from the State of Michigan Drinking Water Revolving Fund. The increase in business-type assets relates to the meters and water main construction. Overall, City debt remains low. The City utilizes just 0.55 percent of the allowable legal debt margin subject to limit.

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

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

	Governmental Activities		Business-type Activities		Total	
	2011	2012	2011	2012	2011	2012
<b>Revenue</b>						
Program revenue:						
Charges for services	\$ 1.3	\$ 1.6	\$ 5.8	\$ 6.3	\$ 7.1	\$ 7.9
Operating grants and contributions	0.9	0.9	-	-	0.9	0.9
General revenue:						
Property taxes	13.6	12.8	-	-	13.6	12.8
State-shared revenue	1.4	1.5	-	-	1.4	1.5
Unrestricted investment earnings	0.1	0.1	-	0.1	0.1	0.2
Cable franchise fees	0.3	0.1	-	-	0.3	0.1
Other miscellaneous revenue	0.2	0.4	-	-	0.2	0.4
Total revenue	17.8	17.4	5.8	6.4	23.6	23.8
<b>Program Expenses</b>						
General government	3.4	3.1	-	-	3.4	3.1
Public safety	7.9	7.2	-	-	7.9	7.2
Public works	5.6	6.0	-	-	5.6	6.0
Solid waste	1.1	1.1	-	-	1.1	1.1
Recreation and culture	2.0	1.7	-	-	2.0	1.7
Municipal improvements	0.1	0.2	-	-	0.1	0.2
Interest on long-term debt	0.1	-	-	-	0.1	-
Water and sewer	-	-	5.0	5.1	5.0	5.1
Parking	-	-	0.2	0.2	0.2	0.2
Boat dock	-	-	0.1	0.1	0.1	0.1
Commodity sales	-	-	0.1	0.0	0.1	0.0
Total program expenses	20.2	19.3	5.4	5.4	25.6	24.7
<b>Change in Net Assets</b>	<b>\$ (2.4)</b>	<b>\$ (1.9)</b>	<b>\$ 0.4</b>	<b>\$ 1.0</b>	<b>\$ (2.0)</b>	<b>\$ (0.9)</b>

# City of Grosse Pointe Woods, Michigan

## Management's Discussion and Analysis (Continued)

Total revenue for governmental activities decreased \$0.3 million (1.7 percent) from fiscal year 2010-2011. A \$0.8 million decrease in property taxes is offset by a slight increase in charges for services. Charges for services show an increase in revenue due to an increase in building department permits. Miscellaneous revenue increased \$0.2 million resulting from a final refund of the Lake Front Park Tax Appeal. Interest income, state-shared revenue, and cable franchise fees remain relatively unchanged. Total governmental expenses decreased \$0.9 million (4.6 percent). The majority of the decreased expenses in public safety and general government pertain to a decrease in staff through attrition and cost containment efforts. A decrease in recreation and culture is a result in reduced programs and an adjustment in the level of staffing. Public works shows an increase, due in part to a reallocation of employees from other funds and an increase in utilities. Interest on long-term debt was also reduced.

In the business-type activities, revenue increased \$0.6 million. The increase in revenue is a result of the increase in water and sewer rates to cover planned capital improvements. The increase in expenses is attributable to the water and sewer meter and main construction.

### **Governmental Activities**

The City's governmental revenue totaled approximately \$17.5 million, with the greatest revenue source being property taxes. Property taxes make up approximately 73 percent of total governmental revenue. That percentage is down by 3 percent, from approximately 76 percent of total governmental revenue in fiscal year 2010-2011. This continual decline is due to a reduction in taxable value. With an increasing number of Michigan tax tribunal cases pending, the City continues to report a reduction in revenue by 23 percent of the total dollar amount of all cases under appeal.

Total governmental expenses for the City were approximately \$19.3 million. This is down by \$0.9 million from fiscal year 2010-2011. As in most municipalities, labor cost makes up the greatest portion of the budget; however, we were able to control and reduce our costs by concessions of all employees. In 2011-2012, the City continues to operate with a hiring freeze.

### **Business-type Activities**

The City's business-type activities consist of the funds for water and sewer, parking utility, and boat dock. In 2011-2012, the City was in the second year of the meter and mains construction project. This project is expected to be completed next year. The parking and boat dock funds have not had any major changes.

Water and sewer utility system revenue is primarily from fees paid by customers based on use. User fees make up approximately 94.8 percent of all business-type revenue. User fees were increased to cover increased costs to purchase water and infrastructure improvements.

The business-type activities expenses remained at the 2010-2011 level of \$5.4 million. A total of \$3.1 million is collected from customers and paid to the City of Detroit for water and sewer treatment.

# **City of Grosse Pointe Woods, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **The City's Funds**

An analysis of the City's major funds begins on pages 14-15, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City created funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major governmental funds for fiscal year 2011-2012 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 Franchise Fees 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 \$0.7 million to the Major and Local Streets Funds, and \$85,000 to support the Municipal Improvement Fund. The Grosse-Gratiot Drain Fund transferred \$0.3 million to the General and Local Streets Funds.

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 2011-2012, the General Fund's fund balance increased by approximately \$345,000. Part of this increase is related to employee concessions and a reduced workforce. In addition, this increase is the result of eliminating capital purchases, reducing road repairs, and cost containment efforts of the City Council, appointed officials, and department directors. Transfers to other funds increased by \$138,000 due to the overall reduction of property tax revenue.

The City's General Fund's year-end fund balance is approximately \$5.2 million; \$1.34 million is committed and assigned, leaving \$3.76 million unassigned. The unassigned amount represents approximately 33.1 percent of fiscal year 2011-2012 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.

# **City of Grosse Pointe Woods, Michigan**

## **Management's Discussion and Analysis (Continued)**

### **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 \$377,000 from the City's General Fund and approximately \$625,000 in gas and weight tax revenue. Current year expenditures were approximately \$56,000 less than fiscal year 2010-2011, due to a reduction in the sidewalk replacement and asphalt maintenance program. Due to transfers in, the Major Streets Fund's revenue exceeded expenditures by approximately \$197,000. The reserves at year end are \$262,189.

### **Solid Waste Fund**

The Solid Waste Fund is used to account for the collection, disposal, and recycling of all residential and commercial waste within the City. The special millage rate for fiscal year 2011-2012 was 1.8807 mills, the same as the previous year. Due to the declining taxable value, the revenue generated was approximately \$0.2 million less than 2010-2011. Expenses in 2011-2012 increased \$34,000 as compared to the previous year. The primary reason for the increase in expense was the increase of transfers out of the Solid Waste Fund.

### **Grosse-Gratiot Drain Fund**

The Grosse-Gratiot Drain Fund is used to accumulate resources for payment of the Grosse-Gratiot Drain improvements financed by issuance of debt. The fund derived revenue from property taxes of approximately \$2,735,000 in fiscal year 2011-2012. The millage rate increased 0.6665 mills, to 4.4685 mills. Despite an increase in millage, the revenue generated has decreased for fiscal year 2011-2012 by approximately \$66,000 due to a decrease in taxable value. Expenditures are primarily related to drain operations and maintenance provided by Wayne County. This is the third year of increases for these services, a cost of \$1,342,000 in fiscal year 2011-2012. In addition to operations and maintenance costs, the cost of the principal and interest payments was approximately \$1,230,000. The Grosse-Gratiot Drain Fund significantly reduced the transfers to other funds, from \$855,000 to \$320,000.

This Grosse-Gratiot Drain Fund's fund balance decreased approximately \$156,000, which was due to property tax reduction and an increase in drain operations. Therefore, the remaining fund balance is \$24,400.

### **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.

# **City of Grosse Pointe Woods, Michigan**

## **Management's Discussion and Analysis (Continued)**

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 new meters and other infrastructure improvements to the water system and sewer systems, which will be 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 2011-2012 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 \$345,000 to the fund balance. Since the Local Streets Fund is reported in the General Fund, its fund balance of \$143,800 is a part of the \$345,000 increase. Without significant cuts to expenditures, the City's fund balance will be exhausted by the end of fiscal year 2015.

### **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 \$350,000 from the City's General Fund, \$200,000 from the Grosse-Gratiot Drain Fund, and approximately \$256,000 in gas and weight tax revenue. Revenue plus transfers for fiscal year 2011-2012 is \$14,000 less than the previous year. The department receives a small amount of its revenue from fees, other state funding, special assessment, and interest on investments. Expenditures for fiscal year 2011-2012 were reduced by \$191,000 due to a reduction in sidewalk and road construction.

The Local Streets Fund fund balance increased approximately \$18,000 with a year-end balance of \$143,000. For reporting purposes, this fund balance has been classified as "committed" and rolled into the General Fund. This increase is primarily due to revenue being transferred in from other funds.

### **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 three years, including fiscal year 2011-2012.

The Cable Franchise Fund's fund balance is approximately \$583,000 and is reported in the General Fund as "assigned."

# **City of Grosse Pointe Woods, Michigan**

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## **Management's Discussion and Analysis (Continued)**

### **Capital Asset and Debt Administration**

During fiscal year 2011-2012, the City continued to invest in capital assets by replacing water meters and repairing water mains. Overall, the City debt remains low. The City utilizes just 0.55 percent of the allowable legal debt margin subject to limit. Detailed information on the City's debt can be found in the statistical section of this report, in the debt capacity and direct and overlapping debt schedules. For more information regarding the activity of capital assets and debt, please refer to Note 4 and Note 6, respectively. In fiscal year 2011-2012, the City will continue with water meter replacement and main repairs. The City was awarded low-cost financing by the State of Michigan Sewer Revolving Fund for sewer infrastructure improvements.

### **Economic Factors**

The City of Grosse Pointe Woods' fiscal year 2012-2013 budget reflects many of the same challenges that all municipalities in Michigan are facing. The three major funding sources that will continue to be a challenge are real and personal property taxes, state-shared revenue, and user charges. Administration attempts to strike a balance between taxes and user fees and expenses that continue to grow at the rate of inflation or higher. The City has responded to this through a reduction of discretionary costs, principally capital outlay, but also including personnel cuts through attrition when possible. The City expects this financial trend to continue for another year.

### **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 Assets June 30, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Cash and investments (Note 3)	\$ 8,819,214	\$ 3,971,569	\$ 12,790,783
Receivables:			
Taxes	328,878	-	328,878
Customers	-	1,416,213	1,416,213
Accrued interest	136,518	1,343	137,861
Due from other governmental units	533,072	14,510	547,582
Internal balances (Note 5)	6,672	(6,672)	-
Prepaid expenses	117,230	9,635	126,865
Restricted cash (Note 1)	-	397,500	397,500
Investments in Grosse Pointes-Clinton Refuse Disposal Authority (Note 12)	54,347	-	54,347
Capital assets (Note 4):			
Nondepreciable capital assets	1,547,967	2,871,615	4,419,582
Depreciable capital assets - Net	26,582,136	23,883,825	50,465,961
Total assets	38,126,034	32,559,538	70,685,572
<b>Liabilities</b>			
Accounts payable	478,181	934,277	1,412,458
Due to fiduciary fund	11,000	-	11,000
Accrued and other liabilities	558,919	75,763	634,682
Deferred revenue	49,393	-	49,393
Noncurrent liabilities (Note 6):			
Due within one year	1,987,984	543,363	2,531,347
Due in more than one year	11,816,908	8,810,289	20,627,197
Total liabilities	14,902,385	10,363,692	25,266,077
<b>Net Assets</b>			
Invested in capital assets - Net of related debt	26,908,007	18,585,076	45,493,083
Restricted for:			
Roads	262,189	-	262,189
Fireworks	74,256	-	74,256
Debt service	-	397,500	397,500
Police, fire, and ambulance operations	216,730	-	216,730
Solid waste	370,317	-	370,317
Community development	152	-	152
Unrestricted	(4,608,002)	3,213,270	(1,394,732)
Total net assets	\$ 23,223,649	\$ 22,195,846	\$ 45,419,495



# City of Grosse Pointe Woods, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 3,092,280	\$ 469,972	\$ 26,734
Public safety	7,153,532	909,241	-
Public works	6,016,942	71,573	880,477
Solid waste	1,121,417	-	-
Municipal improvements	191,180	-	-
Recreation and culture	1,717,327	120,304	-
Interest on long-term debt	40,214	-	-
Total governmental activities	19,332,892	1,571,090	907,211
Business-type activities:			
Water/Sewer	5,059,715	5,976,950	-
Parking	237,150	193,812	-
Boat dock	74,172	130,778	-
Commodity sales	26,018	40,918	-
Total business-type activities	5,397,055	6,342,458	-
Total primary government	<u>\$ 24,729,947</u>	<u>\$ 7,913,548</u>	<u>\$ 907,211</u>
General revenue:			
Property taxes			
State-shared revenue (unrestricted)			
Unrestricted investment earnings			
Franchise fees			
Other miscellaneous income			
Total general revenue			
Transfers			
<b>Change in Net Assets</b>			
<b>Net Assets - Beginning of year</b>			
<b>Net Assets - End of year</b>			

**Statement of Activities**  
**Year Ended June 30, 2012**

Net (Expense) Revenue and Changes in Net Assets  
Primary Government

<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
\$ (2,595,574)	\$ -	\$ (2,595,574)
(6,244,291)	-	(6,244,291)
(5,064,892)	-	(5,064,892)
(1,121,417)	-	(1,121,417)
(191,180)	-	(191,180)
(1,597,023)	-	(1,597,023)
<u>(40,214)</u>	<u>-</u>	<u>(40,214)</u>
(16,854,591)	-	(16,854,591)
-	917,235	917,235
-	(43,338)	(43,338)
-	56,606	56,606
<u>-</u>	<u>14,900</u>	<u>14,900</u>
-	945,403	945,403
(16,854,591)	945,403	(15,909,188)
12,817,647	-	12,817,647
1,482,102	-	1,482,102
63,694	6,352	70,046
262,837	-	262,837
<u>368,060</u>	<u>-</u>	<u>368,060</u>
14,994,340	6,352	15,000,692
<u>(11,446)</u>	<u>11,446</u>	<u>-</u>
(1,871,697)	963,201	(908,496)
<u>25,095,346</u>	<u>21,232,645</u>	<u>46,327,991</u>
<b><u>\$ 23,223,649</u></b>	<b><u>\$ 22,195,846</u></b>	<b><u>\$ 45,419,495</u></b>

# City of Grosse Pointe Woods, Michigan

	General Fund	Special Revenue Funds		Debt Service Fund
		Major Streets Fund	Solid Waste Fund	Grosse-Gratiot Drain Fund
<b>Assets</b>				
Cash and investments (Note 3)	\$ 5,081,661	\$ 181,786	\$ 422,098	\$ 60,128
Receivables:				
Taxes	326,574	-	-	-
Accrued interest	105,869	209	955	-
Due from other governmental units	430,113	102,959	-	-
Due from other funds (Note 5)	129,884	57,731	23,486	106,015
Prepays	94,412	9,306	2,575	-
<b>Total assets</b>	<b>\$ 6,168,513</b>	<b>\$ 351,991</b>	<b>\$ 449,114</b>	<b>\$ 166,143</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 287,499	\$ 24,916	\$ 40,155	\$ -
Due to fiduciary funds	11,000	-	-	-
Due to other funds (Note 5)	200,056	-	658	100,000
Accrued and other liabilities:				
Accrued salaries and wages	115,314	7,028	1,631	-
Payroll taxes and withholdings	527	-	-	-
Accrued other liabilities	214,263	46,707	34,937	41,696
Deferred revenue	49,333	-	23	33
Provision for claims	90,600	11,151	1,393	-
<b>Total liabilities</b>	<b>968,592</b>	<b>89,802</b>	<b>78,797</b>	<b>141,729</b>
<b>Fund Balances</b>				
Nonspendable - Prepays	94,412	9,306	2,575	-
Restricted:				
Roads	-	252,883	-	-
Solid waste	-	-	367,742	-
Public safety	-	-	-	-
Community development	-	-	-	-
Fireworks	-	-	-	-
Committed:				
Local streets	143,811	-	-	-
Purchase of fixed asset	-	-	-	-
Assigned:				
Subsequent year's budget	614,532	-	-	-
Debt service	-	-	-	24,414
Public safety	-	-	-	-
Capital projects	-	-	-	-
Parkway beautification	-	-	-	-
Cable	583,514	-	-	-
Unassigned	3,763,652	-	-	-
<b>Total fund balances</b>	<b>5,199,921</b>	<b>262,189</b>	<b>370,317</b>	<b>24,414</b>
<b>Total liabilities and fund balances</b>	<b>\$ 6,168,513</b>	<b>\$ 351,991</b>	<b>\$ 449,114</b>	<b>\$ 166,143</b>

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

**Governmental Funds  
Balance Sheet  
June 30, 2012**

Nonmajor Funds	Total
\$ 792,329	\$ 6,538,002
2,304	328,878
837	107,870
-	533,072
8,353	325,469
7,509	113,802
<b>\$ 811,332</b>	<b>\$ 7,947,093</b>
\$ 113,741	\$ 466,311
-	11,000
17,958	318,672
72,565	196,538
-	527
3,402	341,005
4	49,393
6,968	110,112
214,638	1,493,558
7,509	113,802
-	252,883
-	367,742
210,917	210,917
152	152
74,256	74,256
-	143,811
14,850	14,850
-	614,532
-	24,414
110,534	110,534
88,204	88,204
90,272	90,272
-	583,514
-	3,763,652
596,694	6,453,535
<b>\$ 811,332</b>	<b>\$ 7,947,093</b>

# City of Grosse Pointe Woods, Michigan

## Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2012

<b>Fund Balance Reported in Governmental Funds</b>	\$ 6,453,535
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and are not reported in the funds	27,342,331
Investments in joint ventures are not financial resources and are not reported in the funds	54,347
Bonds payable are not due and payable in the current period and are not reported in the funds	(1,222,096)
Net OPEB obligation does not present a claim on current financial resources. Therefore, it is not reported as a fund liability	(11,269,807)
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	(708,958)
Internal service funds are included as part of governmental activities	2,574,297
<b>Net Assets of Governmental Activities</b>	<b><u>\$ 23,223,649</u></b>

