

City of Grosse Pointe Woods, Michigan

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

Prepared by the Office of the City's Finance Department

City of Grosse Pointe Woods, Michigan

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CITY OF GROSSE POINTE WOODS

20025 Mack Plaza Drive
Grosse Pointe Woods, Michigan 48236-2397

November 15, 2011

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

The Comprehensive Annual Financial Report (C.A.F.R.) of the City of Grosse Pointe Woods, Michigan (the "City") for the fiscal year ended June 30, 2011 is submitted herewith, in accordance with provisions of Section 8.7 (Charter) of the City of Grosse Pointe Woods and the rules and regulations as put forward by the State of Michigan Department of Treasury. This report was prepared by and is the responsibility of the City's Finance Department. This document represents the official report of the City's financial operations to its residents, elected officials, employees, investment firms, banks and rating and regulatory agencies, and other interested parties. The data as presented in the report is accurate in all material respects and is shown in a manner designed to clearly and fairly set forth the financial activity of all the various funds established and utilized by the City and that all disclosures have been included to enable the reader to gain the maximum understanding of the City's financial operations. The independent auditing firm of Plante & Moran, PLLC performed the annual audit of the City of Grosse Pointe Woods' financial statements as required by the Michigan Department of Treasury and has issued its unqualified opinion here within.

Format

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

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

November 15, 2011

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

Reporting Entity

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

Legal Requirement

This report has been prepared pursuant to and in compliance with the Michigan Department of Treasury regulations which, in part, require that an annual independent audit of the City's financial records of accounts and transactions be performed. The opinion by the City's independent auditor, Plante & Moran, PLLC, on November 15, 2011 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 \$709,349 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.

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

November 15, 2011

Consistent with previous years, the intent and responsibility of administration is to effectively adhere to the fiscal policies and initiatives established by the City Council while remaining cost-efficient and responsive to the needs of the residents. Many of the financial policies and procedures established by the City Council are detailed in the City's annual budget. In accordance with the City Charter, the City Administrator and the treasurer/comptroller will have presented their budgetary estimates of revenue and expenditures of all the City's funds (excluding trust 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 the annual City calendar.

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

The City's financial staff undertakes an annual review of its operating, technical, and reporting systems. As a result of this review, City Council authorized a change in the financial software to streamline the accounting and cash receipts processes and strengthen the City's internal controls. Presently, all of the principal functions of the City treasurer/comptroller's office are automated with members of the staff cross-trained to operate the various operating systems of the department.

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

November 15, 2011

In selecting the new finance/accounting software, consideration was given to the adequacy of internal accounting controls as well as automated posting with existing systems. The cost of the new software is offset by the annual maintenance cost of the existing software. Overall, the City will realize a savings in annual fees. Internal accounting controls are designed to provide reasonable assurance regarding:

1. Automated posting of water and tax payments, directly from cash receipts
2. The safeguarding of assets against loss from unauthorized use or disposition
3. The reliability of financial records for preparing financial statements and maintaining accountability for assets and liabilities

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

Concurrent with the budget process, the City updates the annual infrastructure improvement program, which details major expenditures for the City buildings, equipment, and infrastructure needs. The City's infrastructure inventory is divided into eight neighborhood maintenance districts. Due to budget constraints, the infrastructure repair program has been scaled back in comparison to other years. The fiscal year 2010/2011 sidewalk repair program was suspended and the joint and crack sealing program was reduced. The City received low-cost financing from the State of Michigan Drinking Water Revolving Fund to install new residential and commercial water meters and repair water mains. In fiscal year 2009/2010, the construction of a 500,000 gallon water reservoir reduced the peak hour and maximum day demands, which reduced the increase in usage rates charged by the Detroit water and sewerage department.

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

November 15, 2011

Economic Condition (Property Tax Base)

The City's most pressing financial concern is the current condition of the residential housing market and its detrimental effect on property tax revenue. For a fourth year, the City experienced a decline in taxable value of approximately 45 percent. This downturn in the housing market is likely to continue for another year or two. 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 decision of the City Council to increase the operating millage by 1.75 mills in FY 2008-2009 demonstrates their understanding of fiscal responsibility and their commitment to maintain the high quality of services and sense of community that our residents expect. As a result of this action, there was an increase in tax revenue. This revenue increase, coupled with a reduction in expenditures, resulted in an increase to the General Fund fund balance for FY 2008-2009. This increase in fund balance was done intentionally in anticipation of future forecasted budget shortfalls resulting from declining tax revenue. Despite these efforts, the anticipated revenue shortfall in *each* of the next three fiscal years is \$1.7 million. Even with cuts to expenditures, if no further action is taken, the City's fund balance will be exhausted in fiscal year 2013-2014.

Based on the 2011 taxable valuation, the City has approximately 0.48 of unused millage to finance future operations and infrastructure improvements. The City may need to consider seeking voter approval for a Headlee override.

Property tax revenue for fiscal year 2010-2011 represented approximately 74.6 percent of the total amount of General Fund operating revenue of \$12,445,371. The increased revenue is related to the millage rate increase and increase in court fines and fees. With the taxable value of the City's tax base being 89.0 percent residential, Mayor/Council and Administration, in order to reduce the impact taxes have on the residents, must continue to (1) re-examine the promise of the City's Post Retirement Health Care package, (2) review the cost of providing services to the residents, (3) evaluate staffing needs and make changes through attrition, (4) prioritize services and programs currently being rendered to the residents, (5) continue to explore opportunities to combine joint public services/capital purchases with the neighboring communities, and (6) reconsider and prioritize capital equipment purchases and infrastructure improvements.

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

November 15, 2011

Administrative Summary/Major Initiatives

The financial statements, as presented in this report, demonstrate the ability of the City Administration to effectively stay within the fiscal guidelines and policies as adopted by the City Council. Overall, the City's present financial condition is very good.

During the preparation of the 2011-2012 annual budget, the mayor and City Council directed Administration to concentrate their cost containment efforts in the following areas:

1. Comply with the new Economic Vitality Incentive Program (EVIP) (formally statutory revenue sharing) as this is the replacement revenue for 67 percent of total revenue sharing
2. Implement restructured union contracts and healthcare plans for both union and non-union employees, as well as retirees where possible
3. Provide more efficient day-to-day operations, without a loss in essential services
4. Reduction in staff through attrition, when possible
5. Update the Infrastructure Improvement Program and assess the availability of low-interest loans through the State of Michigan

One of the requirements under the EVIP is consolidation of services. Internally, the City has consolidated departments and several individual positions. This was necessary under cost containment and through attrition.

For many years, the City has worked with other surrounding communities, under a mutual aid agreement to provide police, fire, and emergency ambulance services. Additionally, rubbish removal, health insurance, and recreational activities are areas under consideration for shared services. An Adhoc Public Safety Committee, comprised of the five Grosse Pointe Communities, submitted a grant application for police communication/dispatch infrastructure to bring all dispatch services to one central location. We will continue with these efforts and maintain compliance with the State.

The EVIP also requires the City to maintain a level of accountability and transparency and make changes to employee compensation packages. With the assistance of Munetrix, online financial reporting software, the City has five years of demographic and financial data available to the public. Through union negotiations and changes to the non-union employee handbook, the City was able to share in the cost of active and retiree healthcare with some employees. The City remains in active negotiations with three of its four labor unions and anticipates changes to healthcare benefits.

The City's labor force as of June 30, 2011 fell to an all-time low of 88 full-time employees and 12 permanent part-time employees. Parks and recreation seasonal employees were reduced to 140. The City has been diligent in its efforts to maintain essential services, even with fewer employees. For example, the City's staff included 105 full-time and 15 part-time employees in 2006.

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

November 15, 2011

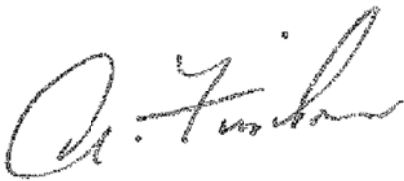
Several years ago, the administration developed a comprehensive listing of all infrastructure within the City. In doing so, the City was able to determine the financial resources required to maintain this infrastructure on an annual basis. Previously, the elected officials dedicated several million dollars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

Future Outlook

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 believes that we are in compliance with the current requirements of EVIP.

Administration also remains confident that City Council and the employees possess the capability, foresight, and resolve necessary to successfully meet these challenges.