# City of Grosse Pointe Woods, Michigan

	General Fund	Special Revenue Funds		Debt Service Fund
		Major Streets Fund	Solid Waste Fund	Grosse-Gratiot Drain Fund
<b>Revenue</b>				
Property taxes	\$ 8,708,877	\$ -	\$ 1,152,561	\$ 2,735,824
Licenses and permits	647,537	-	-	-
Federal sources	-	-	-	-
State and local sources	1,589,634	624,586	-	-
Charges for services	124,203	-	-	-
Fines and forfeitures	650,493	-	-	-
Interest income	47,608	-	4,014	-
Other revenue	397,765	44,757	1,019	-
<b>Total revenue</b>	<b>12,166,117</b>	<b>669,343</b>	<b>1,157,594</b>	<b>2,735,824</b>
<b>Expenditures</b>				
Current:				
General government	2,559,531	-	-	-
Public safety	5,299,693	-	-	-
Public works	2,481,691	849,039	1,151,932	1,341,784
Municipal improvements	17,610	254	-	-
Parks and recreation	1,288,489	-	-	-
Debt service:				
Principal	-	-	-	1,185,797
Interest on long-term debt	-	-	-	43,949
<b>Total expenditures</b>	<b>11,647,014</b>	<b>849,293</b>	<b>1,151,932</b>	<b>2,571,530</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>519,103</b>	<b>(179,950)</b>	<b>5,662</b>	<b>164,294</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from sale of capital assets	500	-	-	-
Transfers in	430,000	377,756	-	-
Transfers out	(604,326)	-	(100,000)	(320,000)
<b>Total other financing (uses) sources</b>	<b>(173,826)</b>	<b>377,756</b>	<b>(100,000)</b>	<b>(320,000)</b>
<b>Net Change in Fund Balances</b>	<b>345,277</b>	<b>197,806</b>	<b>(94,338)</b>	<b>(155,706)</b>
<b>Fund Balances - Beginning of year</b>	<b>4,854,644</b>	<b>64,383</b>	<b>464,655</b>	<b>180,120</b>
<b>Fund Balances - End of year</b>	<b>\$ 5,199,921</b>	<b>\$ 262,189</b>	<b>\$ 370,317</b>	<b>\$ 24,414</b>

**Governmental Funds**

**Statement of Revenue, Expenditures, and Changes in Fund Balances**  
**Year Ended June 30, 2012**

Nonmajor Funds	Total
\$ 219,366	\$ 12,816,628
-	647,537
7,621	7,621
6,627	2,220,847
-	124,203
-	650,493
3,140	54,762
498,077	941,618
<hr/>	<hr/>
734,831	17,463,709
167,063	2,726,594
423,619	5,723,312
-	5,824,446
191,180	209,044
65,396	1,353,885
-	1,185,797
-	43,949
<hr/>	<hr/>
847,258	17,067,027
(112,427)	396,682
-	500
205,124	1,012,880
-	(1,024,326)
<hr/>	<hr/>
205,124	(10,946)
92,697	385,736
503,997	6,067,799
<hr/>	<hr/>
<b>\$ 596,694</b>	<b>\$ 6,453,535</b>

# City of Grosse Pointe Woods, Michigan

## Governmental Funds Reconciliation of the Statement of Revenue, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended June 30, 2012

<b>Net Change in Fund Balances - Total Governmental Funds</b>	\$	385,736
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		223,647
Depreciation expense		(1,139,075)
Revenue is recorded in the statement of activities when earned; it is not reported in the funds until collected or collectible within 60 days of year end		
		(33,500)
Change in accumulated employee sick and vacation pay is recorded when earned in the statement of activities		
		(9,617)
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds		
		(2,562,390)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
		1,185,797
Change in investment in a joint Grosse Pointes-Clinton Refuse Disposal Authority is not recorded in the funds		
		(4,603)
Internal service funds are included as part of governmental activities		
		82,308
<b>Change in Net Assets of Governmental Activities</b>	<b>\$</b>	<b><u>(1,871,697)</u></b>



# City of Grosse Pointe Woods, Michigan

## Proprietary Funds Statement of Net Assets June 30, 2012

	Enterprise Funds			Governmental Activities
	Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Assets</b>				
Current assets:				
Cash and investments (Note 3)	\$ 3,111,040	\$ 860,529	\$ 3,971,569	\$ 2,281,212
Receivables:				
Customers	1,416,213	-	1,416,213	-
Accrued interest receivable	1,343	-	1,343	28,648
Due from other governmental units	14,510	-	14,510	-
Due from other funds (Note 5)	4,422	-	4,422	255
Prepaid expenses and other assets	7,459	2,176	9,635	3,428
Total current assets	4,554,987	862,705	5,417,692	2,313,543
Noncurrent assets:				
Restricted cash (Note 1)	397,500	-	397,500	-
Capital assets (Note 4):				
Assets not subject to depreciation	2,871,615	-	2,871,615	-
Assets subject to depreciation	23,665,664	218,161	23,883,825	787,772
Total noncurrent assets	26,934,779	218,161	27,152,940	787,772
Total assets	31,489,766	1,080,866	32,570,632	3,101,315
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	919,524	14,753	934,277	11,870
Due to other funds	930	10,164	11,094	380
Accrued and other liabilities	54,964	20,799	75,763	20,849
Provision for claims - Less than one year	8,363	-	8,363	1,394
Current portion of long-term debt (Note 6)	535,000	-	535,000	-
Total current liabilities	1,518,781	45,716	1,564,497	34,493
Noncurrent liabilities:				
Provision for claims - Greater than one year	-	-	-	138,347
Other postemployment benefit obligation (Note 9)	940,418	234,507	1,174,925	354,178
Long-term debt - Net of current portion (Note 6)	7,635,364	-	7,635,364	-
Total noncurrent liabilities	8,575,782	234,507	8,810,289	492,525
Total liabilities	10,094,563	280,223	10,374,786	527,018
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	18,366,915	218,161	18,585,076	787,772
Restricted - Debt service	397,500	-	397,500	-
Unrestricted	2,630,788	582,482	3,213,270	1,786,525
Total net assets	<u>\$ 21,395,203</u>	<u>\$ 800,643</u>	<u>\$ 22,195,846</u>	<u>\$ 2,574,297</u>

# City of Grosse Pointe Woods, Michigan

## Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2012

	Enterprise Funds		Governmental
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds
			Internal Service Funds
<b>Operating Revenue</b>			
Water sales and charges for services	\$ 5,861,627	\$ -	\$ 5,861,627
Penalties	46,732	-	46,732
Fees and violations	-	193,812	193,812
Dockings and launching fees	-	130,778	130,778
Commodity sales	-	40,918	40,918
Other revenue	68,591	-	68,591
Revenue and billings to other funds	-	-	-
	-	-	1,043,501
Total operating revenue	5,976,950	365,508	6,342,458
			1,047,501
<b>Operating Expenses</b>			
Cost of water and disposal	3,177,778	-	3,177,778
Insurance expense and contractual services	-	-	-
Operation and maintenance	212,993	182,951	395,944
General and administrative	725,728	118,948	844,676
Charges from internal service funds	-	12,400	12,400
Depreciation	711,046	23,041	734,087
	-	-	-
Total operating expenses	4,827,545	337,340	5,164,885
			1,003,137
<b>Operating Income</b>	1,149,405	28,168	1,177,573
			44,364
<b>Nonoperating Revenue (Expenses)</b>			
Interest income	5,335	1,017	6,352
Interest expense	(232,170)	-	(232,170)
Gain on disposal of asset	-	-	-
	-	-	-
	-	-	25,290
<b>Income - Before transfers</b>	922,570	29,185	951,755
			82,308
<b>Transfers In (Note 5)</b>	-	21,446	21,446
			-
<b>Transfers Out (Note 5)</b>	(10,000)	-	(10,000)
			-
<b>Change in Net Assets</b>	912,570	50,631	963,201
			82,308
<b>Net Assets - Beginning of year</b>	20,482,633	750,012	21,232,645
			2,491,989
<b>Net Assets - End of year</b>	\$ 21,395,203	\$ 800,643	\$ 22,195,846
			\$ 2,574,297

# City of Grosse Pointe Woods, Michigan

## Proprietary Funds Statement of Cash Flows Year Ended June 30, 2012

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 5,646,069	\$ 365,673	\$ 6,011,742	\$ 1,044,580
Payments for interfund services and reimbursements	(4,422)	(17,937)	(22,359)	22,745
Payments to suppliers	(3,027,247)	(194,567)	(3,221,814)	(459,748)
Payments to employees	(567,507)	(135,581)	(703,088)	(184,295)
Internal activity - Payments to other funds	4,323	9,664	13,987	380
Claims paid	-	-	-	(549)
Other receipts	67,446	211,139	278,585	(2,894)
Other payments	-	(122,614)	(122,614)	-
Net cash provided by operating activities	2,118,662	115,777	2,234,439	420,219
<b>Cash Flows from Noncapital Financing Activities</b>				
Transfers from other funds	-	21,446	21,446	-
Transfers to other funds	(10,000)	-	(10,000)	-
Net cash (used in) provided by noncapital financing activities	(10,000)	21,446	11,446	-
<b>Cash Flows from Capital and Related Financing Activities</b>				
Receipt of capital grants	1,562,223	-	1,562,223	-
Proceeds from sales of capital assets	-	-	-	25,290
Purchase of capital assets	(2,164,036)	(2,119)	(2,166,155)	(8,924)
Principal and interest paid on capital debt	(602,170)	-	(602,170)	-
Net cash (used in) provided by capital and related financing activities	(1,203,983)	(2,119)	(1,206,102)	16,366
<b>Cash Flows from Investing Activities -</b>				
Interest received on investments	5,335	1,017	6,352	12,654
<b>Net Increase in Cash and Cash Equivalents</b>	910,014	136,121	1,046,135	449,239
<b>Cash and Cash Equivalents - Beginning of year</b>	2,598,526	724,408	3,322,934	1,831,973
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 3,508,540</b>	<b>\$ 860,529</b>	<b>\$ 4,369,069</b>	<b>\$ 2,281,212</b>

# City of Grosse Pointe Woods, Michigan

## Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2012

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>Balance Sheet Classification of Cash and Cash Equivalents</b>				
Cash and investments	\$ 3,111,040	\$ 860,529	\$ 3,971,569	\$ 2,281,212
Restricted cash	397,500	-	397,500	-
Total cash and cash equivalents	<u>\$ 3,508,540</u>	<u>\$ 860,529</u>	<u>\$ 4,369,069</u>	<u>\$ 2,281,212</u>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>				
Operating income	\$ 1,149,405	\$ 28,168	\$ 1,177,573	\$ 44,364
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	711,046	23,041	734,087	289,453
Changes in assets and liabilities:				
Receivables	(263,435)	(1,519)	(264,954)	(5,815)
Due from others	(4,422)	-	(4,422)	22,745
Other assets	-	-	-	(534)
Accounts payable	310,554	1,414	311,968	(8,342)
Due to other funds	4,323	9,664	13,987	380
Accrued and other liabilities	211,191	55,009	266,200	77,968
Net cash provided by operating activities	<u>\$ 2,118,662</u>	<u>\$ 115,777</u>	<u>\$ 2,234,439</u>	<u>\$ 420,219</u>

**Noncash Activity** - There were no noncash transactions for the year ended June 30, 2012.

# City of Grosse Pointe Woods, Michigan

## Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2012

	Pension and Other Employee Benefits	Agency Funds
<b>Assets</b>		
Cash and cash equivalents	\$ 1,358,319	\$ 26,804
Investments:		
U.S. government securities	5,135,389	-
Stocks	23,438,870	-
Corporate bonds	353,549	-
Mutual funds	4,839,377	-
Receivables:		
Accrued interest receivable	21,085	-
Other receivables	85,455	-
Due from primary government	11,000	-
Prepaid expenses and other assets	247,249	-
	35,490,293	<b><u>\$ 26,804</u></b>
<b>Liabilities</b>		
Due to other governmental units	-	\$ 17,853
Court bonds payable	-	8,951
	-	<b><u>\$ 26,804</u></b>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<b><u>\$ 35,490,293</u></b>	

# City of Grosse Pointe Woods, Michigan

## Fiduciary Funds Statement of Changes in Fiduciary Net Assets Pension Trust Funds Year Ended June 30, 2012

	Pension Trust Funds
<b>Additions</b>	
Investment income:	
Interest and dividends	\$ 774,345
Net decrease in fair market value	(736,007)
Less investment expenses	(300,919)
Contributions:	
Employer	984,915
Employee	357,922
Total contributions	<u>1,342,837</u>
Total additions - Net	1,080,256
<b>Deductions</b> - Pension payments	<u>2,977,547</u>
<b>Net Decrease</b>	(1,897,291)
<b>Net Assets Held in Trust for Pension and Other Employee Benefits -</b> Beginning of year	<u>37,387,584</u>
<b>Net Assets Held in Trust for Pension and Other Employee Benefits -</b> End of year	<u><u>\$ 35,490,293</u></u>

# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

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

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

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

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## Notes to Financial Statements June 30, 2012

### Note I - Summary of 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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes billed during the month of December will be used to finance the following year's operations. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

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

Property taxes, licenses, and interest are susceptible to accrual and so have been recognized as revenue of the current fiscal period. During the year ended June 30, 2011, property tax revenue was recognized for receipts beyond the normal 60 days, because the Wayne County delinquent tax sale occurred in October. The property tax revenue was recognized in order for the current year revenue recognition not to be misleading. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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.



# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

### Note 1 - Summary of Significant Accounting Policies (Continued)

- 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.

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.

# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

### Note I - Summary of Significant Accounting Policies (Continued)

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.

When an expense is incurred for purposes for which both restricted and unrestricted net assets 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: 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 2011 tax is levied and collectible on December 1, 2011 and is recognized as revenue in the year ended June 30, 2012, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2011 taxable valuation of the City of Grosse Pointe Woods totaled \$618 million, on which ad valorem taxes levied consisted of 13.5660 mills for operating purposes, 0.0590 mills for public relations, 1.8807 mills for solid waste disposal, and 4.2025 mills for the Grosse-Gratiot Drain. This resulted in \$8.37 million for operating purposes, \$.04 million for public relations, \$1.16 million for solid waste disposal, and \$2.59 million for the Grosse-Gratiot Drain. These amounts are recognized in the respective General Fund, special revenue, and debt service funds financial statements as property tax revenue.

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### Note I - Summary of Significant Accounting Policies (Continued)

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.

#### **Assets, Liabilities, and Net Assets or Equity**

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

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

**Restricted Assets** - The revenue bonds of the Water and Sewer Fund require amounts to be set aside for debt service. The balance of the restricted asset account for revenue bond restrictions for debt payments is \$397,500 at June 30, 2012. 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. 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

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## Notes to Financial Statements June 30, 2012

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

**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.

# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

### Note I - Summary of Significant Accounting Policies (Continued)

**Fund Equity** - In March 2009, the GASB issued Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*. The objective of this statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund-type definitions. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed on the use of the resources reported in governmental funds. Under this standard, the fund balance classifications of reserved, designated, and unreserved/undesignated were replaced with five new classifications - nonspendable, restricted, committed, assigned, and unassigned. The City expends funds based on the order presented with restricted funds spent first followed by committed and then unrestricted.

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
- **Designations** of fund balance represent tentative management plans that are subject to change.
- **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 governing body.
- **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.

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### 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, 2011	\$ (770,395)
Current year building permit revenue	334,212
Related expenses - Direct costs	<u>328,233</u>
Current year shortfall	<u>5,979</u>
Cumulative shortfall at June 30, 2012	<u>\$ (764,416)</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.

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.

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### Note 3 - Deposits and Investments (Continued)

The Township'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 \$3,400,235 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$750,000 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits.

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

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

<b>Primary Government</b>	Fair Value	0-5 Years	5-15 Years	15 Years and More
U.S. government agencies and securities:				
Negotiable certificates of deposit	\$ 1,950,440	\$ 1,950,440	\$ -	\$ -
Federal Home Loan Mortgage Corporation	122,468	122,468	-	-
Federal National Mortgage Association	250,645	250,645	-	-
Federal Home Loan Bank	249,937	249,937	-	-
Federal Farm Credit Bank	200,148	200,148	-	-
<b>Fiduciary Funds</b>	Fair Value	0-5 Years	5-15 Years	15 Years and More
Mutual funds - Fixed-income shares	\$ 4,839,377	\$ 4,839,377	\$ -	\$ -
U.S. Treasury notes	1,792,174	336,616	1,455,558	-
Federal National Mortgage Association	2,790,084	250,645	-	2,539,439
Federal Home Loan Mortgage Corporation	553,131	122,468	-	430,663

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### Note 3 - Deposits and Investments (Continued)

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

Investment Type	Fair Value	Rating	Rating Organization
Primary government:			
Negotiable CDs	\$ 1,950,440	Not rated	S&P
Federal Home Loan Mortgage Association	200,598	AA+	Moody's
Bank investment pools	6,735,313	AI/PI/FI	S&P
Bank investment pools	197,138	Not rated	N/A
Federal National Mortgage Association	100,633	AAA	Moody's
Federal Farm Credit Bank	200,148	AAA	Moody's
Federal Home Loan Bank Fixed Rate	149,907	AAA	Moody's
Federal Home Loan Mortgage Corporation	199,950	AAA	Moody's
Federal Home Loan Bank	100,030	AAA	Moody's
Fiduciary funds:			
Federal National Mortgage Association	2,539,439	AAA	S&P
U.S. Treasury notes	1,792,174	AAA	S&P
Federal Home Loan Mortgage Corporation	122,468	AA+	S&P
Federal National Mortgage Association	250,645	AA+	S&P
Federal Home Loan Mortgage Corporation	430,663	AAA	S&P

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

Primary government:	
Federal Home Loan Bank	8.61%
Federal National Mortgage Association	10.38%
Federal Home Loan Mortgage Corporation	6.89%
Federal Farm Credit Bank	6.90%
Fiduciary funds - Federal Home Loan Mortgage Corporation	1.58%
Fiduciary funds - Federal National Mortgage Association	7.96%



# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### Note 4 - Capital Assets

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

<b>Governmental Activities</b>	Balance July 1, 2011	Additions	Disposals	Balance June 30, 2012
Capital assets not being depreciated - Land	\$ 1,547,967	\$ -	\$ -	\$ 1,547,967
Capital assets being depreciated:				
Infrastructure	27,295,519	53,114	-	27,348,633
Buildings	8,972,078	12,207	13,544	8,997,829
Equipment and vehicles	6,777,274	171,962	(265,361)	6,683,875
Land improvements	233,147	33,517	(13,544)	253,120
Subtotal	43,278,018	270,800	(265,361)	43,283,457
Accumulated depreciation:				
Infrastructure	5,996,529	563,652	-	6,560,181
Buildings	3,550,785	299,409	-	3,850,194
Equipment and vehicles	5,916,091	462,503	(227,131)	6,151,463
Land improvements	36,519	102,964	-	139,483
Subtotal	15,499,924	1,428,528	(227,131)	16,701,321
Net capital assets being depreciated	27,778,094	(1,157,728)	(38,230)	26,582,136
Net governmental funds capital assets	\$ 29,326,061	\$ (1,157,728)	\$ (38,230)	\$ 28,130,103

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### Note 4 - Capital Assets (Continued)

<b>Business-type Activities</b>	<u>Balance July 1, 2011</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2012</u>
Capital assets not being depreciated - Construction in progress	\$ 744,979	\$ 2,126,636	\$ -	\$ 2,871,615
Capital assets being depreciated:				
Infrastructure	34,051,103	37,400	-	34,088,503
Land improvements	1,534,590	2,119	-	1,536,709
Subtotal	35,585,693	39,519	-	35,625,212
Accumulated depreciation:				
Infrastructure	9,711,793	711,046	-	10,422,839
Land improvements	1,295,507	23,041	-	1,318,548
Subtotal	11,007,300	734,087	-	11,741,387
Net capital assets being depreciated	24,578,393	(694,568)	-	23,883,825
Net business-type capital assets	<u>\$ 25,323,372</u>	<u>\$ 1,432,068</u>	<u>\$ -</u>	<u>\$ 26,755,440</u>

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

Governmental activities:	
General government	\$ 70,029
Public safety	71,587
Public works	695,964
Recreation and culture	301,495
Internal service funds	289,453
Total governmental activities	<u>\$ 1,428,528</u>
Business-type activities:	
Water and sewer	\$ 711,046
Parking utility	15,351
Boat dock	7,690
Total business-type activities	<u>\$ 734,087</u>

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### Note 4 - Capital Assets (Continued)

**Construction Commitments** - The City had active construction projects at year end for the replacement of the City's water mains. At year end, the City spent \$2,621,628 in connection with the active construction project and the City's commitment with contractors was approximately \$3,936,000.