Sincerely,



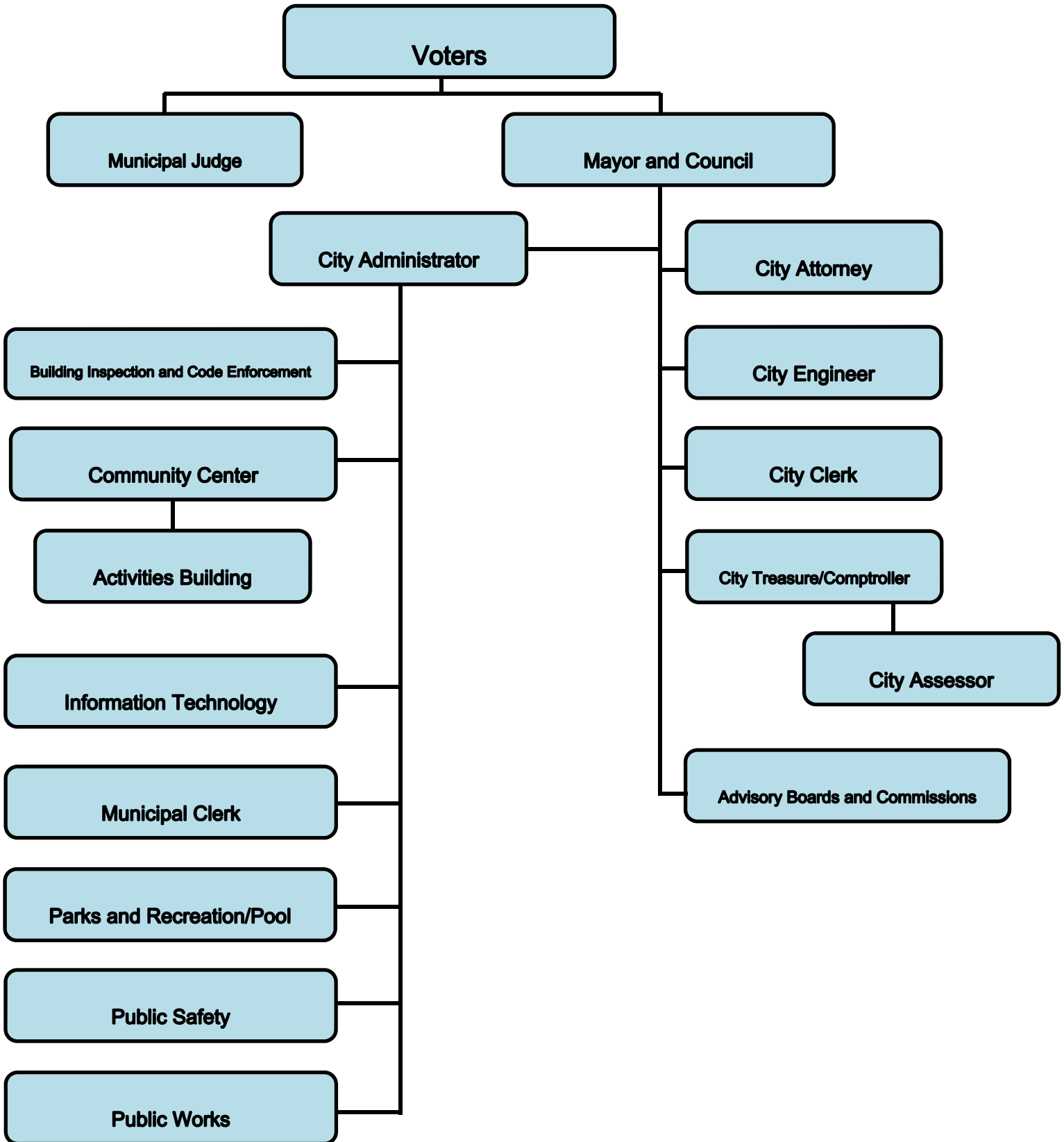
Alfred John Fincham, III
City Administrator



Dee Ann Irby
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, 2010

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.



President

Executive Director

City of Grosse Pointe Woods, Michigan

List of Principal Officers Year Ended June 30, 2011

Elected Officials

Mayor

Robert E. Novitke

Council Member

Kevin Ketels

Council Member

Victoria A. Granger

Council Member

Arthur W. Bryant

Council Member

Joseph E. Sucher

Council Member

Lisa Pinkos Howle

Council Member

Todd A. McConaghy

Administrator's Office

Administrator

Alfred John Fincham, III

Clerk's Office

Clerk

Lisa K. Hathaway

City Treasurer/Comptroller's Office

Treasurer

Dee Ann Irby

City Attorney

City Attorney

Don R. Berschback

City Attorney

Chip Berschback

Municipal Judge

Municipal Judge

Theodore Metry

City of Grosse Pointe Woods, Michigan

Fund Organization Chart Year Ended June 30, 2011

<u>Fund Name</u>	<u>Fund Number</u>
<u>GOVERNMENTAL FUNDS</u>	
General Fund	101
Special Revenue Funds	
Major Street Fund	202
Local Street Fund	203
Ambulance Fund	210
Act 302 Training Fund	211
Solid Waste Disposal	226
Grants Fund	245
911 Emergency Service	261
Drug Enforcement	265
Parkway Beautification Fund	205
Cable Franchise Fund	206
Debt Service Funds	
Grosse-Gratiot Drain Fund	365
2005 Park Refunding Bond	303
Capital Projects Funds	
Municipal Improvement Fund	401
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Parking Utility Fund	585
Boat Dock Rental Fund	594
Commodity Sales Fund	598
Internal Service Funds	
Motor Vehicle Fund	640
Workers' Compensation Fund	632
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Other Post Employment Benefit Trust Fund	736
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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, 2011, 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, 2011 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.

The management's discussion and analysis, pension system schedules of funding progress, and the budgetary comparison schedules, as identified in the table of contents, are not a required part of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management, regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

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 basic financial statements. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2011 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.

During the year, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, as discussed in Note I. As a result of this required implementation, the Local Street and Cable Franchise Funds are now part of the General Fund. In addition, fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications under GASB Statement No. 54.

Plante & Moran, PLLC

November 15, 2011

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, 2011. 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, 2011:

- Total fiscal year 2010-2011 General Fund revenue decreased approximately \$482,000 from fiscal year 2009-2010 revenue. Property taxes are the City's largest source of revenue. Like most communities in Michigan, the taxable value of property has been declining since 2007. In the past four years, the City has experienced a 45 percent decline in taxable value. The City experienced slight increases in charges for services which were offset by the reduction in Court fines and building permits.
- State-shared revenue remains our second largest revenue source. During the City's 2010-2011 fiscal year, state-shared revenue remained the same as fiscal year 2009-2010.
- Licenses/permits revenue decreased \$22,000. This is the second year for a decline in permit revenue, likely attributable to the decline in building improvements and construction. The direct cost of operating the building department decreased \$10,000 over the previous year due to fewer inspections and cost containment.
- Revenue from District Court fees and fines was down \$154,000 as compared to fiscal year 2009-2010. This decrease is related to a reduction of staff in the public safety department and fewer hours assigned to traffic enforcement. A part-time employee has been hired to concentrate on collection of outstanding violations.
- General Fund expenditures for fiscal year 2010-2011 increased approximately \$730,000 over the previous year. Nearly half of this increase is related to an accounting change to move the management information system department into the General Fund. In addition, there was an increase in utilities, pension, and healthcare costs as well as the transfers to cover operating expenses in the Major Street, Local Street, and Motor Vehicle Funds. The increases in expenditures were offset by a savings of \$400,000 through cost-containment measures of the City Council, appointed officials, and department heads. The City continues to operate under a hiring freeze, has eliminated positions through attrition, and removed capital purchases from the budget in an attempt to maintain essential City services at a reasonable cost.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Using this Annual Report

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

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

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	
	2010	2011	2010	2011	2010	2011
Assets						
Current assets	\$ 8.6	\$ 9.2	\$ 3.4	\$ 4.1	\$ 12.0	\$ 13.3
Noncurrent assets:						
Restricted assets	0.1	-	0.5	0.4	0.6	0.4
Capital assets	30.3	29.3	25.1	25.3	55.4	54.6
Total assets	39.0	38.5	29.0	29.8	68.0	68.3
Liabilities						
Current liabilities	1.4	1.0	1.0	0.7	2.4	1.7
Long-term liabilities	10.1	12.3	7.1	7.9	17.2	20.2
Total liabilities	11.5	13.3	8.1	8.6	19.6	21.9
Net Assets						
Invested in capital assets -						
Net of related debt	26.7	27.0	18.6	18.3	45.3	45.3
Restricted	0.7	0.7	0.5	0.4	1.2	1.1
Unrestricted	0.1	(2.5)	1.8	2.5	1.9	-
Total net assets	\$ 27.5	\$ 25.2	\$ 20.9	\$ 21.2	\$ 48.4	\$ 46.4

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

The City's combined net assets decreased \$2.0 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 long-term liabilities is consistent with the increase in liabilities for recording of the GASB No. 45 OPEB liability. A decrease in current liabilities is a result of principal payments on long-term debt and depreciation expense.

Total liabilities in the business-type activities increased about \$0.5 million in fiscal year 2010-2011 due to the installation of water meters and water main repairs. This three-year 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.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

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

	Governmental		Business-type		Total	
	Activities		Activities			
	2010	2011	2010	2011	2010	2011
Revenue						
Program revenue:						
Charges for services	\$ 1.8	\$ 1.3	\$ 5.3	\$ 5.8	\$ 7.1	\$ 7.1
Operating grants and contributions	0.8	0.9	-	-	0.8	0.9
General revenue:						
Property taxes	15.0	13.6	-	-	15.0	13.6
State-shared revenue	1.3	1.4	-	-	1.3	1.4
Unrestricted investment earnings	0.1	0.1	-	-	0.1	0.1
Cable franchise fees	0.3	0.3	-	-	0.3	0.3
Other miscellaneous revenue	-	0.2	-	-	-	0.2
Total revenue	19.3	17.8	5.3	5.8	24.6	23.6
Program Expenses						
General government	3.8	3.4	-	-	3.8	3.4
Public safety	7.4	7.9	-	-	7.4	7.9
Public works	4.9	5.6	-	-	4.9	5.6
Solid waste	1.3	1.1	-	-	1.3	1.1
Recreation and culture	2.1	2.0	-	-	2.1	2.0
Municipal improvements	0.1	0.1	-	-	0.1	0.1
Interest on long-term debt	0.1	0.1	-	-	0.1	0.1
Water and sewer	-	-	4.9	5.0	4.9	5.0
Parking	-	-	0.2	0.2	0.2	0.2
Boat dock	-	-	0.1	0.1	0.1	0.1
Commodity sales	-	-	0.1	0.1	0.1	0.1
Total program expenses	19.7	20.2	5.3	5.4	25.0	25.6
(Deficiency) Excess Before Transfers	(0.4)	(2.4)	-	0.4	(0.4)	(2.0)
Transfers	(0.3)	-	0.2	-	(0.1)	-
Change in Net Assets	\$ (0.7)	\$ (2.4)	\$ 0.2	\$ 0.4	\$ (0.5)	\$ (2.0)

Total revenue for governmental activities decreased \$1.5 million (7.8 percent) from fiscal year 2009-2010. A \$1.4 million decrease in property taxes is the primary cause in the reduction of revenue. Charges for services show a decrease in revenue due to a reduction in the sidewalk repair program and other services performed by the DPW. Operating grants increased slightly due to a grant procured by the public safety department. Miscellaneous revenue increased \$0.2 million due to a budgeted contingency and a partial refund from the Lake Front Park Tax Appeal. Interest income, state-shared revenue, and cable franchise fees remain constant. Total governmental expenses increased \$0.5 million (2.0 percent). The majority of the increased expenses pertain to the increase in utilities, pension, and health care. These expenses were offset overall by departmental cost containment and savings of nearly \$0.5 million.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

In the business-type activities, revenue increased \$0.5 million and expenses increased \$0.1 million. The increase in revenue is a result of the increase in water and sewer rates. The increase in expenses was minimized by the reduced cost to purchase water from Detroit as a result of the water reservoir construction.