### Note 5 - Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
<b>Due to/from Other Funds</b>		
General Fund	Nonmajor governmental funds	\$ 17,752
	Nonmajor enterprise funds	10,164
	Grosse-Gratiot Drain Fund	100,000
	Solid Waste Fund	658
	Internal Service Funds	380
	Water and Sewer Fund	930
	Total General Fund	129,884
Major Streets Fund	General Fund	57,731
Solid Waste Fund	General Fund	23,486
Grosse-Gratiot Drain Fund	General Fund	106,015
Nonmajor governmental funds	General Fund	8,147
	Nonmajor governmental funds	206
	Total nonmajor governmental funds	8,353
Water and Sewer Fund	General Fund	4,422
Internal service funds	General Fund	255
	Total	<u>\$ 330,146</u>

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

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

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

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Major Streets Fund	\$ 377,756
	Nonmajor governmental funds	205,124
	Nonmajor enterprise funds	<u>21,446</u>
	Total General Fund (1)	604,326
Solid Waste Disposal	General Fund (2)	100,000
Grosse-Gratiot Drain Fund	General Fund (1)	320,000
Water and Sewer Fund	General Fund (2)	<u>10,000</u>
	Total	<u>\$ 1,034,326</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, 2012

### Note 6 - Long-term Debt

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

	<u>Interest Rate Ranges</u>	<u>Principal Maturity Ranges</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>							
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	\$ 2,407,893	\$ -	\$ 1,185,797	\$ 1,222,096	\$ 1,222,096
Other long-term obligations:							
Employee compensated absences			699,342	655,122	645,506	708,958	654,382
Estimated liability for workers' compensation and health claims (Note 10)			256,891	91,947	98,985	249,853	111,506
Other postemployment benefit obligation (Note 9)			<u>8,983,552</u>	<u>2,640,433</u>	<u>-</u>	<u>11,623,985</u>	<u>-</u>
Total governmental activities			<u>\$ 12,347,678</u>	<u>\$ 3,387,502</u>	<u>\$ 1,930,288</u>	<u>\$ 13,804,892</u>	<u>\$ 1,987,984</u>
<b>Business-type Activities</b>							
Revenue bonds:							
2003 Revenue Bond:							
Amount of issue - \$5,300,000 Maturing through 2022	3.13% - 3.95%	\$290,000 - \$445,000	\$ 4,255,000	\$ -	\$ 280,000	\$ 3,975,000	\$ 290,000
2010 Drinking Water Revolving Fund Bond-7301-01:							
Amount of issue - \$1,915,991 Maturing through 2030	2.50%	\$90,000 - \$135,000	1,982,961	27,645	90,000	1,920,606	90,000
2010 Drinking Water Revolving Fund - 7332-01:							
Amount of issue - \$60,497 Maturing through 2029	2.50% - 3.95%	\$155,000 - \$250,000	<u>740,180</u>	<u>1,534,578</u>	<u>-</u>	<u>2,274,758</u>	<u>155,000</u>
Total revenue bonds			6,978,141	1,562,223	370,000	8,170,364	535,000
Other long-term obligations:							
Other postemployment benefit obligation (Note 9)			915,856	259,069	-	1,174,925	-
Estimated liability for workers' compensation and health claims (Note 11)			<u>9,026</u>	<u>-</u>	<u>663</u>	<u>8,363</u>	<u>8,363</u>
Total business-type activities and governmental activities			<u>\$ 7,903,023</u>	<u>\$ 1,821,292</u>	<u>\$ 370,663</u>	<u>\$ 9,353,652</u>	<u>\$ 543,363</u>

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### 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 \$4,837,369. During the current year, net revenue of the system was \$968,986 compared to the annual debt requirements of \$425,209.

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

Years Ending June 30	Governmental Activities			Business-type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 1,222,096	\$ 14,676	\$ 1,236,772	\$ 535,000	\$ 196,521	\$ 731,521
2014	-	-	-	560,000	181,100	741,100
2015	-	-	-	575,000	165,038	740,038
2016	-	-	-	595,000	148,254	743,254
2017	-	-	-	615,000	130,527	745,527
2018-2022	-	-	-	3,410,000	406,046	3,816,046
2023-2027	-	-	-	1,574,758	67,855	1,642,613
2028-2032	-	-	-	305,606	2,613	308,219
Total	<u>\$ 1,222,096</u>	<u>\$ 14,676</u>	<u>\$ 1,236,772</u>	<u>\$ 8,170,364</u>	<u>\$ 1,297,954</u>	<u>\$ 9,468,318</u>

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### 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
<b><u>Statement of Net Assets</u></b>				
Cash and cash equivalents	\$ 1,224,056	\$ 73,050	\$ 61,213	\$ 1,358,319
Investments:				
Mutual funds	4,839,377	-	-	4,839,377
U.S. government securities	5,135,389	-	-	5,135,389
Corporate bonds	353,549	-	-	353,549
Stocks	22,456,498	982,372	-	23,438,870
Accrued interest receivable	21,085	-	-	21,085
Prepaid expenses	226,760	20,489	-	247,249
Contributions receivable	78,032	11,000	7,423	96,455
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Net assets held in trust for pension and other employee benefits	<u>\$ 34,334,746</u>	<u>\$ 1,086,911</u>	<u>\$ 68,636</u>	<u>\$ 35,490,293</u>
<b><u>Statement of Changes in Net Assets:</u></b>				
Additions				
Investment income (loss):				
Interest and dividends	\$ 773,295	\$ -	\$ 1,050	\$ 774,345
Net decrease in fair market value	(682,554)	(53,453)	-	(736,007)
Less investment expenses	(300,919)	-	-	(300,919)
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total investment (loss) income	(210,178)	(53,453)	1,050	(262,581)
Contributions:				
Employer	757,570	227,345	-	984,915
Employee	293,516	-	64,406	357,922
	<u>                    </u>	<u>                    </u>	<u>                    </u>	<u>                    </u>
Total contributions	1,051,086	227,345	64,406	1,342,837
Deductions - Pension payments	<u>2,735,684</u>	<u>241,863</u>	<u>-</u>	<u>2,977,547</u>
Net (decrease) increase	(1,894,776)	(67,971)	65,456	(1,897,291)
Net assets held in trust for pension and other employee benefits:				
Beginning of year	<u>36,229,522</u>	<u>1,154,882</u>	<u>3,180</u>	<u>37,387,584</u>
End of year	<u>\$ 34,334,746</u>	<u>\$ 1,086,911</u>	<u>\$ 68,636</u>	<u>\$ 35,490,293</u>

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### 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 or the "System." The System covers substantially all full-time employees and provides retirement benefits as well as death and disability benefits. The plan does not publish a separate financial report. The City also offers a supplemental annuity plan, which covers the same employees. Net pension obligations are typically paid from the funds that the individual employee's salaries and wages are paid from.

At June 30, 2011, 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	96
Current active employees	83
	<hr/>
Total membership	179

**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, 2011, the most recent actuarial valuation date, the plan was 88.1 percent funded. The actuarial accrued liability for benefits was \$42.7 million and the actuarial value of assets was \$37.7 million, resulting in a funded actuarial accrued liability of \$5.1 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.3 million.



# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

### Note 8 - Pension Plans (Continued)

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

#### Annual Pension Costs

For the year ended June 30, 2012, the City was required to make a contribution to the pension plan of \$743,380, exclusive of \$293,516 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, 2011 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.

#### 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, 2011, the most recent actuarial valuation date, the plan was 38.0 percent funded. The actuarial accrued liability for benefits was \$3.0 million and the actuarial value of assets was \$1.2 million, resulting in an unfunded actuarial accrued liability of \$1.9 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.3 million and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.9 percent.

# City of Grosse Pointe Woods, Michigan

## Notes to Financial Statements June 30, 2012

### Note 8 - Pension Plans (Continued)

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

#### Annual Pension Costs

For the year ended June 30, 2012, 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, 2011 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 12 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		
	2010	2011	2012
Pension trust:			
Annual pension costs (APC)	\$ 754,106	\$ 786,228	\$ 743,380
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	None	None	None
Supplemental annuity:			
Annual pension costs (APC)	\$ 213,202	\$ 227,345	\$ 238,579
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, 2012

### 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, 2012, 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)	\$ 4,031,359
Interest on the prior year's net OPEB obligation	<u>346,479</u>
Annual OPEB cost	4,377,838
Amounts contributed - Payments of current premiums	(1,148,356)
ARC adjustment	<u>(329,980)</u>
Increase in net OPEB obligation	2,899,502
OPEB obligation - Beginning of year	<u>9,899,408</u>
OPEB obligation - End of year	<u>\$ 12,798,910</u>

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Accrued Liability (AAL) (b)	Annual OPEB Costs (b-a)	Percentage OPEB Costs Contributed (a/b)	Net OPEB Obligation
6/30/09	6/30/07	\$ 60,894,963	\$ 3,245,706	43.7 %	\$ 3,245,706
6/30/10	6/30/07	57,033,150	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

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	1,045.6

### **Note 9 - Other Postemployment Benefits (Continued)**

**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, 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 actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The UAAL is being amortized as a level percent of active member payroll on an open basis over a period of 30 years. The UAAL was determined using the actuarial value of assets and actuarial accrued liability calculated as of the valuation date and projected to the beginning of the fiscal year at the assumed rate of investment return.

### **Note 10 - Deferred Compensation Plan**

The City offers its employees a deferred compensation plan (the "Plan") created in accordance with Internal Revenue Code Section 457. The Plan is available to all full-time City employees, which permits them to defer a portion of their salary until future years. Payment of the deferred compensation is not available to employees until retirement, death, or unforeseeable emergency. 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, 2012, employees who had elected to participate in the Plan had contributed \$4,008,616.

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

# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

### 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, 2012

### 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:

	Workers' Compensation		Medical Claims	
	2012	2011	2012	2011
Estimated liability - Beginning of year	\$ 136,975	\$ 110,688	\$ 128,942	\$ -
Estimated claims incurred, including changes in estimates	91,947	226,848	1,480,112	1,616,109
Claim payments	<u>(90,575)</u>	<u>(200,561)</u>	<u>(1,489,185)</u>	<u>(1,487,167)</u>
Estimated liability - End of year	<u>\$ 138,347</u>	<u>\$ 136,975</u>	<u>\$ 119,869</u>	<u>\$ 128,942</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 assets of the Authority totaled \$54,347 at June 30, 2012 and is reported as part of the governmental activities in the statement of net assets. The City is unaware of any circumstances, including potential environmental remediation, that would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from its administrative offices at 27941 Harper Avenue, Suite 106, St. Clair Shores, MI 48081.

# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

### Note 13 - Upcoming Accounting Pronouncements

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into the 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. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the City's 2013 fiscal year.

In June 2011, the GASB issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The statement will be effective for the City's 2012-2013 fiscal year. The 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 provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. Once implemented, this statement will impact the format and reporting of the balance sheet at the government-wide level and also at the fund level.

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, 2015.

# City of Grosse Pointe Woods, Michigan

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## Notes to Financial Statements June 30, 2012

### **Note 13 - Upcoming Accounting Pronouncements (Continued)**

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.

### **Note 14 - Subsequent Events**

Subsequent to year end, the City issued a Revenue Bond Series 2012 in the amount of \$3,525,000 scheduled to mature on October 1, 2033 and be paid off with monthly principal payments starting on October 1, 2014 at an interest rate of 2.50 percent. The bond will fund a multi-year project to include structural repair and rehabilitation of sanitary sewers throughout the City.



## **Required Supplemental Information**

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# City of Grosse Pointe Woods, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 8,421,372	\$ 8,421,372	\$ 8,708,877	\$ 287,505
Licenses and permits	576,239	576,239	647,537	71,298
State-shared revenue and grants	1,302,200	1,302,200	1,333,743	31,543
Charges for services	148,100	148,100	124,203	(23,897)
Fines and forfeitures	675,000	675,000	650,493	(24,507)
Interest income	25,000	25,000	40,872	15,872
Other revenue	169,310	169,310	363,125	193,815
Transfers in	385,000	385,000	230,500	(154,500)
Total revenue	11,702,221	11,702,221	12,099,350	397,129
<b>Expenditures</b>				
Current:				
General government:				
City Council	61,030	61,030	49,867	11,163
City comptroller	342,450	342,450	288,371	54,079
Commission	16,071	19,321	12,041	7,280
Municipal Court	445,841	445,841	388,740	57,101
City assessor	192,142	192,142	233,047	(40,905)
City clerk	268,683	234,434	227,713	6,721
Building inspection	366,455	366,455	335,122	31,333
City attorney	255,100	312,270	215,136	97,134
Administration	190,029	190,029	172,833	17,196
Fringe benefits	365,470	365,470	463,408	(97,938)
Other services and charges	101,287	124,287	173,253	(48,966)
Total general government	2,604,558	2,653,729	2,559,531	94,198
Public safety:				
Police service	3,016,736	3,065,336	3,144,499	(79,163)
Fire prevention and inspection	99,999	99,999	99,177	822
Fringe benefits	1,565,124	1,565,124	1,465,689	99,435
Support service	148,549	148,549	125,885	22,664
Administration	244,898	244,798	210,133	34,665
Other services and charges	217,005	217,005	254,310	(37,305)
Total public safety	5,292,311	5,340,811	5,299,693	41,118

# City of Grosse Pointe Woods, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Expenditures (Continued)</b>				
Current (Continued):				
Public works:				
Management information system	\$ 332,269	\$ 332,269	\$ 304,649	\$ 27,620
Other services and charges	1,057,629	1,039,629	1,194,920	(155,291)
Supervision and engineering	74,459	73,132	90,223	(17,091)
Fringe benefits	41,755	44,609	17,037	27,572
City building and grounds	90,383	89,855	69,674	20,181
Total public works	1,596,495	1,579,494	1,676,503	(97,009)
Parks and recreation:				
Other services and charges	29,100	29,100	28,747	353
Supervision and engineering	16,928	16,928	14,241	2,687
Lake Front Park	1,225,613	1,225,613	869,480	356,133
Fringe benefits	140,373	140,373	192,561	(52,188)
Community center	287,036	297,036	154,974	142,062
City parks	42,315	42,315	28,486	13,829
Total parks and recreation	1,741,365	1,751,365	1,288,489	462,876
Transfers out	869,729	869,729	955,075	(85,346)
Total expenditures	12,104,458	12,195,128	11,779,291	415,837
<b>Net Change in Fund Balance</b>	(402,237)	(492,907)	320,059	812,966
<b>Fund Balance - Beginning of year</b>	4,152,537	4,152,537	4,152,537	-
<b>Fund Balance - End of year</b>	<b>\$ 3,750,300</b>	<b>\$ 3,659,630</b>	<b>\$ 4,472,596</b>	<b>\$ 812,966</b>

# City of Grosse Pointe Woods, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Streets Fund Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 585,000	\$ 585,000	\$ 624,586	\$ 39,586
Other revenue	46,300	46,300	44,757	(1,543)
Transfers in	377,756	377,756	377,756	-
Total revenue	1,009,056	1,009,056	1,047,099	38,043
<b>Expenditures - Current</b>				
Public works:				
Street construction	3,000	3,000	-	3,000
Routine maintenance	506,464	506,464	426,624	79,840
Winter maintenance	23,000	23,000	11,920	11,080
Traffic services	24,600	24,600	11,628	12,972
Administration	146,511	146,511	141,318	5,193
Forestry services	36,699	36,699	22,065	14,634
Fringe benefits	268,782	268,782	235,484	33,298
Total public works	1,009,056	1,009,056	849,039	160,017
Municipal improvements	-	-	254	(254)
Total expenditures	1,009,056	1,009,056	849,293	159,763
<b>Net Change in Fund Balance</b>	-	-	197,806	197,806
<b>Fund Balance - Beginning of year</b>	64,383	64,383	64,383	-
<b>Fund Balance - End of year</b>	<b>\$ 64,383</b>	<b>\$ 64,383</b>	<b>\$ 262,189</b>	<b>\$ 197,806</b>

# City of Grosse Pointe Woods, Michigan

## Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Disposal Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 1,162,508	\$ 1,162,508	\$ 1,152,561	\$ (9,947)
Interest income	500	500	4,014	3,514
Transfers	219,198	219,198	-	(219,198)
Other revenue	2,000	2,000	1,019	(981)
Total revenue	1,384,206	1,384,206	1,157,594	(226,612)
<b>Expenditures - Current</b>				
Public works:				
Solid waste	1,219,772	1,219,772	1,089,432	130,340
Fringe benefits	64,434	64,434	62,500	1,934
Total public works	1,284,206	1,284,206	1,151,932	132,274
Transfers out	130,000	130,000	100,000	30,000
Total expenditures	1,414,206	1,414,206	1,251,932	162,274
<b>Net Change in Fund Balance</b>	(30,000)	(30,000)	(94,338)	(64,338)
<b>Fund Balance - Beginning of year</b>	464,655	464,655	464,655	-
<b>Fund Balance - End of year</b>	<u>\$ 434,655</u>	<u>\$ 434,655</u>	<u>\$ 370,317</u>	<u>\$ (64,338)</u>

# City of Grosse Pointe Woods, Michigan

## Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2012

### 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
6/30/06	\$ 33,549,000	\$ 36,846,000	\$ 3,297,000	91.1	\$ 5,452,000	60.5
6/30/07	35,801,000	38,744,000	2,943,000	92.4	5,740,000	51.3
6/30/08	37,728,000	36,310,000	(1,418,000)	103.9	5,739,000	(24.7)
6/30/09	37,149,000	40,417,000	3,268,000	91.9	6,214,000	52.6
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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/06	March 15, 2007	\$ 575,540	100
6/30/07	March 7, 2008	1,306,228	100
6/30/08	September 23, 2009	1,016,356	100
6/30/09	February 24, 2010	1,115,843	100
6/30/10	February 27, 2011	754,106	100
6/30/11	February 21, 2012	786,228	100
6/30/12	February 21, 2012	743,380	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2011, 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, 2012

### 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
6/30/05	\$ 619,000	\$ 2,687,000	\$ 2,068,000	23.0	\$ 5,436,000	38.0
6/30/06	718,000	2,728,000	2,010,000	26.3	5,452,000	36.9
6/30/07	788,000	2,733,000	1,945,000	28.8	5,740,000	33.9
6/30/08	869,000	2,836,000	1,967,000	30.6	5,739,000	34.3
6/30/09	905,000	2,882,000	1,977,000	31.4	6,214,000	31.8
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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Actuarial Valuation Date	Annual Required Contribution	Percentage Contributed
6/30/06	March 15, 2007	\$ 236,845	100
6/30/07	March 7, 2008	248,556	100
6/30/08	September 23, 2009	248,038	100
6/30/09	February 24, 2010	246,823	100
6/30/10	February 27, 2011	213,202	100
6/30/11	February 21, 2012	227,345	100
6/30/12	February 21, 2012	238,579	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2011, the latest actuarial valuation, follows:

Actuarial cost method	Entry age, level dollar
Amortization method	Level dollar, closed
Remaining amortization period	12 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, 2012

**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. All annual appropriations lapse at fiscal year end; encumbrances are not included as expenditures. During the year, the budget was amended in a legally permissible manner.

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

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

	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
<u>General Fund</u>			
Amounts per operating statement	\$ 12,215,291	\$ 11,647,014	\$ 568,277
Local Streets Fund budgeted separately from the General Fund	(290,531)	(822,796)	532,265
Cable franchise funds budgeted separately from the General Fund	(6,736)	-	(6,736)
Operating transfers budgeted as revenue and expenditures	<u>230,500</u>	<u>955,075</u>	<u>(724,575)</u>
Amounts per budget statement	<u>\$ 12,148,524</u>	<u>\$ 11,779,293</u>	<u>\$ 369,231</u>
	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
<u>Major Streets Fund</u>			
Amounts per operating statement	\$ 669,343	\$ 849,293	\$ (179,950)
Operating transfers budgeted as revenue and expenditures	<u>377,756</u>	<u>-</u>	<u>377,756</u>
Amounts per budget statement	<u>\$ 1,047,099</u>	<u>\$ 849,293</u>	<u>\$ 197,806</u>
	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
<u>Solid Waste Disposal</u>			
Amounts per operating statement	\$ 1,157,594	\$ 1,151,932	\$ 5,662
Operating transfers budgeted as revenue and expenditures	<u>-</u>	<u>100,000</u>	<u>(100,000)</u>
Amounts per budget statement	<u>\$ 1,157,594</u>	<u>\$ 1,251,932</u>	<u>\$ (94,338)</u>



# **City of Grosse Pointe Woods, Michigan**

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## **Note to Required Supplemental Information (Continued) Year Ended June 30, 2012**

**Excess of Expenditures Over Appropriations in Budgeted Funds** - During the year, the City of Grosse Pointe Woods did not have any significant incurred expenditures that were in excess of the amounts budgeted, except for public works which had an amended budget amount of \$1,579,494 and actual expenditures of \$1,676,503 and transfers out which had an amended budget of \$869,729 and actual transfers of \$955,075.

## **Other Supplemental Information**

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# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Major Debt Service Fund - Grosse-Gratiot Drain Fund Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 2,350,113	\$ 2,762,093	\$ 2,735,824	\$ (26,269)
Interest income	500	500	-	(500)
Transfers	168,687	168,687	-	(168,687)
Total revenue	2,519,300	2,931,280	2,735,824	(195,456)
<b>Expenditures</b>				
Current - Public works	1,050,300	1,381,538	1,341,784	39,754
Debt service	1,229,742	1,229,742	1,229,746	(4)
Transfers out	320,000	320,000	320,000	-
Total expenditures	2,600,042	2,931,280	2,891,530	39,750
<b>Net Change in Fund Balance</b>	(80,742)	-	(155,706)	(155,706)
<b>Fund Balance - Beginning of year</b>	180,120	180,120	180,120	-
<b>Fund Balance - End of year</b>	<b>\$ 99,378</b>	<b>\$ 180,120</b>	<b>\$ 24,414</b>	<b>\$ (155,706)</b>

# City of Grosse Pointe Woods, Michigan

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## Other Supplemental Information Nonmajor Governmental 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 Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service
<b>Assets</b>				
Cash and investments	\$ 246,736	\$ 38,042	\$ 15,652	\$ 114,767
Accounts receivable and other assets	2,304	-	-	-
Due from other funds	4,467	3,220	-	-
Prepaid expenses and other assets	5,813	-	-	1,696
<b>Total assets</b>	<b>\$ 259,320</b>	<b>\$ 41,262</b>	<b>\$ 15,652</b>	<b>\$ 116,463</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,388	\$ -	\$ -	\$ 1,225
Due to other funds	1,439	-	15,500	585
Accrued and other liabilities	74,937	-	-	1,030
Deferred revenue	4	-	-	-
Provision for claims	5,575	-	-	1,393
<b>Total liabilities</b>	<b>85,343</b>	<b>-</b>	<b>15,500</b>	<b>4,233</b>
<b>Fund Balances</b>				
Nonspendable - Prepays	5,813	-	-	1,696
Restricted:				
Public safety	168,164	41,262	-	-
Community development	-	-	152	-
Fireworks	-	-	-	-
Committed - Purchase of fixed asset	-	-	-	-
Assigned:				
Public safety	-	-	-	110,534
Capital projects	-	-	-	-
Parkway beautification	-	-	-	-
<b>Total fund balances</b>	<b>173,977</b>	<b>41,262</b>	<b>152</b>	<b>112,230</b>
<b>Total liabilities and fund balances</b>	<b>\$ 259,320</b>	<b>\$ 41,262</b>	<b>\$ 15,652</b>	<b>\$ 116,463</b>

**Other Supplemental Information  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2012**

Special Revenue Funds		Capital Projects Fund		Total
Drug Enforcement	Parkway Beautification Fund	Municipal Improvement Fund	Nonmajor Governmental Funds	
\$ 1,719	\$ 196,181	\$ 179,232	\$ 792,329	
-	837	-	3,141	
-	666	-	8,353	
-	-	-	7,509	
<b>\$ 1,719</b>	<b>\$ 197,684</b>	<b>\$ 179,232</b>	<b>\$ 811,332</b>	
\$ -	\$ 33,156	\$ 75,972	\$ 113,741	
228	-	206	17,958	
-	-	-	75,967	
-	-	-	4	
-	-	-	6,968	
228	33,156	76,178	214,638	
-	-	-	7,509	
1,491	-	-	210,917	
-	-	-	152	
-	74,256	-	74,256	
-	-	14,850	14,850	
-	-	-	110,534	
-	-	88,204	88,204	
-	90,272	-	90,272	
1,491	164,528	103,054	596,694	
<b>\$ 1,719</b>	<b>\$ 197,684</b>	<b>\$ 179,232</b>	<b>\$ 811,332</b>	

# City of Grosse Pointe Woods, Michigan

	Special Revenue Funds			
	Ambulance Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service
<b>Revenue</b>				
Property taxes	\$ 219,366	\$ -	\$ -	\$ -
Federal financial sources	-	-	7,621	-
State and local sources	-	6,627	-	-
Interest income	2,124	-	-	-
Other revenue	258,403	345	-	134,730
Total revenue	479,893	6,972	7,621	134,730
<b>Expenditures - Current</b>				
General government	121,820	-	15,500	29,743
Public safety	367,281	-	-	54,209
Municipal improvements	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	489,101	-	15,500	83,952
<b>Excess of Revenue (Under) Over Expenditures</b>	(9,208)	6,972	(7,879)	50,778
<b>Other Financing Sources - Transfers in</b>	64,673	-	-	55,105
<b>Net Change in Fund Balances</b>	55,465	6,972	(7,879)	105,883
<b>Fund Balances - Beginning of year</b>	118,512	34,290	8,031	6,347
<b>Fund Balances - End of year</b>	<b>\$ 173,977</b>	<b>\$ 41,262</b>	<b>\$ 152</b>	<b>\$ 112,230</b>

**Other Supplemental Information**  
**Combining Statement of Revenue, Expenditures, and Changes in**  
**Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2012**

<u>Special Revenue Funds</u>		<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Drug Enforcement</u>	<u>Parkway Beautification Fund</u>	<u>Municipal Improvement Fund</u>	
\$ -	\$ -	\$ -	\$ 219,366
-	-	-	7,621
-	-	-	6,627
-	1,016	-	3,140
<u>3,339</u>	<u>74,526</u>	<u>26,734</u>	<u>498,077</u>
3,339	75,542	26,734	734,831
-	-	-	167,063
2,129	-	-	423,619
-	-	191,180	191,180
<u>-</u>	<u>65,396</u>	<u>-</u>	<u>65,396</u>
2,129	65,396	191,180	847,258
1,210	10,146	(164,446)	(112,427)
<u>-</u>	<u>-</u>	<u>85,346</u>	<u>205,124</u>
1,210	10,146	(79,100)	92,697
<u>281</u>	<u>154,382</u>	<u>182,154</u>	<u>503,997</u>
<u><b>\$ 1,491</b></u>	<u><b>\$ 164,528</b></u>	<u><b>\$ 103,054</b></u>	<u><b>\$ 596,694</b></u>



# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Ambulance Fund Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Property taxes	\$ 221,165	\$ 221,165	\$ 219,366	\$ (1,799)
Interest income	4,500	4,500	2,124	(2,376)
Other revenue	200,000	200,000	258,403	58,403
Transfers in	79,553	79,553	64,673	(14,880)
Total revenue	<u>505,218</u>	<u>505,218</u>	<u>544,566</u>	<u>39,348</u>
<b>Expenditures - Current</b>				
General government	140,385	140,385	121,820	18,565
Public safety	364,833	364,833	367,281	(2,448)
Total expenditures	<u>505,218</u>	<u>505,218</u>	<u>489,101</u>	<u>16,117</u>
<b>Net Change in Fund Balance</b>	-	-	55,465	55,465
<b>Fund Balance - Beginning of year</b>	<u>118,512</u>	<u>118,512</u>	<u>118,512</u>	-
<b>Fund Balance - End of year</b>	<u><u>\$ 118,512</u></u>	<u><u>\$ 118,512</u></u>	<u><u>\$ 173,977</u></u>	<u><u>\$ 55,465</u></u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Act 302 Training Fund Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 7,500	\$ 7,500	\$ 6,627	\$ (873)
Other revenue	500	500	345	(155)
Total revenue	8,000	8,000	6,972	(1,028)
<b>Expenditures - Current -</b>				
Public safety	8,000	8,000	-	8,000
<b>Net Change in Fund Balance</b>	-	-	6,972	6,972
<b>Fund Balance - Beginning of year</b>	34,290	34,290	34,290	-
<b>Fund Balance - End of year</b>	<u>\$ 34,290</u>	<u>\$ 34,290</u>	<u>\$ 41,262</u>	<u>\$ 6,972</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Grants Fund Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Federal grants	\$ 20,500	\$ 20,500	\$ 7,621	\$ (12,879)
<b>Expenditures</b> - Current - General government - Contractual services	20,500	20,500	15,500	5,000
<b>Net Change in Fund Balance</b>	-	-	(7,879)	(7,879)
<b>Fund Balance</b> - Beginning of year	8,031	8,031	8,031	-
<b>Fund Balance</b> - End of year	<u>\$ 8,031</u>	<u>\$ 8,031</u>	<u>\$ 152</u>	<u>\$ (7,879)</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - 911 Emergency Service Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Other revenue	\$ 37,500	\$ 37,500	\$ 134,730	\$ 97,230
Transfers in	55,105	55,105	55,105	-
Total revenue	92,605	92,605	189,835	97,230
<b>Expenditures - Current</b>				
General government	31,674	31,674	29,743	1,931
Public safety	60,931	60,931	54,209	6,722
Total expenditures	92,605	92,605	83,952	8,653
<b>Net Change in Fund Balance</b>	-	-	105,883	105,883
<b>Fund Balance - Beginning of year</b>	6,347	6,347	6,347	-
<b>Fund Balance - End of year</b>	<u>\$ 6,347</u>	<u>\$ 6,347</u>	<u>\$ 112,230</u>	<u>\$ 105,883</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Drug Enforcement Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue - Other revenue</b>	\$ 1,500	\$ 1,500	\$ 3,339	\$ 1,839
<b>Expenditures - Current - Public safety</b>	1,500	1,500	2,129	(629)
<b>Net Change in Fund Balance</b>	-	-	1,210	1,210
<b>Fund Balance - Beginning of year</b>	281	281	281	-
<b>Fund Balance - End of year</b>	<u>\$ 281</u>	<u>\$ 281</u>	<u>\$ 1,491</u>	<u>\$ 1,210</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Parkway Beautification Fund Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Interest income	\$ 3,550	\$ 3,550	\$ 1,016	\$ (2,534)
Other revenue	67,375	67,375	74,526	7,151
Total revenue	70,925	70,925	75,542	4,617
<b>Expenditures</b> - Current - Parks and recreation - Community center	61,925	70,925	65,396	5,529
<b>Net Change in Fund Balance</b>	9,000	-	10,146	10,146
<b>Fund Balance</b> - Beginning of year	154,382	154,382	154,382	-
<b>Fund Balance</b> - End of year	<u>\$ 163,382</u>	<u>\$ 154,382</u>	<u>\$ 164,528</u>	<u>\$ 10,146</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Municipal Improvement Fund Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
Other revenue	\$ 20,500	\$ 20,500	\$ 26,734	\$ 6,234
Transfers in	163,566	163,566	85,346	(78,220)
Total revenue	184,066	184,066	112,080	(71,986)
<b>Expenditures - Current - Municipal improvements</b>	117,525	203,412	191,180	12,232
<b>Net Change in Fund Balance</b>	66,541	(19,346)	(79,100)	(59,754)
<b>Fund Balance - Beginning of year</b>	182,154	182,154	182,154	-
<b>Fund Balance - End of year</b>	<u>\$ 248,695</u>	<u>\$ 162,808</u>	<u>\$ 103,054</u>	<u>\$ (59,754)</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Nonmajor Governmental Fund - Local Streets Fund Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b>				
State-shared revenue and grants	\$ 240,000	\$ 240,000	\$ 255,891	\$ 15,891
Interest income	100	100	-	(100)
Transfers	610,749	610,749	550,749	(60,000)
Other revenue - Other miscellaneous income	36,000	36,000	34,640	(1,360)
Total revenue	<u>886,849</u>	<u>886,849</u>	<u>841,280</u>	<u>(45,569)</u>
<b>Expenditures - Current</b>				
Public works:				
Routine maintenance	308,641	308,641	274,333	34,308
Forestry services	71,476	71,476	54,582	16,894
Traffic services	17,000	17,000	6,086	10,914
Winter maintenance	36,000	36,000	27,169	8,831
Administration	186,736	186,736	173,100	13,636
Fringe benefits	246,996	246,996	269,918	(22,922)
Municipal improvements	20,000	20,000	17,610	2,390
Total expenditures	<u>886,849</u>	<u>886,849</u>	<u>822,798</u>	<u>64,051</u>
<b>Net Change in Fund Balance</b>	-	-	18,482	18,482
<b>Fund Balance - Beginning of year</b>	<u>125,327</u>	<u>125,327</u>	<u>125,327</u>	-
<b>Fund Balance - End of year</b>	<u>\$ 125,327</u>	<u>\$ 125,327</u>	<u>\$ 143,809</u>	<u>\$ 18,482</u>

Note - The City implemented GASB No. 54 in the prior year. As a result, 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 Fees Funds Budgetary Comparison Schedule Year Ended June 30, 2012

	Original Budget (Unaudited)	Amended Budget (Unaudited)	Actual	Variance with Amended Budget
<b>Revenue</b> - Interest income	\$ -	\$ -	\$ 6,736	\$ 6,736
<b>Fund Balance</b> - Beginning of year	<u>576,778</u>	<u>576,778</u>	<u>576,778</u>	<u>-</u>
<b>Fund Balance</b> - End of year	<u><b>\$ 576,778</b></u>	<u><b>\$ 576,778</b></u>	<u><b>\$ 583,514</b></u>	<u><b>\$ 6,736</b></u>

Note - The City implemented GASB No. 54 in the prior year. As a result, the Cable Franchise Fees Fund is now merged with the General Fund for reporting purposes but is budgeted as a separate fund.