Governmental Activities

The City's governmental revenue totaled approximately \$17.8 million, with the greatest revenue source being property taxes. Property taxes make up approximately 76 percent of total governmental revenue. That percentage is down by 2 percent, from approximately 78 percent of total governmental revenue in fiscal year 2009-2010. This sharp decline is due to a decrease in taxable value. With an increasing number of Michigan tax tribunal cases pending, the City continues to report a reduction in revenue by 15 percent of the total dollar amount of all cases under appeal.

Total governmental expenses for the City were approximately \$20.2 million. This is up by \$0.5 million from fiscal year 2009-2010. As in most municipalities, labor cost makes up the greatest portion of the budget. In 2010-2011, the City continues to operate with a hiring freeze, which resulted in many positions being eliminated through attrition. All department directors were diligent in their efforts of cost containment.

Business-type Activities

The City's business-type activities consist of the funds for water and sewer, parking utility, and boat dock. In 2010-2011, the City began installing new meter readers and made repairs to water mains. This project is expected to continue for two more years. 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 97.2 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 totaled approximately \$5.4 million, which is an increase of \$0.1 million over last fiscal year. A total of \$4.2 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 16-17, 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 2010-2011 include the General Fund, the Major Street Fund, the Solid Waste Fund, and the Grosse-Gratiot Drain Fund. Since the Local Street 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 \$0.3 million to the Major Streets Fund, and \$0.83 million to support the Municipal Improvement Fund and the Motor Vehicle Fund. The Grosse-Gratiot Drain Fund transferred \$0.85 million to the General Fund.

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

In fiscal year 2010-2011, the General Fund's fund balance increased by approximately \$850,000. This increase is the result of eliminating capital purchases, reducing road repairs, a hiring freeze, reduction in personnel through attrition, and cost containment efforts of the City Council, appointed officials, and department directors. The budget did include an unused contingency, which added to the surplus. Transfers to other funds increased due to the reduction of property tax revenue.

The City's General Fund's year-end fund balance is approximately \$4.85 million; \$1.08 million is committed and assigned, leaving \$3.77 million unassigned. The unassigned amount represents approximately 31.0 percent of fiscal year 2010-2011 annual 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 Street Fund

The Major Street Fund accounts for the maintenance and replacement of all major streets within the City. Financing is provided by distribution of gas tax proceeds. Major revenue includes approximately \$250,000 from the City's General Fund and approximately \$611,000 in gas and weight tax revenue. Current year expenditures were approximately \$90,000 less than fiscal year 2009-2010, due to a reduction in the sidewalk replacement and asphalt maintenance program. The Major Street Fund's revenue exceeded expenditures by approximately \$2,000. The reserves at year end are \$64,383.

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 2010-2011 remains unchanged from previous years at 1.8807 mills. Although the millage rate remained the same, the revenue generated has decreased approximately \$154,000 due to a decrease in taxable value. The three-year cumulative loss totals \$310,000. Expenses in fiscal year 2010-2011 decreased \$244,000 as compared to the previous year. The primary reason for the decrease in expense was the reduction of transfers out of the Solid Waste Fund and overall cost containment.

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 \$2,650,000 in fiscal year 2010-2011. Although the millage rate remains unchanged at 3.802 mills, the revenue generated has decreased for fiscal year 2010-2011 by approximately \$291,000 due to a decrease in taxable value. The three-year cumulative loss totals \$894,000. Expenditures are primarily related to drain operations and maintenance provided by Wayne County. This is the second year of increases for these services, a cost of \$1,179,000 in fiscal year 2010-2011. In addition to operations and maintenance costs, the cost of the principal and interest payments was approximately \$1,225,000. The Grosse-Gratiot Drain Fund transferred \$855,000 to other funds, primarily for use with infrastructure improvements.

This Grosse-Gratiot Drain Fund's fund balance decreased approximately \$590,000, which was due to property tax reduction and an increase in drain operations. The fund balance reserves were used to balance the 2009-2010 and 2010-2011 Grosse-Gratiot Drain budgets without increasing its millage rate from 3.802. Therefore, the remaining fund balance is \$180,000.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Water and Sewer Fund

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

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

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

General Fund Budgetary Highlights

The City's General Fund ended fiscal year 2010-2011 with three of four labor contracts in negotiation and threats of further declining taxable values. Facing uncertainty in revenue, the City eliminated road construction and capital equipment purchases. The City's original fiscal year 2010-2011 budget (exclusive of transfer out and contingency) projected a \$110,000 increase in fund balance. The planned reduction in expenditures, through cost containment, added an additional \$400,000 to the fund balance projection. A reporting change for the management information systems department, Local Street Fund, and Cable Franchise Fee Fund caused an increase to fund balance in the amount of \$790,000. A partial refund of the Michigan tax tribunal appeal on Lake Front Park resulted in a \$70,000 increase. The additional increase of \$48,000 to the fund balance is attributable to the City Council's imposed hiring freeze and bidding expired contracts. This addition to fund balance is essential to continue City services and offset the anticipated \$1.7 million in revenue shortfall in each of the next three fiscal years. Without significant cuts to expenditures, the City's fund balance will be exhausted by the end of fiscal year 2013-2014.

General Fund actual revenue for fiscal year 2010-2011 was \$420,000 above projected figures, primarily attributable to the reporting change in the management information systems department, the tax tribunal refund, and retiree drug subsidy. The projected revenue from investment income was \$66,000 below projections. The dramatic decline in interest income is due to the use of fund balance and the fact that rates remain at less than 1 percent due to market instability and federal reserve changes.

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Cost containment efforts to hold the line on expenses during fiscal year 2010-2011 were successful at the program level. With the wage freeze and unpaid furlough days, annual buybacks of sick and vacation increased approximately \$15,000 over fiscal year 2009-2010. In total, fiscal year 2009-2010 buyouts of sick and vacation were \$345,000 as compared to \$330,000 in 2008-2009.

As a result of the implementation of GASB Statement No. 54 during the year, the Local Street and Cable Franchise Funds were merged into the General Fund. The City will continue to budget them separately.

Local Street Activity

The Local Street Fund accounts for the maintenance and replacement of all local streets within the City. Financing is provided by distribution of gas tax proceeds. The primary source of revenue includes interfund transfers of \$50,000 from the City's General Fund, \$550,000 from the Grosse-Gratiot Drain Fund, and approximately \$251,000 in gas and weight tax revenue. Revenue for fiscal year 2010-2011 is \$272,000 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 2010-2011 were reduced by \$260,000 due to a reduction in sidewalk and road construction.

The Local Street Fund fund balance decreased approximately \$129,000 with a year-end balance of \$125,000. For reporting purposes, this fund balance has been classified as "committed" and rolled into the General Fund. This decrease is primarily due to less 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 two years, including fiscal year 2010-2011.

The Cable Franchise Fund's fund balance is approximately \$576,000 and is reported in the General Fund as "assigned."

City of Grosse Pointe Woods, Michigan

Management's Discussion and Analysis (Continued)

Capital Asset and Debt Administration

During fiscal year 2010-2011, 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 5 and Note 7, respectively. In fiscal year 2011-2012, the City will continue with water meter replacement and main repairs. The City made application to the State of Michigan Sewer Revolving Fund for low-cost financing of sewer infrastructure improvements. The State will determine which projects are approved later this calendar year.

Economic Factors

The City of Grosse Pointe Woods' fiscal year 2011-2012 budget reflects many of the same challenges that all municipalities in Michigan are facing. A slowed economy is resulting in a downward trend on property values while many personnel, retiree, and operational costs continue to increase. The City is beginning the new fiscal year with a reduction in staff through attrition, and working toward changes to health care with union negotiations. All departments are continuing to evaluate how to operate more efficiently, while maintaining a high level of service to the citizens.

Governmental Accounting Standards Board (GASB) Statement No. 45 requires the City to recognize the cost of retiree health care and other non-pension postretirement benefits over the working life of the employee, rather than at the time the healthcare premiums are paid. The actuary determined the City's annual recommended contribution for providing postretirement benefits other than pension to be \$5,093,000; the unfunded portion of that liability was recorded in this year's financial statements. The City implemented a defined contribution retiree healthcare plan for new hires, which will help to slow the increase of this liability.

The City of Grosse Pointe Woods, similar to many municipalities in the state of Michigan, continues to experience difficult financial times. While little or no growth has been experienced in revenue, some expenditures continue to grow at the rate of inflation or higher. 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 into fiscal year 2011-2012.