# **City of Grosse Pointe Woods, Michigan**

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## **Other Supplemental Information Nonmajor Governmental 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 Assets Nonmajor Enterprise Funds June 30, 2012

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 381,118	\$ 368,034	\$ 111,377	\$ 860,529
Prepaid expenses and other assets	2,176	-	-	2,176
Total current assets	383,294	368,034	111,377	862,705
Noncurrent assets - Depreciable capital assets - Capital assets				
	171,440	46,721	-	218,161
Total assets	554,734	414,755	111,377	1,080,866
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	12,071	2,682	-	14,753
Due to other funds	164	10,000	-	10,164
Accrued and other liabilities	20,142	657	-	20,799
Total current liabilities	32,377	13,339	-	45,716
Noncurrent liabilities - Other postemployment benefit obligation				
	234,507	-	-	234,507
Total liabilities	266,884	13,339	-	280,223
<b>Net Assets</b>				
Invested in capital assets - Net of related debt	171,440	46,721	-	218,161
Unrestricted	116,410	354,695	111,377	582,482
Total net assets	<u>\$ 287,850</u>	<u>\$ 401,416</u>	<u>\$ 111,377</u>	<u>\$ 800,643</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Nonmajor Enterprise Funds Year Ended June 30, 2012

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
<b>Operating Revenue</b>				
Fees and violations	\$ 193,812	\$ -	\$ -	\$ 193,812
Dockings and launching fees	-	130,778	-	130,778
Commodity sales	-	-	40,918	40,918
Total operating revenue	193,812	130,778	40,918	365,508
<b>Operating Expenses</b>				
Operation and maintenance	96,451	60,482	26,018	182,951
General and administrative	118,948	-	-	118,948
Charges from internal service funds	6,400	6,000	-	12,400
Depreciation	15,351	7,690	-	23,041
Total operating expenses	237,150	74,172	26,018	337,340
<b>Operating (Loss) Income</b>	(43,338)	56,606	14,900	28,168
<b>Nonoperating Income</b> - Interest income	242	484	291	1,017
<b>(Loss) Income</b> - Before contributions	(43,096)	57,090	15,191	29,185
<b>Transfers In</b>	21,446	-	-	21,446
<b>Change in Net Assets</b>	(21,650)	57,090	15,191	50,631
<b>Net Assets</b> - Beginning of year	309,500	344,326	96,186	750,012
<b>Net Assets</b> - End of year	<u>\$ 287,850</u>	<u>\$ 401,416</u>	<u>\$ 111,377</u>	<u>\$ 800,643</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2012

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
<b>Cash Flows from Operating Activities</b>				
Receipts from customers	\$ 193,812	\$ 130,943	\$ 40,918	\$ 365,673
Payments to suppliers	(103,505)	(65,044)	(26,018)	(194,567)
Payments to employees	(63,309)	(165)	-	(63,474)
Internal activity - Payments to other funds	9,664	-	-	9,664
Other receipts	(2,176)	657	-	(1,519)
Net cash provided by operating activities	34,486	66,391	14,900	115,777
<b>Cash Flows from Noncapital Financing Activities - Transfers from other funds</b>				
	21,446	-	-	21,446
<b>Cash Flows from Capital and Related Financing Activities - Purchase of capital assets</b>				
	-	(2,119)	-	(2,119)
<b>Cash Flows from Investing Activities - Interest received on investments</b>				
	242	484	291	1,017
<b>Net Increase in Cash and Cash Equivalents</b>	56,174	64,756	15,191	136,121
<b>Cash and Cash Equivalents - Beginning of year</b>	324,944	303,278	96,186	724,408
<b>Cash and Cash Equivalents - End of year</b>	<u>\$ 381,118</u>	<u>\$ 368,034</u>	<u>\$ 111,377</u>	<u>\$ 860,529</u>
<b>Reconciliation of Operating (Loss) Income to Net Cash from Operating Activities</b>				
Operating (loss) income	\$ (43,338)	\$ 56,606	\$ 14,900	\$ 28,168
Adjustments to reconcile operating (loss) income to net cash from operating activities:				
Depreciation and amortization	15,351	7,690	-	23,041
Changes in assets and liabilities:				
Receivables	(2,176)	657	-	(1,519)
Accounts payable	(24)	1,438	-	1,414
Due to others	9,664	-	-	9,664
Accrued and other liabilities	55,009	-	-	55,009
Net cash provided by operating activities	<u>\$ 34,486</u>	<u>\$ 66,391</u>	<u>\$ 14,900</u>	<u>\$ 115,777</u>

# City of Grosse Pointe Woods, Michigan

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## 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.

**Management Information Systems Fund** - This fund accounts for the maintenance and operation of the City computer and communication network system. Funds are accumulated via transfers from other fund users. This fund was closed out to the General Fund in the current fiscal year.

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Combining Statement of Net Assets Internal Service Funds June 30, 2012

	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	Total
<b>Assets</b>				
Current assets:				
Cash and investments	\$ 1,346,009	\$ 935,203	\$ -	\$ 2,281,212
Accrued interest receivable	17,119	11,529	-	28,648
Due from other funds	-	255	-	255
Prepaid expenses and other assets	2,894	534	-	3,428
Total current assets	1,366,022	947,521	-	2,313,543
Noncurrent assets - Depreciable capital assets	787,772	-	-	787,772
Total assets	2,153,794	947,521	-	3,101,315
<b>Liabilities</b>				
Current liabilities:				
Accounts payable	11,870	-	-	11,870
Due to other funds	380	-	-	380
Accrued and other liabilities	20,849	-	-	20,849
Provision for claims - Less than one year	1,394	-	-	1,394
Total current liabilities	34,493	-	-	34,493
Noncurrent liabilities:				
Provision for claims - Greater than one year	-	138,347	-	138,347
Other postemployment benefit obligation	354,178	-	-	354,178
Total noncurrent liabilities	354,178	138,347	-	492,525
Total liabilities	388,671	138,347	-	527,018
<b>Net Assets</b>				
Invested in capital assets	787,772	-	-	787,772
Unrestricted	977,351	809,174	-	1,786,525
Total net assets	<u>\$ 1,765,123</u>	<u>\$ 809,174</u>	<u>\$ -</u>	<u>\$ 2,574,297</u>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Combining Statement of Revenue, Expenses, and Changes in Net Assets Internal Service Funds Year Ended June 30, 2012

	Motor Vehicle Fund	Workers' Compensation Fund	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<b>Operating Revenue</b>			
Other revenue	\$ 4,000	\$ -	\$ 4,000
Revenue and billings to other funds	911,979	131,522	1,043,501
Total operating revenue	<u>915,979</u>	<u>131,522</u>	<u>1,047,501</u>
<b>Operating Expenses</b>			
Insurance expense	5,467	91,124	96,591
Vehicle operation and maintenance	448,469	6,798	455,267
Administration	161,826	-	161,826
Depreciation	289,453	-	289,453
Total operating expenses	<u>905,215</u>	<u>97,922</u>	<u>1,003,137</u>
<b>Operating Income</b>	10,764	33,600	44,364
<b>Nonoperating Revenue</b>			
Interest income	1,185	11,469	12,654
Gain on disposal of asset	25,290	-	25,290
<b>Change in Net Assets</b>	37,239	45,069	82,308
<b>Net Assets - Beginning of year</b>	<u>1,727,884</u>	<u>764,105</u>	<u>2,491,989</u>
<b>Net Assets - End of year</b>	<u><u>\$ 1,765,123</u></u>	<u><u>\$ 809,174</u></u>	<u><u>\$ 2,574,297</u></u>



# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2012

	Motor Vehicle Fund	Workers' Compensation Fund	Total
<b>Cash Flows from Operating Activities</b>			
Receipts from customers	\$ 915,979	\$ 128,601	\$ 1,044,580
Receipts from interfund services and reimbursements	-	22,745	22,745
Payments to suppliers	(368,639)	(91,109)	(459,748)
Payments to employees	(174,522)	(9,773)	(184,295)
Internal activity - Payments to other funds	380	-	380
Claims paid	-	(549)	(549)
Other receipts	(2,894)	-	(2,894)
Net cash provided by operating activities	370,304	49,915	420,219
<b>Cash Flows from Capital and Related Financing Activities</b>			
Proceeds from sales of capital assets	25,290	-	25,290
Purchase of capital assets	(8,924)	-	(8,924)
Net cash provided by capital and related financing activities	16,366	-	16,366
<b>Cash Flows from Investing Activities -</b>			
Interest received on investments	1,185	11,469	12,654
<b>Net Increase in Cash and Cash Equivalents</b>	387,855	61,384	449,239
<b>Cash and Cash Equivalents - Beginning of year</b>	958,154	873,819	1,831,973
<b>Cash and Cash Equivalents - End of year</b>	<b>\$ 1,346,009</b>	<b>\$ 935,203</b>	<b>\$ 2,281,212</b>
<b>Reconciliation of Operating Income to Net Cash from Operating Activities</b>			
Operating income	\$ 10,764	\$ 33,600	\$ 44,364
Adjustments to reconcile operating income to net cash from operating activities:			
Depreciation and amortization	289,453	-	289,453
Changes in assets and liabilities:			
Receivables	(2,894)	(2,921)	(5,815)
Due from others	-	22,745	22,745
Prepaid and other assets	-	(534)	(534)
Accounts payable	(8,342)	-	(8,342)
Due to others	380	-	380
Accrued and other liabilities	80,943	(2,975)	77,968
Net cash provided by operating activities	<b>\$ 370,304</b>	<b>\$ 49,915</b>	<b>\$ 420,219</b>

# City of Grosse Pointe Woods, Michigan

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## 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 Fiduciary Net Assets Fiduciary Funds June 30, 2012

	Pension and Other Employee Benefit Funds			
	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust	Total
			Fund	
<b>Assets</b>				
Cash and cash equivalents	\$ 1,224,056	\$ 73,050	\$ 61,213	\$ 1,358,319
Investments:				
U.S. government securities	5,135,389	-	-	5,135,389
Stocks	22,456,498	982,372	-	23,438,870
Bonds	353,549	-	-	353,549
Mutual funds	4,839,377	-	-	4,839,377
Receivables:				
Accrued interest receivable	21,085	-	-	21,085
Other receivables	78,032	-	7,423	85,455
Due from primary government	-	11,000	-	11,000
Prepaid expenses and other assets	226,760	20,489	-	247,249
<b>Net Assets Held in Trust for Pension and Other Employee Benefits</b>	<b>\$ 34,334,746</b>	<b>\$ 1,086,911</b>	<b>\$ 68,636</b>	<b>\$ 35,490,293</b>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2012

	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	Total
<b>Additions</b>				
Investment income:				
Interest and dividends	\$ 773,295	\$ -	\$ 1,050	\$ 774,345
Net decrease in fair market value	(682,554)	(53,453)	-	(736,007)
Less investment expenses	(300,919)	-	-	(300,919)
Contributions:				
Employer	757,570	227,345	-	984,915
Employee	293,516	-	64,406	357,922
Net contributions	1,051,086	227,345	64,406	1,342,837
Total additions	840,908	173,892	65,456	1,080,256
<b>Deductions - Pension payments</b>	2,735,684	241,863	-	2,977,547
<b>Net (Decrease) Increase in Net Assets Held in Trust</b>	(1,894,776)	(67,971)	65,456	(1,897,291)
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year</b>	36,229,522	1,154,882	3,180	37,387,584
<b>Net Assets Held in Trust for Pension and Other Employee Benefits - End of year</b>	<b>\$ 34,334,746</b>	<b>\$ 1,086,911</b>	<b>\$ 68,636</b>	<b>\$ 35,490,293</b>

# City of Grosse Pointe Woods, Michigan

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## Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2012

	Wayne County Tax Fund	Cash Bond Escrow Fund	Total
<b>Assets - Cash and investments</b>	<b>\$ 17,853</b>	<b>\$ 8,951</b>	<b>\$ 26,804</b>
<b>Liabilities</b>			
Due to other governmental units	\$ 17,853	\$ -	\$ 17,853
Court bonds payable	-	8,951	8,951
Total liabilities	<b>\$ 17,853</b>	<b>\$ 8,951</b>	<b>\$ 26,804</b>

# City of Grosse Pointe Woods, Michigan

## Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds Year Ended June 30, 2012

	Balance at July 1, 2011	Additions	Reductions	Balance at June 30, 2012
<b><u>Wayne County Tax Fund</u></b>				
<b>Assets</b> - Cash and investments	<u>\$ 17,718</u>	<u>\$ 40,505,928</u>	<u>\$ (40,505,793)</u>	<u>\$ 17,853</u>
<b>Liabilities</b> - Due to other governmental units	<u>\$ 17,718</u>	<u>\$ 40,505,928</u>	<u>\$ (40,505,793)</u>	<u>\$ 17,853</u>
<b><u>Cash Bond Escrow Fund</u></b>				
<b>Assets</b> - Cash and investments	<u>\$ 20,858</u>	<u>\$ 85,808</u>	<u>\$ (97,715)</u>	<u>\$ 8,951</u>
<b>Liabilities</b> - Court bonds payable	<u>\$ 20,858</u>	<u>\$ 85,808</u>	<u>\$ (97,715)</u>	<u>\$ 8,951</u>
<b><u>Total Agency Funds</u></b>				
<b>Assets</b> - Cash and investments	<u>\$ 38,576</u>	<u>\$ 40,591,602</u>	<u>\$ (40,603,508)</u>	<u>\$ 26,670</u>
<b>Liabilities</b>				
Due to other governmental units	\$ 17,718	\$ 40,505,794	\$ (40,505,793)	\$ 17,719
Court bonds payable	<u>20,858</u>	<u>85,808</u>	<u>(97,715)</u>	<u>8,951</u>
Total liabilities	<u>\$ 38,576</u>	<u>\$ 40,591,602</u>	<u>\$ (40,603,508)</u>	<u>\$ 26,670</u>

## **Statistical Section**

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# 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 Assets by Component	93
Changes in Governmental, Business-type Activities, and Primary Government Net Assets	94-95
Fund Balances of Governmental Funds	96-97*
Changes in Fund Balances of Governmental Funds	98-99

#### **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	100
Property Tax Levies and Collections	101*
Assessed Value and Actual Value of Taxable Property	102*
Direct and Overlapping Property Tax Rates	103-104*
Principal Property Taxpayers (Major Taxpayers)	105*

#### **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	106-107
Pledged-revenue Coverage	108
Ratios of General Bonded Debt Outstanding	109*
Direct and Overlapping Debt	110
Legal Debt Margin	111-112

#### **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	113
Principal Employers	114*



# 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	115
Operating Indicators by Function	116-117
Capital Asset Statistics by Function	118

### Continuing Disclosure

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

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

State-shared Revenue	119
Gas and Weight Taxes	120
Local Agreements	121
Water and Sewer Customers and Consumption	122
Historical Net Earnings, Cash Flow, and Debt Service Coverage	123
Water Usage and Revenue of the Ten Largest Customers	124
Metered Water Rates	125

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

# City of Grosse Pointe Woods, Michigan

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Governmental Activities</b>										
Invested in capital assets - Net of related debt	\$ 7,301,103	\$ 6,921,840	\$ 12,611,930	\$ 16,543,166	\$ 19,660,463	\$ 24,238,535	\$ 25,835,044	\$ 26,744,399	\$ 26,918,168	\$ 26,908,007
Restricted	4,267,678	6,541,005	6,368,884	4,540,093	1,935,523	2,018,840	782,422	727,050	772,268	923,644
Unrestricted	7,078,409	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)
Total net assets	<u>\$ 18,647,190</u>	<u>\$ 21,312,824</u>	<u>\$ 23,061,336</u>	<u>\$ 25,887,600</u>	<u>\$ 27,493,039</u>	<u>\$ 30,806,672</u>	<u>\$ 28,214,252</u>	<u>\$ 27,535,532</u>	<u>\$ 25,095,346</u>	<u>\$ 23,223,649</u>
<b>Business-type Activities</b>										
Invested in capital assets - Net of related debt	\$ 11,807,253	\$ 14,781,305	\$ 16,548,499	\$ 17,634,292	\$ 17,640,281	\$ 18,626,103	\$ 18,921,503	\$ 18,573,221	\$ 18,345,231	\$ 18,585,076
Restricted	-	-	-	-	453,789	453,789	453,789	453,789	425,500	397,500
Unrestricted	6,871,807	3,520,495	2,298,649	1,434,870	1,524,686	1,484,347	1,191,484	1,802,604	2,461,914	3,213,270
Total net assets	<u>\$ 18,679,060</u>	<u>\$ 18,301,800</u>	<u>\$ 18,847,148</u>	<u>\$ 19,069,162</u>	<u>\$ 19,618,756</u>	<u>\$ 20,564,239</u>	<u>\$ 20,566,776</u>	<u>\$ 20,829,614</u>	<u>\$ 21,232,645</u>	<u>\$ 22,195,846</u>
<b>Primary Government in Total</b>										
Invested in capital assets - Net of related debt	\$ 19,108,356	\$ 21,703,145	\$ 29,160,429	\$ 34,177,458	\$ 37,300,744	\$ 42,864,638	\$ 44,756,547	\$ 45,317,620	\$ 45,263,399	\$ 45,493,083
Restricted	4,267,678	6,541,005	6,368,884	4,540,093	2,389,312	2,472,629	1,236,211	1,180,839	1,197,768	1,321,144
Unrestricted	13,950,216	11,370,474	6,379,171	6,239,211	7,421,739	6,033,644	2,788,270	1,866,687	(133,176)	(1,394,732)
Total net assets	<u>\$ 37,326,250</u>	<u>\$ 39,614,624</u>	<u>\$ 41,908,484</u>	<u>\$ 44,956,762</u>	<u>\$ 47,111,795</u>	<u>\$ 51,370,911</u>	<u>\$ 48,781,028</u>	<u>\$ 48,365,146</u>	<u>\$ 46,327,991</u>	<u>\$ 45,419,495</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 Assets Last Ten Fiscal Years (Accrual Basis of Accounting) (Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Expenses</b>										
Governmental activities:										
General government	\$ 2,447,109	\$ 2,462,927	\$ 3,517,801	\$ 2,252,445	\$ 2,330,401	\$ 2,924,641	\$ 4,609,178	\$ 3,042,077	\$ 3,422,593	\$ 3,092,282
Public safety	4,430,143	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
Public works	3,584,922	3,925,956	3,401,183	4,777,246	4,346,770	4,128,878	5,027,700	5,215,575	5,655,876	6,016,940
Solid waste	1,210,320	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
Municipal improvement	159,066	72,408	44,676	30,127	196,696	270,819	386,989	59,724	130,849	191,180
Recreation and culture	1,523,565	1,610,864	1,872,760	2,014,389	2,386,985	2,040,528	2,370,954	2,181,206	1,967,708	1,717,327
Interest on long-term debt	450,019	396,661	283,417	271,234	207,182	238,813	153,736	113,653	72,814	40,214
Total governmental activities expenses	<u>13,805,144</u>	<u>14,629,093</u>	<u>16,026,075</u>	<u>16,125,106</u>	<u>17,365,693</u>	<u>17,067,384</u>	<u>21,440,260</u>	<u>19,826,924</u>	<u>20,250,387</u>	<u>19,332,892</u>
Business-type activities:										
Water/Sewer	4,631,539	5,137,969	4,660,181	4,848,148	5,096,980	5,230,033	5,239,746	4,853,312	5,044,337	5,059,715
Parking	325,131	377,288	375,660	331,892	325,058	293,746	316,991	241,562	198,866	237,150
Boat dock	158,596	199,823	235,846	277,276	144,289	146,403	121,541	85,257	73,870	74,172
Commodity sales	60,405	88,412	84,762	186,296	52,789	46,518	45,185	68,571	30,689	26,018
Total business-type activities expenses	<u>5,175,671</u>	<u>5,803,492</u>	<u>5,356,449</u>	<u>5,643,612</u>	<u>5,619,116</u>	<u>5,716,700</u>	<u>5,723,463</u>	<u>5,248,702</u>	<u>5,347,762</u>	<u>5,397,055</u>
Total primary government expenses	<u>18,980,815</u>	<u>20,432,585</u>	<u>21,382,524</u>	<u>21,768,718</u>	<u>22,984,809</u>	<u>22,784,084</u>	<u>27,163,723</u>	<u>25,075,626</u>	<u>25,598,149</u>	<u>24,729,947</u>
<b>Program Revenue</b>										
Governmental activities:										
Charges for services:										
Municipal court	866,321	595,207	717,903	876,197	768,596	805,958	831,454	894,768	774,390	909,241
Building inspections and related	397,506	227,939	154,376	276,150	-	-	-	-	-	-
Recreation and culture	149,528	148,756	135,335	150,630	158,763	-	-	69,507	102,037	120,304
Other activities	552,563	1,499,491	1,743,905	1,326,003	509,323	872,235	675,914	826,085	435,796	541,545
Operating grants and contributions	188,188	77,979	81,447	41,464	1,011,171	943,139	908,512	873,343	886,569	907,211
Total governmental activities program revenue	<u>2,154,106</u>	<u>2,549,372</u>	<u>2,832,966</u>	<u>2,670,444</u>	<u>2,447,853</u>	<u>2,621,332</u>	<u>2,415,880</u>	<u>2,663,703</u>	<u>2,198,792</u>	<u>2,478,301</u>
Business-type Activities										
Charges for services:										
Water/Sewer	4,112,139	4,007,523	4,523,148	4,558,523	4,696,657	4,594,730	4,878,913	4,856,083	5,405,036	5,976,950
Parking	308,694	325,378	348,865	336,895	266,067	293,453	242,765	221,657	201,166	193,812
Boat dock	178,457	178,704	169,621	173,153	164,601	162,468	146,872	141,338	132,715	130,778
Commodity sales	92,977	91,572	81,683	-	-	-	48,410	45,560	40,225	40,918
Capital grants and contributions	-	-	-	-	125,373	731,943	146,962	-	-	-
Total business-type program revenue	<u>4,692,267</u>	<u>4,603,177</u>	<u>5,123,317</u>	<u>5,068,571</u>	<u>5,252,698</u>	<u>5,782,594</u>	<u>5,463,922</u>	<u>5,264,638</u>	<u>5,779,142</u>	<u>6,342,458</u>
Total primary government program revenue	<u>6,846,373</u>	<u>7,152,549</u>	<u>7,956,283</u>	<u>7,739,015</u>	<u>7,700,551</u>	<u>8,403,926</u>	<u>7,879,802</u>	<u>7,928,341</u>	<u>7,977,934</u>	<u>8,820,759</u>
<b>Net (Expense) Revenue</b>										
Governmental activities	(1,210,320)	(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)
Business-type activities	(483,404)	(1,200,315)	(233,132)	(575,041)	(366,418)	65,894	(259,541)	15,936	431,380	945,403
Total primary government net expense	<u>\$ (1,693,724)</u>	<u>\$ (13,280,036)</u>	<u>\$ (13,426,241)</u>	<u>\$ (14,029,703)</u>	<u>\$ (15,284,258)</u>	<u>\$ (14,380,158)</u>	<u>\$ (19,283,921)</u>	<u>\$ (17,147,285)</u>	<u>\$ (17,620,215)</u>	<u>\$ (15,909,188)</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 Assets Last Ten Fiscal Years (Continued) (Accrual Basis of Accounting) (Unaudited)

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>General Revenue</b>										
Governmental activities:										
Property taxes	\$ 11,963,222	\$ 12,285,813	\$ 12,742,873	\$ 14,083,603	\$ 15,181,945	\$ 15,551,944	\$ 14,468,721	\$ 15,002,660	\$ 13,536,960	\$ 12,817,647
State-shared revenue	2,734,619	2,607,456	2,594,918	2,608,124	1,682,742	1,667,431	1,645,722	1,391,898	1,420,431	1,482,102
Investment earnings	712,300	438,694	219,518	246,448	238,139	733,693	153,512	44,655	63,272	63,694
Donations	-	91,413	139,312	97,251	-	-	-	-	-	-
Franchise fees	-	-	-	-	230,453	238,054	271,953	295,688	320,426	262,837
Other	-	-	-	-	-	-	-	-	234,820	368,060
Transfers	(750,000)	(754,000)	(754,000)	(754,500)	(810,000)	(802,000)	(218,060)	(250,400)	35,500	(11,446)
Total governmental activities	14,660,141	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
Business-type activities:										
Unrestricted investment earnings	45,380	69,055	24,480	42,555	106,012	79,589	21,534	11,960	7,151	6,352
Transfers	750,000	754,000	754,000	754,500	810,000	802,000	218,060	250,400	(35,500)	11,446
Total business-type activities	795,380	823,055	778,480	797,055	916,012	881,589	239,594	262,360	(28,349)	17,798
Total primary government	15,455,521	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
<b>Change in Net Assets</b>										
Governmental activities	13,449,821	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)
Business-type activities	311,976	(377,260)	545,348	222,014	549,594	947,483	(19,947)	278,296	403,031	963,201
Total primary government	<b>\$ 13,761,797</b>	<b>\$ 2,212,395</b>	<b>\$ 2,294,860</b>	<b>\$ 3,048,278</b>	<b>\$ 2,155,033</b>	<b>\$ 3,890,553</b>	<b>\$ (2,722,479)</b>	<b>\$ (400,424)</b>	<b>\$ (2,037,155)</b>	<b>\$ (908,496)</b>

Source: City annual financial statements

# City of Grosse Pointe Woods, Michigan

	Fiscal Year				
	2003	2004	2005	2006	2007
<b>General Fund</b>					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	500,000
Undesignated	4,803,828	4,887,262	4,889,093	4,674,366	2,862,514
Total General Fund	4,803,828	4,887,262	4,889,093	4,674,366	3,362,514
<b>All Other Governmental Funds</b>					
Designated:					
Special revenue funds	-	-	-	-	317,247
Capital project funds	-	-	-	-	35,000
Nonspendable					
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Committed					
Reserved	4,267,678	5,884,353	4,113,798	4,040,089	-
Unreserved, reported in:					
Special revenue funds	1,601,160	2,842,700	1,317,011	674,931	3,395,765
Capital project funds	239,997	229,333	138,075	-	50,033
Debt service funds	4,207	-	-	-	970,061
Total General Fund and all other governmental funds	<u>\$ 10,916,870</u>	<u>\$ 13,843,648</u>	<u>\$ 10,457,977</u>	<u>\$ 9,389,386</u>	<u>\$ 8,130,620</u>

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				
2008	2009	2010	2011*	2012*		
\$ -	\$ 37,750	\$ 99,767	\$ 6,111	\$ 94,412		
-	-	-	125,329	143,811		
-	-	-	949,395	1,198,046		
-	-	-	3,896,333	3,763,652		
673,600	-	-	-	-		
<u>2,367,734</u>	<u>2,311,090</u>	<u>3,205,975</u>	<u>-</u>	<u>-</u>		
3,041,334	2,348,840	3,305,742	4,977,168	5,199,921		
77,609	247,647	320,417	-	-		
19,060	63,850	-	-	-		
-	-	-	765,921	905,950		
-	-	-	447,234	313,424		
-	-	-	-	14,850		
2,390,161	1,223,726	1,124,603	-	-		
210,272	167,083	116,162	-	-		
<u>1,176,240</u>	<u>1,180,314</u>	<u>763,214</u>	<u>-</u>	<u>-</u>		
<b><u>\$6,914,676</u></b>	<b><u>\$5,231,460</u></b>	<b><u>\$5,630,138</u></b>	<b><u>\$6,190,323</u></b>	<b><u>\$6,453,535</u></b>		

# City of Grosse Pointe Woods, Michigan

	Fiscal Year			
	2003	2004	2005	2006
<b>Revenue</b>				
Property taxes	\$ 11,963,222	\$ 12,285,813	\$ 12,742,873	\$ 14,083,603
State and local sources	2,734,619	2,607,456	2,594,914	2,608,124
Intergovernmental taxes	-	-	-	-
Delinquent interest and collection fee income	262,194	276,548	306,283	325,632
Federal financial assistance	96,953	32,000	81,447	41,464
Other revenue	2,416,024	2,593,351	2,445,239	2,303,348
Investment income	-	162,146	219,518	246,448
Donations	91,235	91,413	139,312	97,251
<b>Total revenue</b>	<b>17,564,247</b>	<b>18,048,727</b>	<b>18,529,586</b>	<b>19,705,870</b>
<b>Expenditures</b>				
Current:				
General government	2,016,549	2,187,028	2,253,072	2,342,482
Public safety	4,605,798	4,661,117	4,988,001	5,408,713
Public works	834,981	822,600	816,472	875,237
Recreation and culture	1,523,565	1,610,864	1,635,410	1,750,909
Miscellaneous	5,993,123	5,284,069	7,307,338	7,526,139
Municipal Improvement	250,473	263,374	283,238	393,476
Debt administration:				
Principal	1,700,366	1,713,897	3,867,764	1,406,272
Interest	-	-	-	271,234
<b>Total expenditures</b>	<b>16,924,855</b>	<b>16,542,949</b>	<b>21,151,295</b>	<b>19,974,462</b>
<b>Excess of Revenue Over (Under) Expenditures</b>	<b>639,392</b>	<b>1,505,778</b>	<b>(2,621,709)</b>	<b>(268,592)</b>
<b>Other Financing Sources (Uses)</b>				
Debt issuance	-	2,175,000	-	-
Transfers in	3,186,303	3,334,690	3,461,977	4,102,869
Transfers out	(3,936,303)	(4,088,690)	(4,225,940)	(4,902,869)
<b>Total other financing (uses) sources</b>	<b>(750,000)</b>	<b>1,421,000</b>	<b>(763,963)</b>	<b>(800,000)</b>
<b>Net Change in Fund Balances</b>	<b>(110,608)</b>	<b>2,926,778</b>	<b>(3,385,672)</b>	<b>(1,068,592)</b>
<b>Fund Balances - Beginning of year (as restated)</b>	<b>11,027,478</b>	<b>10,916,870</b>	<b>13,843,648</b>	<b>10,457,976</b>
<b>Fund Balances - End of year</b>	<b>\$10,916,870</b>	<b>\$13,843,648</b>	<b>\$10,457,976</b>	<b>\$ 9,389,384</b>
Debt service as a percentage of noncapital expenditures	10.20%	10.53%	18.53%	8.57%

\* 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				
2007	2008	2009	2010	2011	2012	
\$ 14,727,101	\$ 15,082,641	\$ 14,093,330	\$ 14,471,027	\$ 13,525,921	\$ 12,816,628	
2,565,900	2,481,832	2,382,912	2,197,887	2,209,151	2,220,847	
-	-	-	-	-	-	
350,413	395,910	293,797	511,840	-	-	
20,564	-	31,646	11,090	8,083	7,621	
1,929,902	2,193,987	1,986,433	2,153,729	1,968,095	2,363,851	
238,678	731,478	143,074	43,829	54,524	54,762	
-	-	-	-	-	-	
<u>19,832,558</u>	<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>	
3,013,153	3,749,368	3,764,577	2,580,898	2,728,228	2,726,596	
5,042,765	4,717,501	4,866,702	5,640,372	6,067,173	5,723,312	
906,530	964,247	887,819	950,521	5,618,581	5,824,444	
2,936,496	1,686,488	1,784,052	1,682,472	1,581,537	1,353,885	
7,800,076	7,197,683	5,467,476	5,529,332	-	-	
196,696	270,819	1,526,933	677,778	247,983	209,044	
1,458,497	2,823,747	1,552,022	1,539,247	1,152,522	1,185,797	
252,109	260,502	157,014	117,379	72,597	43,949	
<u>21,606,322</u>	<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>	
(1,773,764)	(784,507)	(1,075,403)	671,403	297,153	396,682	
1,325,000	-	-	-	-	500	
5,091,500	3,170,034	2,325,500	1,753,164	1,525,287	1,012,880	
(5,901,500)	(3,972,034)	(3,031,190)	(2,038,124)	(1,384,779)	(1,024,326)	
<u>515,000</u>	<u>(802,000)</u>	<u>(705,690)</u>	<u>(284,960)</u>	<u>140,508</u>	<u>(10,946)</u>	
(1,258,764)	(1,586,507)	(1,781,093)	386,443	437,661	385,736	
<u>9,389,384</u>	<u>8,501,183</u> *	<u>7,024,788</u> *	<u>5,243,695</u>	<u>5,630,138</u>	<u>6,067,799</u>	
<b><u>\$ 8,130,620</u></b>	<b><u>\$ 6,914,676</u></b>	<b><u>\$ 5,243,695</u></b>	<b><u>\$ 5,630,138</u></b>	<b><u>\$ 6,067,799</u></b>	<b><u>\$ 6,453,535</u></b>	
9.52%	16.11%	9.08%	9.19%	7.16%	8.56%	



# 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
2003	\$ 11,963,222	\$ 2,734,619	\$ 262,194	\$ 96,953	\$ 2,416,024	\$ 91,235	\$ 17,564,247
2004	12,285,813	2,607,456	276,548	32,000	2,593,351	253,559	18,048,727
2005	12,742,873	2,594,914	306,283	81,447	2,445,239	358,830	18,529,586
2006	14,083,603	2,608,124	325,632	41,464	2,303,348	343,699	19,705,870
2007	14,727,101	2,565,900	350,413	20,564	1,929,902	238,678	19,832,558
2008	15,082,641	2,481,832	395,910	-	2,193,987	731,478	20,885,848
2009	14,093,330	2,382,912	293,797	31,646	1,986,433	143,074	18,931,192
2010	14,471,027	2,197,887	511,840	11,090	2,153,729	43,829	19,389,402
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

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
2003	\$ 11,964,385	\$ 11,698,095	97.77	\$ 218,692	\$ 11,916,787	99.60
2004	12,379,468	12,124,901	97.94	266,290	12,391,191	100.09
2005	12,740,052	12,423,359	97.51	274,573	12,697,932	99.67
2006	14,033,157	13,660,396	97.34	323,441	13,983,837	99.65
2007	14,443,049	13,923,377	96.40	316,822	14,240,199	98.60
2008	14,931,695	14,474,262	96.94	446,046	14,920,308	99.92
2009	14,249,802	13,789,085	96.77	460,717	14,249,802	100.00
2010	14,465,586	13,993,400	96.74	472,187	14,465,587	100.00
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

(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
2003	\$ 900,917,728	\$ 58,588,300	\$ 104,000	\$ 15,204,870	\$ 974,814,898	16.0301	\$ 1,949,629,796	50.00%
2004	926,166,500	59,918,650	105,300	17,757,800	1,003,948,250	15.8159	2,007,896,500	50.00%
2005	943,491,400	65,834,100	110,100	19,677,000	1,029,112,600	17.2597	2,058,225,200	50.00%
2006	937,491,730	70,116,000	114,500	15,270,200	1,022,992,430	17.2368	2,045,984,860	50.00%
2007	935,577,570	74,871,700	118,200	16,723,700	1,027,291,170	17.2368	2,054,582,340	50.00%
2008	832,163,456	79,091,000	121,400	14,187,800	925,563,656	16.7917	1,851,127,312	50.00%
2009	703,687,882	63,418,163	99,310	13,775,117	780,980,472	18.5417	1,561,960,944	50.00%
2010	622,799,835	61,345,908	99,012	15,022,091	699,266,846	18.5417	1,398,533,692	50.00%
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%

(1) Under Michigan law, the revenue base is referred to as "taxable value." This amount represents assessed value (50 percent of true cash value), limited for each property by the lower of 5 percent 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		Total Direct Taxes	County	H.C.M.A.
					Milk River Drain				
2003	9.2306	0.4551	0.6559	2.1485	3.5400		16.0301	8.4200	0.2161
2004	9.3983	0.4526	0.6710	1.9280	3.3660		15.8159	8.4200	0.2154
2005	10.2108	0.3690	0.5656	1.8443	4.2700		17.2597	8.4200	0.2146
2006	10.1847	0.3578	0.5665	1.8807	4.2471		17.2368	8.4120	0.2146
2007	10.1847	0.3578	0.5665	1.8807	4.2471		17.2958	8.4120	0.2146
2008	10.1847	0.3578	0.5665	1.8807	3.9986		17.0473	8.5120	0.2146
2009	11.2957	0.3578	0.5665	1.8807	2.6320		16.7917	8.5120	0.2146
2010	12.5012	0.3578	0.5665	1.8807	3.8050		19.1702	8.5120	0.2146
2011	13.0012	0.3578	-	1.8807	4.4685		19.7082	8.5120	0.2146
2012 (3)	13.5432	0.3578	-	2.0251	4.5281		20.4542	8.5120	0.2146

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

(2) Previously termed homestead and nonhomestead

(3) 2012 Wayne County millage estimate at 2011 numbers, since no new information available on October 1, 2012 - 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
2.4862	1.5829	3.4643	13.0431	23.3187	45.2427	55.5183
2.4844	1.5000	3.4643	14.8384	25.1152	46.7384	57.0152
2.4769	1.5000	3.4643	14.5498	26.2851	47.8853	59.6206
2.4769	1.5413	3.4643	14.5498	26.2851	47.8957	59.6310
2.4769	1.5412	3.4643	14.5498	26.2851	47.9546	59.6899
2.4769	1.5412	3.4643	14.0165	26.2499	47.2728	59.5062
2.4769	1.5412	3.4643	14.2900	26.3496	47.2907	59.3503
2.4769	1.5412	3.4643	14.2900	26.3496	49.6692	61.7288
2.2408	1.5412	3.4643	15.5790	26.6750	51.2601	62.3561
2.2408	1.5412	3.4643	16.0882	26.7587	52.5153	63.1858

# City of Grosse Pointe Woods, Michigan

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

Taxpayer	Type of Business	2012 Taxable Value	Percentage of Total City Value	2002 Taxable Value	Percentage of Total	2002 Rank (1)
1 Sunrise of Grosse Pointe Woods	Assisted Living	\$ 7,142,400	0.24	\$ -	-	N/A
2 Pointe Plaza	Office Bldg	4,546,010	0.15	3,726,910	0.1744	3
3 Lochmoor Club	Private Club	3,896,075	0.13	4,219,410	0.1975	2
4 Detroit Edison	Utility	3,046,413	0.10	4,271,260	0.1999	1
5 Kroger Co. of Mich.	Grocery	2,663,169	0.09	3,036,360	0.1421	4
6 Michigan Cons. Gas Co.	Utility	2,051,100	0.07	2,557,220	0.1197	5
7 Comerica	Bank	1,867,152	0.06	1,293,890	0.0606	6
8 Grosse Pointe Hunt Club	Private Club	1,586,256	0.05	1,138,140	0.0533	7
9 St. John Hospital	Hospital	1,547,780	0.05	-	-	N/A
10 A H Peters Funeral Home	Mortuary	1,511,700	0.05	1,124,470	0.0526	8
<b>Total</b>		<b>\$ 29,858,055</b>	<b>1.00</b>	<b>\$ 21,367,660</b>	<b>1.0000</b>	
<b>Total City taxable value</b>		<b>\$ 603,930,131</b>		<b>\$ 688,453,470</b>		