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, 2011

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Cash and investments (Note 4)	\$ 8,490,845	\$ 2,897,434	\$ 11,388,279
Receivables:			
Taxes	2,304	-	2,304
Customers	-	1,153,923	1,153,923
Accrued interest	117,986	1,185	119,171
Other	60	-	60
Due from other governmental units	530,579	20,982	551,561
Internal balances (Note 6)	(2,893)	2,893	-
Prepaid expenses	6,111	-	6,111
Restricted cash (Note 1)	-	425,500	425,500
Investments in Grosse Pointes-Clinton Refuse Disposal Authority (Note 12)	58,950	-	58,950
Capital assets (Note 5):			
Nondepreciable capital assets	1,547,967	744,979	2,292,946
Depreciable capital assets - Net	27,778,094	24,578,393	52,356,487
Total assets	38,530,003	29,825,289	68,355,292
Liabilities			
Accounts payable	643,349	622,309	1,265,658
Due to other governmental units	14,472	-	14,472
Due to fiduciary fund	14,180	-	14,180
Accrued and other liabilities	414,978	67,312	482,290
Noncurrent liabilities (Note 7):			
Due within one year	1,946,342	379,026	2,325,368
Due in more than one year	10,401,336	7,523,997	17,925,333
Total liabilities	13,434,657	8,592,644	22,027,301
Net Assets			
Invested in capital assets - Net of related debt	26,918,168	18,345,231	45,263,399
Restricted for:			
Roads	64,383	-	64,383
Fireworks	75,769	-	75,769
Debt service	-	425,500	425,500
Police, fire, and ambulance operations	159,430	-	159,430
Solid waste	464,655	-	464,655
Community development	8,031	-	8,031
Unrestricted	(2,595,090)	2,461,914	(133,176)
Total net assets	\$ 25,095,346	\$ 21,232,645	\$ 46,327,991

City of Grosse Pointe Woods, Michigan

Functions/Programs	Expenses	Program Revenue	
		Charges for Services	Operating Grants and Contributions
Primary government:			
Governmental activities:			
General government	\$ 3,422,593	\$ 370,504	\$ 24,370
Public safety	7,912,560	774,390	-
Public works	5,655,876	65,292	862,199
Solid waste	1,087,987	-	-
Municipal improvements	130,849	-	-
Recreation and culture	1,967,708	102,037	-
Interest on long-term debt	72,814	-	-
Total governmental activities	20,250,387	1,312,223	886,569
Business-type activities:			
Water/Sewer	5,044,337	5,405,036	-
Parking	198,866	201,166	-
Boat dock	73,870	132,715	-
Commodity sales	30,689	40,225	-
Total business-type activities	5,347,762	5,779,142	-
Total primary government	<u>\$ 25,598,149</u>	<u>\$ 7,091,365</u>	<u>\$ 886,569</u>
General revenue:			
Property taxes			
State-shared revenue (unrestricted)			
Unrestricted investment earnings			
Franchise fees			
Other miscellaneous income			
Total general revenue			
Transfers			
Change in Net Assets			
Net Assets - Beginning of year			
Net Assets - End of year			

Statement of Activities
Year Ended June 30, 2011

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>
\$ (3,027,719)	\$ -	\$ (3,027,719)
(7,138,170)	-	(7,138,170)
(4,728,385)	-	(4,728,385)
(1,087,987)	-	(1,087,987)
(130,849)	-	(130,849)
(1,865,671)	-	(1,865,671)
<u>(72,814)</u>	<u>-</u>	<u>(72,814)</u>
(18,051,595)	-	(18,051,595)
-	360,699	360,699
-	2,300	2,300
-	58,845	58,845
<u>-</u>	<u>9,536</u>	<u>9,536</u>
-	431,380	431,380
(18,051,595)	431,380	(17,620,215)
13,536,960	-	13,536,960
1,420,431	-	1,420,431
63,272	7,151	70,423
320,426	-	320,426
<u>234,820</u>	<u>-</u>	<u>234,820</u>
15,575,909	7,151	15,583,060
35,500	(35,500)	-
(2,440,186)	403,031	(2,037,155)
<u>27,535,532</u>	<u>20,829,614</u>	<u>48,365,146</u>
<u>\$ 25,095,346</u>	<u>\$ 21,232,645</u>	<u>\$ 46,327,991</u>

City of Grosse Pointe Woods, Michigan

	General Fund	Special Revenue Funds		Debt Service Fund
		Major Street Fund	Solid Waste Disposal	Grosse-Gratiot Drain Fund
Assets				
Cash and investments (Note 4)	\$ 5,565,486	\$ -	\$ 491,679	\$ 99,715
Receivables:				
Taxes	-	-	-	-
Accrued interest	92,654	209	80	-
Other	-	-	60	-
Due from other governmental units	429,598	98,581	-	-
Due from other funds (Note 6)	26,800	159,895	34,167	104,441
Prepays	6,111	-	-	-
Total assets	\$ 6,120,649	\$ 258,685	\$ 525,986	\$ 204,156
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 332,972	\$ 138,241	\$ 32,302	\$ -
Due to other governmental units	14,472	-	-	-
Due to fiduciary funds	14,180	-	-	-
Due to other funds (Note 6)	526,102	-	-	-
Accrued and other liabilities	245,493	47,035	27,740	24,036
Deferred revenue	33,500	-	-	-
Provision for claims	99,286	9,026	1,289	-
Total liabilities	1,266,005	194,302	61,331	24,036
Fund Balances				
Nonspendable - Prepays	6,111	-	-	-
Restricted:				
Roads	-	64,383	-	-
Solid waste	-	-	464,655	-
Public safety	-	-	-	-
Community development	-	-	-	-
Fireworks	-	-	-	-
Committed - Local streets	125,329	-	-	-
Assigned:				
Subsequent year's budget	372,617	-	-	-
Debt service	-	-	-	180,120
Capital projects	-	-	-	-
Parkway beautification	-	-	-	-
Cable	576,778	-	-	-
Unassigned	3,773,809	-	-	-
Total fund balances	4,854,644	64,383	464,655	180,120
Total liabilities and fund balances	\$ 6,120,649	\$ 258,685	\$ 525,986	\$ 204,156

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

**Governmental Funds
Balance Sheet
June 30, 2011**

Nonmajor Funds	Total
\$ 501,992	\$ 6,658,872
2,304	2,304
353	93,296
-	60
2,400	530,579
191,706	517,009
-	6,111
<u>\$ 698,755</u>	<u>\$ 7,808,231</u>
\$ 116,312	\$ 619,827
-	14,472
-	14,180
16,800	542,902
53,910	398,214
-	33,500
7,736	117,337
194,758	1,740,432
-	6,111
-	64,383
-	464,655
153,083	153,083
8,031	8,031
75,769	75,769
-	125,329
-	372,617
6,347	186,467
182,154	182,154
78,613	78,613
-	576,778
-	3,773,809
<u>503,997</u>	<u>6,067,799</u>
<u>\$ 698,755</u>	<u>\$ 7,808,231</u>

City of Grosse Pointe Woods, Michigan

Governmental Funds Reconciliation of the Balance Sheet to the Statement of Net Assets June 30, 2011

Fund Balance Reported in Governmental Funds	\$ 6,067,799
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	28,257,760
Investments in joint ventures are not financial resources and are not reported in the funds	58,950
Receivables that are collected after year end, such that they are not available to pay bills outstanding as of year end, are not recognized in the funds	33,500
Bonds payable are not due and payable in the current period and are not reported in the funds	(2,407,893)
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds	(8,707,417)
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	(699,342)
Internal service funds are included as part of governmental activities	<u>2,491,989</u>
Net Assets of Governmental Activities	<u>\$ 25,095,346</u>

City of Grosse Pointe Woods, Michigan

	General Fund	Special Revenue Funds		Debt Service Fund
		Major Street Fund	Solid Waste Disposal	Grosse-Gratiot Drain Fund
Revenue				
Property taxes	\$ 9,288,899	\$ -	\$ 1,316,954	\$ 2,669,549
Licenses and permits	609,115	-	-	-
Federal sources	-	-	-	-
State and local sources	1,590,974	610,993	-	-
Charges for services	108,795	-	-	-
Fines and forfeitures	527,534	-	-	-
Interest income	51,558	-	80	-
Other revenue	268,496	46,874	1,881	-
Total revenue	12,445,371	657,867	1,318,915	2,669,549
Expenditures				
Current:				
General government	2,561,987	-	-	-
Public safety	5,676,656	-	-	-
Public works	2,418,111	903,328	1,117,758	1,179,384
Municipal improvements	116,709	2,096	-	-
Parks and recreation	1,509,629	-	-	-
Debt service:				
Principal	-	-	-	1,152,522
Interest on long-term debt	-	-	-	72,597
Total expenditures	12,283,092	905,424	1,117,758	2,404,503
Excess of Revenue Over (Under) Expenditures	162,279	(247,557)	201,157	265,046
Other Financing Sources (Uses)				
Transfers in	1,040,008	249,619	-	-
Transfers out	(466,779)	-	(55,000)	(855,000)
Net Change in Fund Balances	735,508	2,062	146,157	(589,954)
Fund Balances - As restated - Beginning of year (Note 2)	4,119,136	62,321	318,498	770,074
Fund Balances - End of year	\$ 4,854,644	\$ 64,383	\$ 464,655	\$ 180,120

Governmental Funds

Statement of Revenue, Expenditures, and Changes in Fund Balances
Year Ended June 30, 2011

Nonmajor Funds	Total
\$ 250,519	\$ 13,525,921
-	609,115
8,083	8,083
7,184	2,209,151
-	108,795
-	527,534
2,886	54,524
405,400	722,651
674,072	17,765,774
166,241	2,728,228
390,517	6,067,173
-	5,618,581
129,178	247,983
71,908	1,581,537
-	1,152,522
-	72,597
757,844	17,468,621
(83,772)	297,153
235,660	1,525,287
(8,000)	(1,384,779)
143,888	437,661
360,109	5,630,138
\$ 503,997	\$ 6,067,799

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, 2011

Net Change in Fund Balances - Total Governmental Funds	\$	437,661
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		348,211
Depreciation expense		(1,274,014)
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		
		10,568
Other postemployment benefit obligation expense is recognized in the statement of activities, but not in the governmental funds		
		(3,163,486)
Repayment of bond principal is an expenditure in the governmental funds, but not in the statement of activities (where it reduces long-term debt)		
		1,152,522
Change in investment in a joint Grosse Pointes-Clinton Refuse Disposal Authority is not recorded in the funds		
		(6,712)
Internal service funds are included as part of governmental activities		
		21,564
Change in Net Assets of Governmental Activities	\$	(2,440,186)