(1) A complete rank of top 10 taxpayers in 2002 is unavailable

Source: City of Grosse Pointe Woods Assessing Department records

# City of Grosse Pointe Woods, Michigan

	2003	2004	2005	2006	2007
<b>Governmental Activities</b>					
General obligation bonds (GOB)	\$ 2,745,000	\$ 4,610,000	\$ 2,155,000	\$ 1,750,000	\$ 1,320,000
GOB installment note	107,182	55,426	-	-	1,325,000
GOB contract - Wayne County Drain	10,784,094	9,834,246	8,860,199	7,858,927	6,830,430
Total	13,636,276	14,499,672	11,015,199	9,608,927	9,475,430
<b>Business-type Activities</b>					
Installment purchase agreements	757,262	389,574	-	-	-
2010 DWRF Bonds	-	-	-	-	-
Revenue bonds	6,095,000	5,910,000	5,705,000	5,510,000	5,300,000
Total	6,852,262	6,299,574	5,705,000	5,510,000	5,300,000
Total debt of the government	<b>\$ 20,488,538</b>	<b>\$ 20,799,246</b>	<b>\$ 16,720,199</b>	<b>\$ 15,118,927</b>	<b>\$ 14,775,430</b>
Total taxable value (1)	\$ 747,023,290	\$ 778,377,290	\$ 813,304,250	\$ 838,542,390	\$ 867,467,911
Ratio of total debt to taxable value	2.74%	2.67%	2.06%	1.80%	1.70%
Total population	17,080	17,080	17,080	17,080	17,080
Total debt per capita	\$ 1,200	\$ 1,218	\$ 979	\$ 885	\$ 865

(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**

2008	2009	2010	2011	2012
\$ 880,000	\$ 420,000	\$ -	\$ -	\$ -
-	-	-	-	-
5,771,683	4,679,661	3,560,414	2,407,892	1,222,096
6,651,683	5,099,661	3,560,414	2,407,892	1,222,096
-	-	-	-	-
-	-	1,976,488	2,723,141	4,195,364
5,050,000	4,795,000	4,530,000	4,255,000	3,975,000
5,050,000	4,795,000	6,506,488	6,978,141	8,170,364
<b><u>\$ 11,701,683</u></b>	<b><u>\$ 9,894,661</u></b>	<b><u>\$ 10,066,902</u></b>	<b><u>\$ 9,386,033</u></b>	<b><u>\$ 9,392,460</u></b>
\$ 847,756,558	\$ 780,980,472	\$ 699,266,846	\$ 617,163,733	\$ 603,930,131
1.38%	1.27%	1.44%	1.52%	1.56%
17,080	17,080	17,080	16,135	16,135
\$ 685	\$ 579	\$ 589	\$ 582	\$ 582



# City of Grosse Pointe Woods, Michigan

## Debt Capacity Information Pledged-revenue Coverage Last Ten Fiscal Years

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

Notes:

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

Source: Comptroller's Office

# City of Grosse Pointe Woods, Michigan

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

Fiscal Years Ended June 30	Population Per Federal Census	Adjusted Taxable Equalized Valuation	General Obligation Bonds Outstanding	Percent Debt to Assessed Value	Debt Per Capita
2003	17,080 (1)	\$ 747,023,290	\$ 13,636,276	1.83%	798
2004	17,080	778,377,290	14,499,672	1.86%	849
2005	17,080	813,304,250	11,015,199	1.35%	645
2006	17,080	838,542,390	9,608,927	1.15%	563
2007	17,080	867,467,911	9,475,430	1.09%	555
2008	17,080	847,756,558	6,651,683	0.78%	389
2009	17,080	780,980,472	5,099,661	0.65%	299
2010	17,080	699,266,846	3,560,414	0.51%	208
2011	16,135 (2)	617,163,733	2,407,892	0.39%	149
2012	16,135	603,930,131	1,222,095	0.20%	76

Source: Comptroller's Office

(1) Based upon 2000 federal census

(2) Based upon 2010 federal census

# City of Grosse Pointe Woods, Michigan

## Debt Capacity Information Direct and Overlapping Debt June 30, 2012

	Debt Outstanding	Percent Applicable to City	Estimated Share of Overlapping Debt
Direct debt, general obligation debt	\$ 1,222,096	100.00	\$ 1,222,096
Overlapping debt:			
Grosse Pointe Public Library	15,500,000	23.73	3,678,150
Grosse Pointe Public Schools	49,770,000	23.73	11,810,421
County of Wayne Building Authority and Debt Fund	354,637,868	1.44	5,106,785
Wayne County Community College	8,325,000	2.27	188,978
Total overlapping debt	<u>428,232,868</u>		<u>20,784,334</u>
Total direct and overlapping debt	<u><b>\$ 429,454,964</b></u>		<u><b>\$ 22,006,430</b></u>

Source: Municipal Advisory Council of Michigan

2003 Park Refunding Bonds	\$ -
Grosse Gratiot Drain	<u>1,222,095</u>
Total	<u><b>\$ 1,222,095</b></u>

# City of Grosse Pointe Woods, Michigan

	2003	2004	2005	2006
<b>Calculation of Debt Limit (1)</b>				
Taxable valuation	\$ 723,570,576	\$ 747,023,290	\$ 778,377,290	\$ 813,304,250
Debt limit (10% of equalized value)	72,357,058	74,702,329	77,837,729	81,330,425
<b>Calculation of Debt Subject to Limit</b>				
Total debt	20,578,538	20,844,246	16,720,199	15,118,927
<b>Less Debt Not Subject to Charter Limitations</b>				
Michigan Transportation Fund Bonds	-	-	-	-
Water and Sewer Revenue Bonds 1993	795,000	610,000	405,000	210,000
Grosse-Gratiot Drain/Milk River Debt	10,784,094	9,834,247	8,860,199	7,858,927
Water/Sewer Installment Note	757,262	389,574	-	-
2010 DWRF Bonds	-	-	-	-
Water/Sewer Revenue Bonds 2003	5,300,000	5,300,000	5,300,000	5,300,000
Total debt not subject to Charter limitations	17,636,356	16,133,821	14,565,199	13,368,927
Total net debt (2)	2,942,182	4,710,425	2,155,000	1,750,000
Legal debt margin	<b><u>\$ 69,414,876</u></b>	<b><u>\$ 69,991,904</u></b>	<b><u>\$ 75,682,729</u></b>	<b><u>\$ 79,580,425</u></b>
Net debt subject to limit as percentage of debt limit	4.24%	6.73%	2.85%	2.20%

(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**

2007	2008	2009	2010	2011	2012
\$ 867,467,911	\$ 847,756,558	\$ 780,980,472	\$ 699,266,846	\$ 617,163,733	\$ 603,930,131
86,746,791	84,775,656	78,098,047	69,926,685	61,716,373	61,716,373
14,775,430	11,701,684	9,894,661	10,280,414	9,386,033	9,392,460
-	-	-	-	-	-
-	-	-	-	-	-
6,830,430	5,771,684	4,679,661	3,560,414	2,407,892	1,222,096
-	-	-	-	-	-
-	-	-	1,976,488	2,723,141	4,195,364
<u>5,300,000</u>	<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>12,130,430</u>	<u>10,821,684</u>	<u>9,474,661</u>	<u>10,066,902</u>	<u>9,386,033</u>	<u>9,392,460</u>
<u>2,645,000</u>	<u>880,000</u>	<u>420,000</u>	<u>213,512</u>	<u>-</u>	<u>-</u>
<b><u>\$ 84,101,791</u></b>	<b><u>\$ 83,895,656</u></b>	<b><u>\$ 77,678,047</u></b>	<b><u>\$ 69,713,173</u></b>	<b><u>\$ 61,716,373</u></b>	<b><u>\$ 61,716,373</u></b>
3.14%	1.05%	0.54%	0.31%	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	
2003	17,080	(1)	(5)	(5)	\$ 42,364	(5)	1.40%	8,900	(3)
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)

(1) Based upon 2000 federal census

(2) Based upon 2010 federal 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	Employer's Percentage of Total Employment	2000 Employees	2000 Rank
1	GP Public School	School	258	7.38%	(1)	(1)
2	Van Elslander Center	Medical	250	7.15%	(1)	(1)
3	Kroger	Grocery	151	4.32%	(1)	(1)
4	Sunrise Assisted Living	Medical	140	4.00%	(1)	(1)
5	University of Liggett	School	128	3.66%	(1)	(1)
6	Great Lakes Cancer Mgt Specialist	Medical	103	2.94%	(1)	(1)
7	Lochmoor Club	Country Club	100	2.86%	(1)	(1)
8	St. John I.T. & Desktop Support	Medical Business	100	2.86%	(1)	(1)
9	City of Grosse Pointe Woods	Municipal	86	2.46%	(1)	(1)
10	Grosse Pointe Hunt Club	Private Club	80	2.29%	(1)	(1)
Total people employed in City		2012	3,498			

(1) 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	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	Percent of Total for 2012
Supervisor	(2)	(2)	(2)	3	3	2	2	2	2	2	0.02
Assessing	(2)	(2)	(2)	2	2	2	2	1	1	1	0.01
Clerk's Office	(2)	(2)	(2)	3	3	3	3	3	3	3	0.04
Treasurer's Office	(2)	(2)	(2)	6	5	5	4	5	4	3	0.04
Municipal Court	(2)	(2)	(2)	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)	(2)	3	3	3	3	3	3	3	0.04
Parks and Recreation	(2)	(2)	(2)	4	4	4	3	2	2	2	0.02
Public Safety	(2)	(2)	(2)	52	54	54	52	50	44	43	0.50
Public Works	(2)	(2)	(2)	27	25	25	25	28	26	23	0.27
Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>105</u>	<u>104</u>	<u>103</u>	<u>99</u>	<u>99</u>	<u>90</u>	<u>85</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

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Function/Program	2003	2004	2005	2006
Public safety (calendar year Jan. 1 - Dec. 31):				
Police physical arrests	542	477	770	478
Police traffic violations	5,183	5,857	6,045	2,887
Fire runs	79	77	80	39
Fire actual fires	12	8	16	4
Fire basic ambulance runs	439	481	466	466
Fire advance life support ambulance runs	197	193	263	169
Fire inspections	97	53	53	66
Parks and recreation (estimated):				
Recreation programs - Lake Front Park	265	345	338	428
Community center programs	24	22	22	24
Water:				
New connections (calendar year Jan. 1 - Dec. 31)	2	5	5	3
Water main breaks	(1)	(1)	(1)	(1)
Total consumption (billed - HCF)	990,645	954,848	920,271	1,006,841

(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**

2007	2008	2009	2010	2011	2012
(3)					(3)
805	676	727	486	507	(2)
4,181	4,635	5,106	3,146	3,182	(2)
55	71	53	56	62	(2)
4	14	12	17	12	(2)
424	368	474	543	753	(2)
328	356	328	359	403	(2)
215	180	183	77	144	(2)
406	426	415	392	362	359
24	40	41	41	53	42
5	1	-	-	-	-
(1)	36	19	20	22	28
887,693	1,064,580	804,221	750,096	791,980	791,980

# City of Grosse Pointe Woods, Michigan

## Operating Information Capital Asset Statistics by Function

Function/Program	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	8	8	8
Fire trucks	3	3	3	3	3	3	3	3	3	3
Ambulances	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Acreage	92	92	92	92	92	92	92	92	92	92
Playgrounds	5	5	5	5	5	5	5	5	5	5
Soccer fields	2	2	2	2	2	2	2	2	2	2
Baseball/Softball diamonds	5	5	5	5	5	5	5	5	5	5
Water:										
Mains (miles)	60	60	60	60	63	63	63	63	63	63
Fire hydrants	603	603	603	603	606	603	603	603	603	603
Sewer - Miles of sanitary sewers	75	75	75	75	78	78	78	78	78	78

Source: Departmental annual reports

# City of Grosse Pointe Woods, Michigan

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## Continuing Disclosure State-shared Revenue Last Ten Fiscal Years

<u>Fiscal Years Ended</u>	<u>Modified Accrual and Accrual Basis of Accounting</u>
2003	\$ 1,842,388
2004	1,656,709
2005	1,655,968
2006	1,682,170
2007	1,570,567
2008	1,584,047
2009	1,514,040
2010	1,339,744
2011	1,452,878
2012	1,352,529

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	
2003	\$ 633,886	\$ 258,345	\$ 892,231
2004	675,278	275,469	950,747
2005	665,770	273,506	939,276
2006	656,119	269,835	925,954
2007	700,767	288,920	989,687
2008	636,344	261,441	897,785
2009	612,785	251,769	864,554
2010	602,084	247,497	849,581
2011	610,993	251,206	862,199
2012	624,586	255,891	880,477

Source: Comptroller's Office

# City of Grosse Pointe Woods, Michigan

## Continuing Disclosure Labor Agreements June 30, 2012

Bargaining Unit	Expiration Date	June 30, 2012 Number of Employees
<b>Police Officers Association of Michigan</b> Represents police officers	6/30/2013	25
<b>Command Officers Association of Michigan</b> Represents police corporals, sergeants, and lieutenants	6/30/2013	7
<b>Police Officers Labor Council</b> Represents all paramedics/fire specialists and dispatchers	6/30/2013	11
<b>Technical, Professional, and Office Workers Assn. of MI TPOAM</b> Represents clerical, public works employees, building, and ordinance officers	6/30/2013	34
<b>Nonunion Employees (Full-time)</b>		
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	3
Total		<u>21</u>

# City of Grosse Pointe Woods, Michigan

## Continuing Disclosure Water and Sewer Customers and Consumption June 30, 2012

<u>User Type</u>	<u>Number of Meters</u>	<u>Water Consumption Volume (100 cubic feet)</u>	<u>Percentage of Consumption</u>
Residential	6,540	6,598	88.38%
Commercial	283	623	8.34%
Churches, schools, and government	26	245	3.28%
<b>Total</b>	<b>6,849</b>	<b>7,466</b>	<b>100.00%</b>

Source: Comptroller's Office

# City of Grosse Pointe Woods, Michigan

## Continuing Disclosure Historical Net Earnings, Cash Flow, and Debt Service Coverage June 30, 2012

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

(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, 2012

Customer	Usage in Dollars	Volume of Water Used (in 100 cubic feet)
Lochmoor Club	\$ 74,591	14,002
Grosse Pointe North High School	49,499	6,010
Shorepointe Condos	28,893	5,775
Berkshire Condo Association	21,004	3,785
Sunrise Development	15,754	2,859
Grosse Pointe Board of Education	14,916	2,527
ANK Enterprises	13,741	3,055
St. John Hospital	13,587	1,233
Original Pancake House	13,204	3,026
Kroger	10,742	1,930

Source: City of Grosse Pointe Woods financial reports

# City of Grosse Pointe Woods, Michigan

## Continuing Disclosure Metered Water Rates June 30, 2012

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**

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**Federal Awards  
Supplemental Information  
June 30, 2012**

# City of Grosse Pointe Woods

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## Independent Auditor's Report

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

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 13, 2012, which contained unqualified opinions on those basic financial statements. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We have not performed any procedures with respect to the audited basic financial statements subsequent to November 13, 2012.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Woods' basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 13, 2012

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods (the "City") as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 13, 2012. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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

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 2012-1 to be a material weakness.

### **Compliance and Other Matters**

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

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

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

*Plante & Moran, PLLC*

November 13, 2012

Report on Compliance with Requirements That Could Have a  
Direct and Material Effect on the Major Program and on  
Internal Control Over Compliance in Accordance with OMB Circular A-133

Independent Auditor's Report

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

**Compliance**

We have audited the compliance of the City of Grosse Pointe Woods (the "City") 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 program for the year ended June 30, 2012. The major federal program of the City of Grosse Pointe Woods is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the City of Grosse Pointe Woods' management. Our responsibility is to express an opinion on the City of Grosse Pointe Woods' compliance based on our audit.

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

In our opinion, the City of Grosse Pointe Woods complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2012.



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

### **Internal Control Over Compliance**

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

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

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2012-2 to be a material weakness.

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

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

*Plante & Moran, PLLC*

November 13, 2012

# City of Grosse Pointe Woods, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

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 State of Michigan Department of Environmental Quality - Capitalization Grants for Drinking Water State Revolving Funds - Drinking Water Relief Fund	66.468	7332-01	\$ 3,990,000	\$ 1,575,285 *
U.S. Department of Housing and Urban Development - Passed through Wayne County, Michigan - Community Development Block Grant - Administration Fees	14.218	IDIS Project #14	7,204	<u>7,204</u>
Total federal expenditures				<u><b>\$ 1,582,489</b></u>

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

# City of Grosse Pointe Woods

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## Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2012

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 7,621
Plus federal revenue not reported as such in the financial statements - Capitalization grant proceeds for Drinking Water State Revolving Funds	<u>1,574,868</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 1,582,489</u></u>

# City of Grosse Pointe Woods

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## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2012**

### **Note - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Grosse Pointe Woods under programs of the federal government for the year ended June 30, 2012. 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

## Schedule of Findings and Questioned Costs Year Ended June 30, 2012

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

Yes  No

Identification of major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.468	EPA Capitalization Grants for Drinking Water State Revolving Funds - DWRP

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

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2012-1	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Management's goal was to accurately record all transactions in the general ledger.</p> <p><b>Condition</b> - During the course of the audit process, Plante &amp; Moran, PLLC assisted with the recording of certain adjustments to the City of Grosse Pointe Woods' (the "City") general ledger for purposes of publishing its year-end financial statements.</p> <p><b>Context</b> - The adjustments were to account balances relating to properly state various year-end balances. The adjustments made related to the following: capital assets, deferred revenue, prepaids, and state shared revenue.</p> <p><b>Cause</b> - The City does not review in enough detail in order to ensure all account balances are in compliance with generally accepted accounting principles (GAAP).</p> <p><b>Effect</b> - 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><b>Recommendation</b> - 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><b>Views of Responsible Officials and Planned Corrective Actions</b> - 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>

# City of Grosse Pointe Woods

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2012

### Section III - Federal Program Audit Findings

Reference Number	Finding
2012-2	<p><b>Program Name</b> - Drinking Water Revolving Fund - 66.468</p> <p><b>Pass-through Entity</b> - State of Michigan Department of Environmental Quality</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - OMB Circular A-133 requires organizations to reflect federal expenditures in the schedule of expenditures of federal awards (SEFA) in the period that expenditures are incurred.</p> <p><b>Condition</b> - The SEFA initially prepared by the City was not accurate, as federal program expenditures related to the Drinking Water Revolving Fund were too high.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The modifications necessary to correct the SEFA initially prepared by the City were material to the program.</p> <p><b>Cause and Effect</b> - Internal control procedures relative to the identification of federal expenditures to be reported on the SEFA did not operate effectively. This resulted in the City's schedule of expenditures of federal awards provided to the auditors being inaccurate on a program and total expenditure basis.</p> <p><b>Recommendation</b> - Internal control procedures should be initiated and enforced to ensure the proper expenditures are reported in the schedule of expenditures of federal awards.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The amounts reported on the SEFA will be reviewed by supervisory personnel and reconciled to the financial statements.</p>

# City of Grosse Pointe Woods

## Summary Schedule of Prior Audit Findings Year Ended June 30, 2012

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2011-3	66.468	The SEFA initially prepared by the City was not accurate, as federal program expenditures related to the Drinking Water Revolving Fund were too high.	In process	The City will ensure that amounts reported on the SEFA will be reviewed by supervisory personnel and reconciled to the financial statements.



City of Grosse Pointe Woods  
Corrective Action Plan  
Year Ended June 30, 2012

Reference Number

Finding

2012-2

Drinking Water Revolving Fund (66.468) - Material weakness; Material noncompliance for reporting

Condition

OMB Circular A-133 requires organizations to reflect federal expenditures in the schedule of expenditures of federal awards (SEFA) in the period that expenditures are incurred. The SEFA initially prepared by the City was not accurate as federal program expenditures related to Drinking Water Revolving Fund were too high.

Corrective Action Plan

The City will ensure that amounts reported on the SEFA will be reviewed by supervisory personnel and reconciled to the financial statements.

November 13, 2012

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, 2012 and have issued our report thereon dated November 13, 2012. 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 SAS 115

Section II - Communications Required Under SAS 114

Section III - Other Recommendations

Section IV - Legislative and Informational Items

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

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

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

Section IV contains updated legislative and informational items that we believe will be of interest to you.

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

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

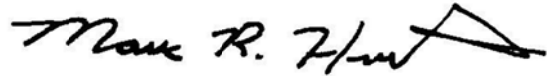
To the City Council  
City of Grosse Pointe Woods, Michigan

November 13, 2012

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

Very truly yours,

**Plante & Moran, PLLC**

A handwritten signature in black ink that reads "Mark R. Hurst" followed by a stylized flourish.

Mark R. Hurst

### **Section I - Communications Required Under SAS 115**

In planning and performing our audit of the financial statements of the City of Grosse Pointe Woods, Michigan ( the "City") as of and for the year ended June 30, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

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

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

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

We consider the following deficiency in the City's internal control to be a material weakness:

**Year-end Accrual Adjustments** - During the course of the audit process, journal entries were made to properly state various year-end balances. The adjustments made related to the following: asset depreciation balances (capital assets, expense), an improperly classified GASB No. 34 account, lack of recognition of deferred revenue related to cable franchise fees, prepaid healthcare coverage, and state-shared revenue (intergovernmental revenue and receivable).

## **Section II - Communications Required Under SAS 114**

### **Our Responsibility Under U.S. Generally Accepted Auditing Standards**

As stated in our engagement letter dated September 25, 2012, 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 of Grosse Pointe Woods, Michigan's financial statements has also been conducted in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States. Under *Government Auditing Standards*, we have made some assessments of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements. While those assessments are not sufficient to identify all noncompliance with applicable laws, regulations, and contract provisions, we are required to communicate all noncompliance conditions that come to our attention. We have communicated those conditions in a separate letter dated November 13, 2012 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.

We are also obligated to communicate certain matters related to our audit to those responsible for the governance of the City, including certain instances of error or fraud and significant deficiencies in internal control that we identify during our audit. In certain situations, *Government Auditing Standards* require disclosure of illegal acts to applicable government agencies. If such illegal acts were detected during our audit, we would be required to make disclosures regarding these acts to applicable government agencies. No such disclosures were required.

### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 24, 2012.

## **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 I to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012.

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 2011
- 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***

The City has securities with Multi-Bank Securities, Inc. We received a statement from Multi-Bank Securities, Inc. confirming the value of these securities at June 30, 2012. Multi-Bank Securities, Inc. only performs the task of recordkeeping; Pershing LLC is the custodian. Pershing LLC would not confirm these investments directly to us that it is holding on the City's behalf.

***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management.

The attached schedules summarize uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. As a result of our audit procedures, we identified material misstatements, which are described in more detail in our SAS 115 letter.

***Disagreements with Management***

For the purpose of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report.

We are pleased to report that no such disagreements arose during the course of our audit.

***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated November 13, 2012.

***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.

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

### **Section III - Other Recommendations**

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

#### **Cost Allocations**

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



**Section IV - Legislative and Informational Items**

**Revenue Sharing/EVIP Update**

Total revenue sharing as compared to 2011-2012 is as follows:

	2012-2013	2011-2012 (as of 2/2012)	Change
Constitutional portion	\$ 725,496,300	\$ 697,500,500	4%
EVIP **	225,000,000	210,000,000	7%
County revenue sharing	104,480,000	115,000,000	-9%
County incentive (EVIP-like)**	26,120,000	-	
Grants *	15,000,000	5,000,000	
<b>Total</b>	<b>\$ 1,096,096,300</b>	<b>\$ 1,027,500,500</b>	

The EVIP, county incentive, and grants include significant one-time boilerplate appropriations of \$7.5m, \$2.5m, and \$10m, respectively.

EVIP payments will now be coming at the same time as the constitutional payments to the communities.

\* Includes school districts and ISDs in 2012-2013, but only if not already receiving a grant from the State School Aid Fund. Also, funds can only be used for combining operations with a city, village, township, or county.

\*\* In order to receive funds for EVIP and the county incentive program, the following requirements must be met:

**Category I - Accountability and Transparency - Due Date was 10/1/12**

- Produce a citizens guide, including recognition of unfunded liabilities
- Produce a performance dashboard
- Publish a projected budget report - Include current adopted budget as well as a projection for the succeeding year, include debt service payments, and assumptions used
  - The succeeding year projection does not have to be approved by the Council/Board.
  - The minimum requirement is the General Fund. However, communities can provide additional funds if desired.
  - The State is looking for a summarized budget (like a financial statement); therefore, this does not have to reflect account level detail.
  - The projection must include a disclosure of the assumptions used.
  - Must include for each debt issuance the total debt service outstanding as well as the debt service amortization schedule by year.
- Submit signed Treasury certification Form 4886

**Category 2 - Consolidation of Services - Due Date 2/1/13**

- Produce a consolidation plan
- If first time, include past endeavors and associated cost savings
- Must include one new initiative with savings estimate and timeline
- If no new initiatives identified, must address why it is not feasible to enter into any new consolidation efforts
- If second time, report on progress of prior plan, including barriers
- Submit signed Treasury certification Form 4887

Note: Contracting is only considered a consolidation of service if done within your jurisdiction (i.e., combining departments within your city) or with another local unit of government (i.e., city and school combine for trash pickup).

**Category 3 - Employee Compensation - Due Date 6/1/13**

Key point - This section has three options. Communities must select one of the three options and submit the necessary documentation to the State. In addition, Treasury certification Form 4978 should be completed or Form 4888.

Option 1 - Modified Compensation Plan - New hires that are eligible for retirement plans must be put in plans that cap employer contributions at 10 percent of base salary if eligible for Social Security or 16.2 percent if not.

- For defined benefit plans, maximum multipliers are as follows:

Eligible for Social Security?	Provided with Retiree Health Care?	Maximum Multiplier
Yes	Yes	1.5%
Yes	No	2.25%
No	Yes	2.25%
No	No	3.00%

- For defined benefit plans, final average compensation shall use a minimum of three years and shall not include more than 240 hours of paid leave. Overtime hours shall not be included.
- Healthcare premium costs for new hires shall include a minimum 20 percent employee share or employer's share shall be cost competitive with new state preferred provider organization health plan on a per-employee basis.

Option 2 - Compliance with PA 152 of 2011 - Publicly Funded Health Insurance Contribution Act - Certify compliance with the new act that requires hard caps or alternately 80 percent/20 percent cost sharing. This includes the opt-out provision. However, you must opt out each year. The annual council or board resolution needs to identify the FYE plan year (and be adopted before the start of the plan year) and the resolution must be sent to the State.

Dental and vision are still excluded from PA 152.

Another item to note - You cannot select different options for different groups (i.e., the entire City must be hard cap or 80/20, etc.)

Lastly, it is important to keep in mind that the 80/20 requirement is calculated across the whole City. For example, one group can be 70/30 and another 90/10 as long as in total the 80/20 requirement is met.

Option 3 - Certify that no medical benefits are offered

### **Tips for Submission**

- The State now has an attorney working directly with it on EVIP in order for questions to be answered more quickly. The State will have new FAQs coming out soon in addition to those already posted.
- The required certification forms can be obtained on the State website:  
[http://www.michigan.gov/treasury/0,1607,7-121-1751\\_2197-259414--,00.html](http://www.michigan.gov/treasury/0,1607,7-121-1751_2197-259414--,00.html)
- There are several options for delivery. Regardless of the option chosen, the State prefers PDFs. Submissions can be:
  - Snail mailed - Please note, if this is the method selected, it must physically be to the State by the deadline; postmarked by the date is not accepted.
  - Hand delivered
  - Faxed (State said to call for the number)
  - Emailed to the new address: [TreasRevenueSharing@michigan.gov](mailto:TreasRevenueSharing@michigan.gov)
    - An email with a link to the community's website is not accepted.
    - The State requires one email per category with all required documentation attached.
- The State is working to develop a confirmation procedure to let communities know their submission was received and qualified.

**Payment Timing Has Changed**

For all except counties, the way that payments are distributed has changed. In 2011-2012, a portion of the payment for each of the three categories was paid on each of the six payment dates throughout the year. Now, there are only two payment dates for each of the three categories, such that each local unit will not receive payment associated with each category until the due date, and then the payment will be split between the following two months.

	Prior Methodology			New Methodology		
	Category			Category		
	1	2	3	1	2	3
October 31, 2012	10,000	10,000	10,000	30,000		
December 31, 2012	10,000	10,000	10,000	30,000		
February 28, 2013	10,000	10,000	10,000		30,000	
April 30, 2013	10,000	10,000	10,000		30,000	
June 30, 2013	10,000	10,000	10,000			30,000
August 31, 2013	10,000	10,000	10,000			30,000
Total	60,000	60,000	60,000	60,000	60,000	60,000

If a local unit fails to meet the initial certification timeline, there is still an opportunity to get the second of the two payments if the unit certified prior to the first month of the second distribution. For example, if you miss the October 1, 2012 deadline, a certification prior to December 1, 2012 will allow you to receive the second normally scheduled payment, but not the first.

**Pension Obligation Bonds and Other Post-Employment Benefits Obligation Bonds**

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

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

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

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

In addition, the Municipality must prepare a comprehensive financial plan which is to be made available to the public. Each of the following elements must be completed to meet this requirement:

1. An analysis of the current and future obligations of the pension or OPEB plan
2. Evidence that the issuance of the municipal bonds, together with other available revenue, will be sufficient to eliminate the unfunded liability
3. Debt service amortization schedules and a description of the actions required by the municipality to satisfy the debt service payments
4. Certification by the person preparing the plan that it is complete and accurate
5. If the bond proceeds are to be placed in a health care trust fund, the municipality must also put in place a plan in place to mitigate increases in healthcare costs, such as the implementation of a wellness program

### **Potential Elimination of the Personal Property Tax**

There has been much talk regarding elimination of personal property tax. If personal property tax were completely eliminated, this would reduce revenue for communities across the state by approximately \$770 million. Including the school districts, the lost revenue would be over \$1 billion.

In April 2012, the Senate introduced a package of eight bills (SBI065-SBI072) aimed to eliminate personal property taxes. The bills, as amended, were passed by the Senate in early May. These bills await action by the House.

Here is a summary of what these tie-barred bills stipulate:

- Exemption, beginning December 31, 2012, for commercial and industrial personal property if the combined taxable value of all such property owned by the taxpayer were less than \$40,000.
- Eligible manufacturing personal property purchased after December 31, 2011 would be exempt from personal property tax beginning December 31, 2015.
- Effective December 31, 2015, eligible manufacturing personal property that had been subject to taxation for 10 years would now be exempt.
- Provision for reimbursement to the local unit via a newly created personal property tax reimbursement fund:
  - Reimbursement, starting in the 2012-2013 fiscal year, for the amount of debt mill and voter-approved qualified mill loss. Debt mill loss is defined as revenue loss associated with debt mills that were levied in the 2012 fiscal year and that have not expired or been subsequently renewed. Qualified voter-approved mills means a millage levied in the 2012 or subsequent fiscal year for a specific purpose or activity, that is not a general operating millage and that was approved by the voters prior to the 2103 fiscal year.
  - Reimbursement, starting in the 2016 fiscal year, would be for monies lost in excess of 2 percent of General Fund revenue in the 2012 fiscal year plus the aggregate amount of lost tax capture for each tax increment financing authority. Reimbursement calculation would be exclusive of the debt mill loss or voter-approved qualified mill loss discussed above.

It is important to note that the bills, as amended, would essentially reimburse locals 100 percent immediately for all debt millages as well as all special voted millages, like police and fire. The bills also include poison pill language which nullifies the bills if the replacement fund is not fully funded.

### **Retro-pay Prohibition**

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

### **Deficit Elimination Plans**

The Michigan Department of Treasury issued numbered letter 2012-1 in February 2012, which clarifies when a deficit elimination plan is required and how to quantify the deficit requiring elimination. In addition, it also charges local units with the responsibility to file deficit elimination plans concurrent with the submission of the audit report to the Department of Treasury. Local units should no longer be waiting for a letter from the State to file their plans. The plans are now due on or before the filing of your financial statement. Failure to file a plan can result in withholding of 25 percent of the EVIP revenue-sharing payments.

The plans should typically result in elimination of the deficit within one year but should never exceed five years. These plans should also have acceptable evidence to support the plan. The letter defines “acceptable evidence” as certified board/council resolutions approving the funding and the journal entry showing that the transfer was made in the general ledger. Additionally, if there is a projected multi-year budget, this too must be approved by the council/board and submitted. Plans and support can be emailed to [Treas\\_MunicipalFinance@michigan.gov](mailto:Treas_MunicipalFinance@michigan.gov) or mailed to the Michigan Department of Treasury.

The letter defines a fund deficit, since the law lacks any reference to generally accepted accounting terminology. It states that for governmental funds (not proprietary funds, fiduciary funds, or discretely presented component units) “a plan is necessary to eliminate any “unrestricted fund balance” deficits. Unrestricted fund balance is the sum of the committed, assigned, and unassigned balances.” Determining whether a deficit exists is more challenging for proprietary funds, fiduciary funds, and discretely presented component units and local units will be expected to apply the test that is explained in the letter. We highly recommend that local units review the letter at the following link to ensure that they comply with the requirements: [http://www.michigan.gov/treasury/0,1607,7-121-1751\\_2194\\_2196---,00.html#2012](http://www.michigan.gov/treasury/0,1607,7-121-1751_2194_2196---,00.html#2012).

### **Prohibition Against Hiring Current Retirees**

House Bill 5637, the Jobs Initiative Reform Act, is a bill that has been introduced in the House that prohibits public employers in Michigan from employing an individual who is receiving benefits from the public employer's defined benefit retirement plan and to provide sanctions.

A public employer shall not directly, or indirectly through a contract with a third party, employ an individual who is receiving retirement benefits from a public employee defined benefit retirement plan of that public employer. This prohibition does not apply if the individual waives his or her right to receive previously accrued retirement benefits from that public employer's defined benefit retirement plan while re-employed by the public employer.

Sanctions would consist of reimbursing the defined benefit retirement plan for retirement benefits that the defined benefit retirement plan paid to the individual during the prohibited employment.

This appears to be an issue only if a retiree is being rehired by the existing employer and would not apply if that retiree seeks employment with a different employer.

**PA 314 Pension Changes**

Senate Bill 797 and House Bill 5416 make some significant changes to Public Act 314, as follows:

- The legislation utilizes existing asset classes but expands some categories such as foreign equities (from 20 percent to 70 percent), real estate (5-10 percentage points higher), and the “basket clause” (10 percentage points higher than existing limits for all plan sizes).
- Requires fee disclosures by investment service providers
- Establishes uniform transparency standards to allow for benchmarking
- Expands prohibition against payments to providers that make contributions to plan sponsor officials
- Permits local pension boards to self-police which means they can remove a member who is legally incapacitated, convicted of certain violations, or has committed material breaches of policies
- Imposes limits on dollars spent on training to the lesser of \$12,000 per board trustee or \$150,000. No one trustee can spend more than \$30,000.
- Requires the retention of records for six years.



Client: **City of Grosse Pointe Woods, Michigan**  
 Opinion Unit: **Business-type Activities**  
 Y/E: **6/30/2012**

**SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

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

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
<b>KNOWN MISSTATEMENTS:</b>									
A1									
A2									
<b>ESTIMATE ADJUSTMENTS:</b>									
B1	To record charges for internal services for motor vehicle maintenance in the Water and Sewer Fund								
				\$ 50,000				\$ 50,000	\$ (50,000)
B2									
<b>IMPLIED ADJUSTMENTS:</b>									
C1									
C2									
		\$ -	\$ -	-	\$ -	\$ -	\$ -	-	-
	Total combined effect	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000	\$ (50,000)

Client: **City of Grosse Pointe Woods, Michigan**  
 Opinion Unit: **Motor Vehicle Fund**  
 Y/E: **6/30/2012**

**SUMMARY OF UNRECORDED POSSIBLE ADJUSTMENTS**

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

Ref. #	Description of Misstatement	Current Assets	Long-term Assets	Current Liabilities	Long-term Liabilities	Equity	Revenue	Expenses	Pretax Income
<b>KNOWN MISSTATEMENTS:</b>									
A1									
A2									
<b>ESTIMATE ADJUSTMENTS:</b>									
B1	To record charges for internal services for motor vehicle maintenance in the Water and Sewer Fund								
B2		\$ 50,000					\$ 50,000		\$ 50,000
<b>IMPLIED ADJUSTMENTS:</b>									
C1									
C2									
		-	\$ -	\$ -	\$ -	\$ -	-	\$ -	-
	Total combined effect	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>

Client: **City of Grosse Pointe Woods, Michigan**  
 Opinion Unit: **Water and Sewer Fund**  
 Y/E: **6/30/2012**

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<b>KNOWN MISSTATEMENTS:</b>									
A1									
A2									
<b>ESTIMATE ADJUSTMENTS:</b>									
B1	To record charges for internal services for motor vehicle maintenance in the Water and Sewer Fund								
B2				\$ 50,000				\$ 50,000	\$ (50,000)
<b>IMPLIED ADJUSTMENTS:</b>									
C1									
C2									
		\$ -	\$ -	-	\$ -	\$ -	\$ -	-	-
	Total combined effect	\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ 50,000	\$ (50,000)