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Net Assets June 30, 2011

	Enterprise Funds			Governmental
		Nonmajor	Total	Activities
	Water and Sewer Fund	Enterprise Funds	Enterprise Funds	Internal Service Funds
Assets				
Current assets:				
Cash and investments (Note 4)	\$ 2,173,026	\$ 724,408	\$ 2,897,434	\$ 1,831,973
Receivables:				
Customers	1,153,923	-	1,153,923	-
Accrued interest receivable	1,185	-	1,185	24,690
Due from other governmental units	20,982	-	20,982	-
Due from other funds (Note 6)	3,393	9,500	12,893	23,000
Total current assets	3,352,509	733,908	4,086,417	1,879,663
Noncurrent assets:				
Restricted cash (Note 1)	425,500	-	425,500	-
Capital assets (Note 5):				
Assets not subject to depreciation	744,979	-	744,979	-
Assets subject to depreciation	24,339,310	239,083	24,578,393	1,068,301
Total noncurrent assets	25,509,789	239,083	25,748,872	1,068,301
Total assets	28,862,298	972,991	29,835,289	2,947,964
Liabilities				
Current liabilities:				
Accounts payable	608,970	13,339	622,309	23,522
Due to other funds	-	10,000	10,000	-
Accrued and other liabilities	49,005	18,307	67,312	16,764
Provision for claims - Less than one year	9,026	-	9,026	2,579
Current portion of long-term debt (Note 7)	370,000	-	370,000	-
Total current liabilities	1,037,001	41,646	1,078,647	42,865
Noncurrent liabilities:				
Provision for claims - Greater than one year	-	-	-	136,975
Other postemployment benefit obligation (Note 9)	734,523	181,333	915,856	276,135
Long-term debt - Net of current portion (Note 7)	6,608,141	-	6,608,141	-
Total noncurrent liabilities	7,342,664	181,333	7,523,997	413,110
Total liabilities	8,379,665	222,979	8,602,644	455,975
Net Assets				
Invested in capital assets - Net of related debt	18,106,148	239,083	18,345,231	1,068,301
Restricted - Debt service	425,500	-	425,500	-
Unrestricted	1,950,985	510,929	2,461,914	1,423,688
Total net assets	<u>\$ 20,482,633</u>	<u>\$ 750,012</u>	<u>\$ 21,232,645</u>	<u>\$ 2,491,989</u>

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

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Revenue, Expenses, and Changes in Net Assets Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Operating Revenue				
Water sales and charges for services	\$ 5,231,686	\$ -	\$ 5,231,686	\$ -
Penalties	54,098	-	54,098	-
Fees and violations	-	141,658	141,658	-
Park violations	-	59,508	59,508	-
Dockings and launching fees	-	132,715	132,715	-
Commodity sales	-	40,225	40,225	-
Other revenue	119,252	-	119,252	4,801
Revenue and billings to other funds	-	-	-	1,152,183
Total operating revenue	5,405,036	374,106	5,779,142	1,156,984
Operating Expenses				
Cost of water and disposal	3,075,885	-	3,075,885	-
Insurance expense and contractual services	-	-	-	151,873
Operation and maintenance	228,969	153,038	382,007	498,442
General and administrative	809,710	111,277	920,987	208,829
Charges from internal service funds	50,000	12,400	62,400	-
Depreciation	672,529	26,710	699,239	227,873
Total operating expenses	4,837,093	303,425	5,140,518	1,087,017
Operating Income	567,943	70,681	638,624	69,967
Nonoperating Revenue (Expenses)				
Interest income	6,192	959	7,151	6,701
Interest expense	(207,244)	-	(207,244)	-
Gain on disposal of asset	-	-	-	49,904
Income - Before transfers	366,891	71,640	438,531	126,572
Transfers In (Note 6)	-	9,500	9,500	-
Transfers Out (Note 6)	(45,000)	-	(45,000)	(105,008)
Change in Net Assets	321,891	81,140	403,031	21,564
Net Assets - Beginning of year	20,160,742	668,872	20,829,614	2,470,425
Net Assets - End of year	<u>\$ 20,482,633</u>	<u>\$ 750,012</u>	<u>\$ 21,232,645</u>	<u>\$ 2,491,989</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Cash Flows Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Cash Flows from Operating Activities				
Receipts from customers	\$ 5,187,191	\$ 374,106	\$ 5,561,297	\$ 1,156,984
Payments for interfund services and reimbursements	(53,076)	(7,510)	(60,586)	678,758
Payments to suppliers	(3,440,687)	(167,029)	(3,607,716)	(558,550)
Payments to employees	(670,911)	(119,955)	(790,866)	(377,832)
Internal activity - Payments to other funds	(903)	(164)	(1,067)	-
Other receipts	119,180	212,658	331,838	616,316
Other payments	425,288	(122,614)	302,674	(732,664)
Net cash provided by operating activities	1,566,082	169,492	1,735,574	783,012
Cash Flows from Noncapital Financing Activities				
Transfers from other funds	-	9,500	9,500	-
Transfers to other funds	(45,000)	-	(45,000)	(105,008)
Net cash (used in) provided by noncapital financing activities	(45,000)	9,500	(35,500)	(105,008)
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	-	-	-	49,904
Purchase of capital assets	(942,902)	-	(942,902)	(135,012)
Principal and interest paid on capital debt	264,409	-	264,409	-
Net cash used in capital and related financing activities	(678,493)	-	(678,493)	(85,108)
Cash Flows from Investing Activities -				
Interest received on investments	6,192	959	7,151	6,701
Net Increase in Cash and Cash Equivalents	848,781	179,951	1,028,732	599,597
Cash and Cash Equivalents - Beginning of year	1,749,745	544,457	2,294,202	1,232,376
Cash and Cash Equivalents - End of year	<u>\$ 2,598,526</u>	<u>\$ 724,408</u>	<u>\$ 3,322,934</u>	<u>\$ 1,831,973</u>

City of Grosse Pointe Woods, Michigan

Proprietary Funds Statement of Cash Flows (Continued) Year Ended June 30, 2011

	Enterprise Funds			Governmental Activities
	Major Enterprise Fund - Water and Sewer Fund	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
Balance Sheet Classification of Cash and Cash Equivalents				
Cash and investments	\$ 2,173,026	\$ 724,408	\$ 2,897,434	\$ 1,831,973
Restricted cash	425,500	-	425,500	-
Total cash and cash equivalents	<u>\$ 2,598,526</u>	<u>\$ 724,408</u>	<u>\$ 3,322,934</u>	<u>\$ 1,831,973</u>
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 567,943	\$ 70,681	\$ 638,624	\$ 69,967
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	672,529	26,710	699,239	227,873
Changes in assets and liabilities:				
Receivables	(98,665)	-	(98,665)	(2,859)
Due from others	(3,076)	10,427	7,351	483,277
Accounts payable	(285,225)	(2,032)	(287,257)	(28,738)
Due to other funds	(903)	(164)	(1,067)	-
Accrued and other liabilities	288,191	63,870	352,061	33,492
Other Assets	425,288	-	425,288	-
Net cash provided by operating activities	<u>\$ 1,566,082</u>	<u>\$ 169,492</u>	<u>\$ 1,735,574</u>	<u>\$ 783,012</u>

Noncash Activity - There were no noncash transactions for the year ended June 30, 2011.

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Fiduciary Net Assets June 30, 2011

	Pension and Other Employee Benefits	Agency Funds
Assets		
Cash and cash equivalents	\$ 2,484,574	\$ 38,576
Investments:		
U.S. government securities	4,589,014	-
Stocks	26,017,332	-
Corporate bonds	39,282	-
Mutual funds	4,115,943	-
Receivables:		
Accrued interest receivable	13,257	-
Other receivables	114,002	-
Due from primary government	14,180	-
	37,387,584	\$ 38,576
Liabilities		
Accounts payable	-	\$ 17,718
Court bonds payable	-	20,858
	-	\$ 38,576
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 37,387,584	

City of Grosse Pointe Woods, Michigan

Fiduciary Funds Statement of Changes in Fiduciary Net Assets Pension Trust Funds Year Ended June 30, 2011

	Pension Trust Funds
Additions	
Investment income:	
Interest and dividends	\$ 863,851
Net increase in fair market value	6,982,565
Less investment expenses	<u>(280,546)</u>
Total investment income - Net	7,565,870
Contributions:	
Employer	975,404
Employee	<u>308,400</u>
Total contributions	<u>1,283,804</u>
Total additions - Net	8,849,674
Deductions - Pension payments	<u>2,998,655</u>
Net Increase	5,851,019
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	<u>31,536,565</u>
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u><u>\$ 37,387,584</u></u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 1 - 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

Notes to Financial Statements June 30, 2011

Note 1 - 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

Notes to Financial Statements June 30, 2011

Note 1 - Summary of Significant Accounting Policies (Continued)

- The Major Street Fund accounts for the maintenance and replacement of all major streets within the City. Funding is provided by distribution of gas tax proceeds.
- The 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 three internal service funds:
 - The Motor Vehicle Fund has been established to account for costs associated with vehicles purchased by the City and used by all departments within the City.
 - The Workers' Compensation Fund is used to fund workers' compensation claims and purchase insurance that provides coverage for employees. The fund is financed primarily by charges to various departments of the City.
 - The Management Information Systems Fund accounts for the maintenance and operation of the City computer and communication network system.
- The pension and other employee benefit trust funds account for the activities of employee benefit plans that accumulate resources for pension and other postemployment benefit payments to qualified employees and are reported as fiduciary funds.
- The 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

Notes to Financial Statements June 30, 2011

Note 1 - 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 2010 tax is levied and collectible on December 1, 2010 and is recognized as revenue in the year ended June 30, 2011, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2010 taxable valuation of the City of Grosse Pointe Woods totaled \$699 million, on which ad valorem taxes levied consisted of 13.1180 mills for operating purposes, 0.0590 mills for public relations, 1.8807 mills for solid waste disposal, and 2.6320 mills for the Grosse-Gratiot Drain. This resulted in \$9.55 million for operating purposes, \$.04 million for public relations, \$1.31 million for solid waste disposal, and \$1.84 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, 2011

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 \$425,500 at June 30, 2011. 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	10-20 years

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 1 - 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

Notes to Financial Statements June 30, 2011

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 implemented GASB Statement No. 54 during the year.

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.

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, 2011

Note 2 - Accounting and Reporting Change

During the year, the City adopted GASB 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. In order to conform the classifications of the funds to the appropriate fund types under these new definitions, beginning fund balance was restated as follows:

	<u>General Fund</u>
Fund Balance - June 30, 2010 - As previously reported	\$ 3,305,742
Reclassifications under GASB Statement No. 54 - Local Streets Fund and Cable Franchise Fund, previously reported as major funds, were merged into the General Fund	<u>813,394</u>
Fund Balance - June 30, 2010 - As restated	<u><u>\$ 4,119,136</u></u>

Note 3 - Stewardship, Compliance, and Accountability

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

Cumulative shortfall at July 1, 2010	\$ (579,292)
Current year building permit revenue	250,991
Related expenses:	
Direct costs	\$ 299,039
Estimated indirect costs	<u>143,055</u>
	<u>442,094</u>
Current year shortfall	<u>(191,103)</u>
Cumulative shortfall at June 30, 2011	<u><u>\$ (770,395)</u></u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 4 - Deposits and Investments

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The 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.

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

Custodial Credit Risk of Bank Deposits - Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. At year end, the City had \$1,958,663 of bank deposits (certificates of deposit, checking, and savings accounts). Of that amount, \$500,000 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.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 4 - Deposits and Investments (Continued)

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

<u>Primary Government</u>	<u>Fair Value</u>	<u>0-5 Years</u>	<u>5-15 Years</u>	<u>15 Years and More</u>
U.S. government agencies and securities:				
Negotiable certificates of deposit	\$ 1,854,064	\$ 1,854,064	\$ -	\$ -
Federal Home Loan Mortgage Corporation	200,174	200,174	-	-
Federal National Mortgage Association	100,349	100,349	-	-
Federal Home Loan Bank	199,945	199,945	-	-
<u>Fiduciary Funds</u>	<u>Fair Value</u>	<u>0-5 Years</u>	<u>5-15 Years</u>	<u>15 Years and More</u>
Mutual funds - Fixed-income shares	\$ 4,115,943	\$ 4,115,943	\$ -	\$ -
U.S. Treasury bonds and notes	2,094,155	1,809,577	-	284,578
Federal National Mortgage Association	2,277,616	234,965	-	2,042,651
Federal Home Loan Mortgage Corporation	217,245	-	-	217,245

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 4 - 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	\$ 101,805	BAA	S&P
Negotiable CDs	1,752,260	Unrated	S&P
Federal Home Loan Mortgage Corporation	200,174	AAA	S&P
Bank investment pools	7,407,455	AI/PI/FI	S&P
Bank investment pools	197,138	Not rated	N/A
Federal National Mortgage Association	100,379	AAA	S&P
Federal Home Loan Bank	199,945	AAA	S&P
Fiduciary funds:			
Federal National Mortgage Association	2,042,651	AAA	S&P
U.S. Treasury notes	2,094,155	AAA	S&P
Federal Home Loan Mortgage Corporation	217,245	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	7.84%
Federal National Mortgage Association	3.93%
Federal Home Loan Mortgage Corporation	7.84%
Fiduciary funds - Federal National Mortgage Association	5.48%

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets

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

Governmental Activities	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>June 30, 2011</u>
Capital assets not being depreciated - Land	\$ 1,547,967	\$ -	\$ -	\$ 1,547,967
Capital assets being depreciated:				
Infrastructure	27,202,458	93,061	-	27,295,519
Buildings	8,931,078	41,000	-	8,972,078
Equipment and vehicles	6,583,468	193,806	-	6,777,274
Land improvements	<u>212,803</u>	<u>20,344</u>	-	<u>233,147</u>
Subtotal	42,929,807	348,211	-	43,278,018
Accumulated depreciation:				
Infrastructure	5,435,010	561,519	-	5,996,529
Buildings	3,254,460	296,325	-	3,550,785
Equipment and vehicles	5,508,004	408,087	-	5,916,091
Land improvements	<u>28,436</u>	<u>8,083</u>	-	<u>36,519</u>
Subtotal	<u>14,225,910</u>	<u>1,274,014</u>	-	<u>15,499,924</u>
Net capital assets being depreciated	<u>28,703,897</u>	<u>(925,803)</u>	-	<u>27,778,094</u>
Net governmental funds capital assets	<u>\$ 30,251,864</u>	<u>\$ (925,803)</u>	<u>\$ -</u>	<u>\$ 29,326,061</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 5 - Capital Assets (Continued)

Business-type Activities	<u>Balance July 1, 2010</u>	<u>Additions</u>	<u>Disposals and Adjustments</u>	<u>Balance June 30, 2011</u>
Capital assets not being depreciated - Construction in progress	\$ 1,976,487	\$ 859,786	\$ (2,091,294)	\$ 744,979
Capital assets being depreciated:				
Infrastructure	31,876,693	83,116	2,091,294	34,051,103
Land improvements	<u>1,534,590</u>	<u>-</u>	<u>-</u>	<u>1,534,590</u>
Subtotal	33,411,283	83,116	2,091,294	35,585,693
Accumulated depreciation:				
Infrastructure	9,039,264	672,529	-	9,711,793
Land improvements	<u>1,268,797</u>	<u>26,710</u>	<u>-</u>	<u>1,295,507</u>
Subtotal	<u>10,308,061</u>	<u>699,239</u>	<u>-</u>	<u>11,007,300</u>
Net capital assets being depreciated	<u>23,103,222</u>	<u>(616,123)</u>	<u>2,091,294</u>	<u>24,578,393</u>
Net business-type capital assets	<u>\$ 25,079,709</u>	<u>\$ 243,663</u>	<u>\$ -</u>	<u>\$ 25,323,372</u>

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

Governmental activities:	
General government	\$ 86,433
Public safety	65,889
Public works	598,567
Recreation and culture	295,251
Internal service funds	<u>227,874</u>
Total governmental activities	<u>\$ 1,274,014</u>
Business-type activities:	
Water and sewer	\$ 672,529
Parking utility	19,020
Boat dock	<u>7,690</u>
Total business-type activities	<u>\$ 699,239</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 5 - 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 \$946,429 in connection with the active construction project and the City's commitment with contractors was approximately \$3,696,000.

Note 6 - Interfund Receivables, Payables, and Transfers

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

Receivable Fund	Payable Fund	Amount
Due to/from Other Funds		
General Fund	Nonmajor governmental funds	\$ 16,800
	Nonmajor enterprise funds	10,000
	Total General Fund	26,800
Major Street Fund	General Fund	159,895
Solid Waste Fund	General Fund	34,167
Grosse-Gratiot Drain Fund	General Fund	104,441
Nonmajor governmental funds	General Fund	191,706
Water and Sewer Fund	General Fund	3,393
Nonmajor enterprise funds	General Fund	9,500
Internal service funds	General Fund	23,000
	Total	<u>\$ 552,902</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, 2011

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

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

<u>Fund Transferred From</u>	<u>Fund Transferred To</u>	<u>Amount</u>
General Fund	Major Street Fund	\$ 249,619
	Nonmajor governmental funds	207,660
	Nonmajor enterprise funds	<u>9,500</u>
	Total General Fund (1)	466,779
Solid Waste Disposal	General Fund (2)	55,000
Grosse-Gratiot Drain Fund	General Fund (1)	855,000
Nonmajor governmental funds	Nonmajor governmental funds (1)	8,000
Internal service funds	General Fund (1)	105,008
Water and Sewer Fund	General Fund	25,000
	Nonmajor governmental funds	<u>20,000</u>
	Total Water and Sewer Fund (2)	<u>45,000</u>
	Total	<u>\$ 1,534,787</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, 2011

Note 7 - Long-term Debt

The City issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the City. 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>
Governmental Activities							
General obligation bonds:							
County Contractual - Wayne County Drain Commission - Combined Drain Bonds:							
Amount of issue - \$19,208,696 Maturing through 2013	Various	\$102,849 - \$1,222,097	\$ 3,560,415	\$ -	\$ 1,152,522	\$ 2,407,893	\$ 1,185,797
Other long-term obligations:							
Employee compensated absences			690,794	637,514	628,966	699,342	640,629
Estimated liability for workers' compensation and health claims (Note 11)			110,688	156,891	10,688	256,891	119,916
Other postemployment benefit obligation (Note 9)			<u>5,718,039</u>	<u>3,265,513</u>	<u>-</u>	<u>8,983,552</u>	<u>-</u>
Total governmental activities			<u>\$ 10,079,936</u>	<u>\$ 4,059,918</u>	<u>\$ 1,792,176</u>	<u>\$ 12,347,678</u>	<u>\$ 1,946,342</u>
Business-type Activities							
Revenue bonds:							
2003 Revenue Bond:							
Amount of issue - \$5,300,000 Maturing through 2022	3.00% - 3.95%	\$280,000 - \$445,000	\$ 4,530,000	\$ -	\$ 275,000	\$ 4,255,000	\$ 280,000
2010 Drinking Water Revolving Fund Bond-7301-01:							
Amount of issue - \$1,915,991 Maturing through 2030	2.50%	\$85,000 - \$135,000	1,915,991	151,970	85,000	1,982,961	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>60,497</u>	<u>679,683</u>	<u>-</u>	<u>740,180</u>	<u>-</u>
Total revenue bonds			6,506,488	831,653	360,000	6,978,141	370,000
Other long-term obligations:							
Other postemployment benefit obligation (Note 9)			588,805	327,051	-	915,856	-
Estimated liability for workers' compensation and health claims (Note 11)			<u>-</u>	<u>9,026</u>	<u>-</u>	<u>9,026</u>	<u>9,026</u>
Total business-type activities and governmental activities			<u>\$ 7,095,293</u>	<u>\$ 1,167,730</u>	<u>\$ 360,000</u>	<u>\$ 7,903,023</u>	<u>\$ 379,026</u>

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 7 - Long-term Debt (Continued)

For the governmental activities, claims and judgments and compensated absences are generally liquidated by the General Fund related to employee salaries and fringes. Additionally, for the business-type activities, claims and judgments and compensated absences are generally liquidated by the Water and Sewer Fund for employee salaries and fringes. Net pension obligations and net OPEB obligations are typically paid from the funds 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 \$5,261,129. During the current year, net revenue of the system was \$567,943 compared to the annual debt requirements of \$423,760.

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
2012	\$ 1,185,797	\$ 43,945	\$ 1,229,742	\$ 370,000	\$ 238,873	\$ 608,873
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
2017-2021	-	-	-	2,560,180	490,201	3,050,381
2022-2026	-	-	-	1,465,000	108,488	1,573,488
2027-2031	-	-	-	317,961	8,351	326,312
Total	<u>\$ 2,407,893</u>	<u>\$ 58,621</u>	<u>\$ 2,466,514</u>	<u>\$ 6,978,141</u>	<u>\$ 1,536,826</u>	<u>\$ 8,514,967</u>

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.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 8 - Pension Plans (Continued)

At June 30, 2010, 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	94
Current active employees	90
	<hr/>
Total membership	184
	<hr/>

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

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

Funded Status and Funding Progress

As of June 30, 2010, the most recent actuarial valuation date, the plan was 86.8 percent funded. The actuarial accrued liability for benefits was \$41.5 million, and the actuarial value of assets was \$36.0 million, resulting in a funded actuarial accrued liability of \$5.5 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.5 million.

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

Note 8 - Pension Plans (Continued)

Annual Pension Costs

For the year ended June 30, 2011, the City was required to make a contribution to the pension plan of \$786,228, exclusive of \$305,220 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, 2010 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 9.3 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 33.2 percent funded. The actuarial accrued liability for benefits was \$3.0 million, and the actuarial value of assets was \$1.0 million, resulting in an unfunded actuarial accrued liability of \$2 million. The covered payroll (annual payroll of active employees covered by the plan) was \$5.5 million, and the ratio of the unfunded actuarial accrued liability to the covered payroll was 35.8 percent.

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 8 - Pension Plans (Continued)

Annual Pension Costs

For the year ended June 30, 2011, the City's actual annual supplemental annuity cost of \$277,345 for the system met the required contribution. The annual required contribution was determined as part of an actuarial valuation at June 20, 2010 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 9.3 percent. The projected salary increases include an inflation factor of 4.5 percent. The actuarial value of assets was determined using market value. The unfunded actuarial liability is being amortized as a level dollar on a closed basis. The remaining amortization period is 13 years.

Financial Statement Information - As of June 30, 2011, the statement of net assets for the pension plans is as follows:

	Pension and Other Employee Benefit Funds		
	Pension Trust Fund	Supplementary Annuity Fund	Total
Assets			
Cash and cash equivalents	\$ 2,376,517	\$ 108,057	\$ 2,484,574
Investments:			
Mutual funds	4,115,943	-	4,115,943
U.S. government securities	3,553,189	1,035,825	4,589,014
Corporate bonds	39,282	-	39,282
Stocks	26,017,332	-	26,017,332
Accrued interest receivable	13,257	-	13,257
Contributions receivable	114,002	11,000	125,002
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 36,229,522	\$ 1,154,882	\$ 37,384,404

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 8 - Pension Plans (Continued)

For the year ended June 30, 2011, the statement of changes in net assets for the pension plans is as follows:

	Pension Trust Fund	Supplementary Annuity Fund	Total
Additions			
Investment income:			
Interest and dividends	\$ 863,851	\$ -	\$ 863,851
Net increase in fair market value	6,816,816	165,749	6,982,565
Less investment expenses	(280,546)	-	(280,546)
Total investment income	7,400,121	165,749	7,565,870
Contributions:			
Employer	751,202	224,202	975,404
Employee	305,220	-	305,220
Total contributions	1,056,422	224,202	1,280,624
Deductions - Pension payments	2,774,413	224,242	2,998,655
Net increase	5,682,130	165,709	5,847,839
Net assets held in trust for pension and other employee benefits:			
Beginning of year	30,547,392	989,173	31,536,565
End of year	\$ 36,229,522	\$ 1,154,882	\$ 37,384,404

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		
	2009	2010	2011
Pension trust:			
Annual pension costs (APC)	\$ 1,115,843	\$ 754,106	\$ 786,228
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	None	None	None
Supplemental annuity:			
Annual pension costs (APC)	\$ 246,823	\$ 213,202	\$ 227,345
Percentage of APC contributed	100 %	100 %	100 %
Net pension obligation	None	None	None

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

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.

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, 2011, the City has estimated the cost of providing retiree healthcare benefits through an actuarial valuation as of June 30, 2007. The valuation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. This valuation's computed contribution and actual funding are summarized as follows:

Annual required contribution (recommended)	\$ 5,093,267
Interest on the prior year's net OPEB obligation	<u>280,367</u>
Annual OPEB cost	5,373,634
Amounts contributed - Payments of current premiums	<u>(1,781,070)</u>
Increase in net OPEB obligation	3,592,564
OPEB obligation - Beginning of year	<u>6,306,844</u>
OPEB obligation - End of year	<u><u>\$ 9,899,408</u></u>

Fiscal Year Ended	Actuarial Valuation Date	Annual OPEB Costs	Percentage OPEB Costs Contributed	Net OPEB Obligation
6/30/09	6/30/07	\$ 3,245,706	43.7 %	\$ 3,245,706
6/30/10	6/30/07	5,019,996	39.0	6,306,844
6/30/11	6/30/07	5,373,634	33.1	9,899,408

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

Note 9 - Other Postemployment Benefits (Continued)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (Percent) (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
6/30/07	\$ -	\$ 60,894,963	\$ 60,894,963	-	N/A	N/A
6/30/11	-	57,033,150	57,033,150	-	5,454,568	1,045.6

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

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

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.

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

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, 2011, employees who had elected to participate in the Plan had contributed \$3,927,270.

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

Note 11 - Risk Management

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

Medical

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

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

City of Grosse Pointe Woods, Michigan

Notes to Financial Statements June 30, 2011

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

	Workers' Compensation		Medical Claims	
	2011	2010	2011	2010
Estimated liability - Beginning of year	\$ 110,688	\$ 113,615	\$ -	\$ -
Estimated claims incurred, including changes in estimates	226,848	118,246	1,616,109	1,308,155
Claim payments	<u>(200,561)</u>	<u>(121,173)</u>	<u>(1,487,167)</u>	<u>(1,308,155)</u>
Estimated liability - End of year	<u>\$ 136,975</u>	<u>\$ 110,688</u>	<u>\$ 128,942</u>	<u>\$ -</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 \$58,950 at June 30, 2011 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

Notes to Financial Statements June 30, 2011

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.

Required Supplemental Information

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 9,151,675	\$ 9,151,675	\$ 9,288,899	\$ 137,224
Licenses and permits	535,300	535,300	609,115	73,815
State-shared revenue and grants	1,178,600	1,178,600	1,339,768	161,168
Charges for services	139,500	139,500	108,795	(30,705)
Fines and forfeitures	552,500	552,500	527,534	(24,966)
Interest income	100,000	100,000	34,310	(65,690)
Other revenue	169,310	169,310	233,876	64,566
Transfers in	385,000	385,000	490,008	105,008
Total revenue	12,211,885	12,211,885	12,632,305	420,420
Expenditures				
Current:				
General government:				
City Council	75,030	75,030	53,658	21,372
City comptroller	352,515	352,515	297,309	55,206
Commission	21,515	21,515	13,087	8,428
Municipal Court	474,207	474,207	373,948	100,259
City assessor	154,374	154,374	161,723	(7,349)
City clerk	286,133	286,133	248,187	37,946
Building inspection	311,152	311,152	299,039	12,113
City attorney	274,100	274,100	190,699	83,401
Administration	227,671	219,171	166,023	53,148
Fringe benefits	523,580	523,580	602,293	(78,713)
Other services and charges	159,750	149,750	156,021	(6,271)
Total general government	2,860,027	2,841,527	2,561,987	279,540
Contingency	-	110,649	-	110,649
Public safety:				
Police service	3,284,431	3,331,664	3,294,242	37,422
Fire prevention and inspection	247,214	247,214	171,391	75,823
Fringe benefits	1,656,362	1,609,129	1,724,291	(115,162)
Support service	131,940	131,940	132,228	(288)
Administration	257,606	256,606	226,586	30,020
Other services and charges	130,000	130,000	127,918	2,082
Total public safety	5,707,553	5,706,553	5,676,656	29,897

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - General Fund (Continued) Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Expenditures (Continued)				
Current (Continued):				
Public works:				
Street maintenance	\$ 69,820	\$ 69,820	\$ 66,274	\$ 3,546
Administration	251,657	251,657	235,052	16,605
Other services and charges	952,354	952,354	1,009,171	(56,817)
Supervision and engineering	72,696	72,696	62,088	10,608
Fringe benefits	46,494	45,144	48,967	(3,823)
City building and grounds	<u>125,867</u>	<u>125,867</u>	<u>99,446</u>	<u>26,421</u>
Total public works	1,518,888	1,517,538	1,520,998	(3,460)
Parks and recreation:				
Other services and charges	14,400	14,400	8,713	5,687
Supervision and engineering	687,739	687,739	571,709	116,030
Lake Front Park	658,922	666,660	541,101	125,559
Fringe benefits	183,691	183,691	182,642	1,049
Community center	287,066	287,066	163,990	123,076
City parks	<u>65,181</u>	<u>65,181</u>	<u>41,474</u>	<u>23,707</u>
Total parks and recreation	1,896,999	1,904,737	1,509,629	395,108
Transfers out	<u>395,917</u>	<u>500,378</u>	<u>516,240</u>	<u>(15,862)</u>
Total expenditures	<u>12,379,384</u>	<u>12,581,382</u>	<u>11,785,510</u>	<u>795,872</u>
Net Change in Fund Balance	(167,499)	(369,497)	846,795	1,216,292
Fund Balance - Beginning of year	<u>3,305,742</u>	<u>3,305,742</u>	<u>3,305,742</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 3,138,243</u>	<u>\$ 2,936,245</u>	<u>\$ 4,152,537</u>	<u>\$ 1,216,292</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Major Street Fund Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 585,000	\$ 585,000	\$ 610,993	\$ 25,993
Other revenue	36,000	36,000	46,874	10,874
Transfers in	299,619	299,619	249,619	(50,000)
Total revenue	920,619	920,619	907,486	(13,133)
Expenditures - Current				
Public works:				
Street construction	31,350	31,350	21,979	9,371
Routine maintenance	805,030	805,030	811,145	(6,115)
Winter maintenance	15,500	15,500	18,957	(3,457)
Traffic services	18,100	18,100	16,384	1,716
Forestry services	45,499	45,499	33,011	12,488
Fringe benefits	5,140	5,140	1,852	3,288
Total public works	920,619	920,619	903,328	17,291
Municipal improvements	-	-	2,096	(2,096)
Total expenditures	920,619	920,619	905,424	15,195
Net Change in Fund Balance	-	-	2,062	2,062
Fund Balance - Beginning of year	62,321	62,321	62,321	-
Fund Balance - End of year	\$ 62,321	\$ 62,321	\$ 64,383	\$ 2,062

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Budgetary Comparison Schedule - Major Special Revenue Funds Solid Waste Disposal Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 1,315,111	\$ 1,315,111	\$ 1,316,954	\$ 1,843
Interest income	500	500	80	(420)
Other revenue	2,000	2,000	1,881	(119)
Total revenue	1,317,611	1,317,611	1,318,915	1,304
Expenditures - Current				
Public works:				
Solid waste	1,259,204	1,259,204	1,067,582	191,622
Fringe benefits	71,241	71,241	50,176	21,065
Total public works	1,330,445	1,330,445	1,117,758	212,687
Transfers out	55,000	55,000	55,000	-
Total expenditures	1,385,445	1,385,445	1,172,758	212,687
Net Change in Fund Balance	(67,834)	(67,834)	146,157	213,991
Fund Balance - Beginning of year	318,498	318,498	318,498	-
Fund Balance - End of year	<u>\$ 250,664</u>	<u>\$ 250,664</u>	<u>\$ 464,655</u>	<u>\$ 213,991</u>

City of Grosse Pointe Woods, Michigan

Required Supplemental Information Pension System Schedule of Funding Progress Year Ended June 30, 2011

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
6/30/05	\$ 33,329,000	\$ 36,141,000	\$ 2,812,000	92.2	\$ 5,436,000	51.7
6/30/06	33,549,000	36,846,000	3,297,000	91.1	5,452,000	60.5
6/30/07	35,801,000	38,744,000	2,943,000	92.4	5,740,000	51.3
6/30/08	37,728,000	36,310,000	(1,418,000)	103.9	5,739,000	(24.7)
6/30/09	37,149,000	40,417,000	3,268,000	91.9	6,214,000	52.6
6/30/10	36,074,000	41,541,000	5,467,000	86.8	5,545,568	98.6

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/06	\$ 575,540	100
6/30/07	1,306,228	100
6/30/08	1,016,356	100
6/30/09	1,115,843	100
6/30/10	754,106	100
6/30/11	670,419	100

The information presented above was determined as part of the actuarial valuations at the dates indicated. Additional information as of June 30, 2010, 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	4-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.0% - 9.3%
*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, 2011

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

The schedule of employer contributions is as follows:

Fiscal Year Ended	Annual Required Contribution	Percentage Contributed
6/30/06	\$ 236,845	100
6/30/07	248,556	100
6/30/08	248,038	100
6/30/09	246,823	100
6/30/10	213,202	100
6/30/11	227,345	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	13 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	8.0%
Projected salary increases*	4.0% - 9.3%
*Includes inflation at	4.5%
Cost of living adjustments	2.5% - Compound for retirements effective on or after July 1, 1990

City of Grosse Pointe Woods, Michigan

Note to Required Supplemental Information Year Ended June 30, 2011

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	\$ 12,445,371	\$ 12,283,092	\$ 162,279
Local Street Fund budgeted separately from the General Fund	(285,826)	(1,013,822)	727,996
Cable franchise funds budgeted separately from the General Fund	(17,248)	-	(17,248)
Operating transfers budgeted as revenue and expenditures	490,008	516,240	(26,232)
Amounts per budget statement	<u>\$ 12,632,305</u>	<u>\$ 11,785,510</u>	<u>\$ 846,795</u>
	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
<u>Major Street Fund</u>			
Amounts per operating statement	\$ 657,867	\$ 905,424	\$ (247,557)
Operating transfers budgeted as revenue and expenditures	249,619	-	249,619
Amounts per budget statement	<u>\$ 907,486</u>	<u>\$ 905,424</u>	<u>\$ 2,062</u>
	<u>Total Revenue</u>	<u>Total Expenditures</u>	<u>Fund Balance</u>
<u>Solid Waste Disposal</u>			
Amounts per operating statement	\$ 1,318,915	\$ 1,117,758	\$ 201,157
Operating transfers budgeted as revenue and expenditures	-	55,000	(55,000)
Amounts per budget statement	<u>\$ 1,318,915</u>	<u>\$ 1,172,758</u>	<u>\$ 146,157</u>

City of Grosse Pointe Woods, Michigan

Note to Required Supplemental Information (Continued) Year Ended June 30, 2011

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.

The Parkway Beautification Fund was not budgeted for in the current year.

Other Supplemental Information

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Major Debt Service Fund - Grosse-Gratiot Drain Fund Budgetary Comparison Schedule Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 2,658,613	\$ 2,658,613	\$ 2,669,549	\$ 10,936
Interest income	500	500	-	(500)
Total revenue	2,659,113	2,659,113	2,669,549	10,436
Expenditures				
Current - Public works:				
Drain assessment	1,036,200	1,036,200	1,165,717	(129,517)
Contractual services	19,400	19,400	13,667	5,733
Debt service	1,225,112	1,225,112	1,225,119	(7)
Transfers out	855,000	855,000	855,000	-
Total expenditures	3,135,712	3,135,712	3,259,503	(123,791)
Net Change in Fund Balance	(476,599)	(476,599)	(589,954)	(113,355)
Fund Balance - Beginning of year	770,074	770,074	770,074	-
Fund Balance - End of year	<u>\$ 293,475</u>	<u>\$ 293,475</u>	<u>\$ 180,120</u>	<u>\$ (113,355)</u>

City of Grosse Pointe Woods, Michigan

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, 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.

Debt Service Fund

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

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.

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Funds Fund Descriptions (Continued)

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

Cable Franchise Fund - This fund accounts for the investment of proceeds from the sale of the City's interest in a cable company's earnings used for capital improvements.

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds			
	Ambulance Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service
Assets				
Cash and investments	\$ 174,506	\$ 30,914	\$ 24,831	\$ -
Accounts receivable and other assets	2,304	-	-	2,400
Due from other funds	6,789	3,376	-	15,612
Total assets	\$ 183,599	\$ 34,290	\$ 24,831	\$ 18,012
Liabilities and Fund Balances				
Liabilities				
Accounts payable	\$ 4,730	\$ -	\$ -	\$ 10,376
Due to other funds	-	-	16,800	-
Accrued and other liabilities	53,910	-	-	-
Provision for claims	6,447	-	-	1,289
Total liabilities	65,087	-	16,800	11,665
Fund Balances - Nonspendable				
Restricted:				
Public safety	118,512	34,290	-	-
Community development	-	-	8,031	-
Fireworks	-	-	-	-
Assigned:				
Debt service	-	-	-	6,347
Capital projects	-	-	-	-
Parkway beautification	-	-	-	-
Total fund balances	118,512	34,290	8,031	6,347
Total liabilities and fund balances	\$ 183,599	\$ 34,290	\$ 24,831	\$ 18,012

**Other Supplemental Information
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011**

Special Revenue Funds		Debt Service Fund	Capital Projects Fund	Total Nonmajor Governmental Funds
Drug Enforcement	Parkway Beautification Fund	2005 Park Refunding Bond	Municipal Improvement Fund	
\$ 281	\$ 88,536	\$ -	\$ 182,924	\$ 501,992
-	353	-	-	5,057
-	100,929	-	65,000	191,706
\$ 281	\$ 189,818	\$ -	\$ 247,924	\$ 698,755
\$ -	\$ 35,436	\$ -	\$ 65,770	\$ 116,312
-	-	-	-	16,800
-	-	-	-	53,910
-	-	-	-	7,736
-	35,436	-	65,770	194,758
281	-	-	-	153,083
-	-	-	-	8,031
-	75,769	-	-	75,769
-	-	-	-	6,347
-	-	-	182,154	182,154
-	78,613	-	-	78,613
281	154,382	-	182,154	503,997
\$ 281	\$ 189,818	\$ -	\$ 247,924	\$ 698,755

City of Grosse Pointe Woods, Michigan

	Special Revenue Funds			
	Ambulance Fund	Act 302 Training Fund	Grants Fund	911 Emergency Service
Revenue				
Property taxes	\$ 250,519	\$ -	\$ -	\$ -
Federal financial sources	-	-	8,083	-
State and local sources	-	7,184	-	-
Interest income	1,575	-	-	-
Other revenue	246,183	673	-	65,552
Total revenue	498,277	7,857	8,083	65,552
Expenditures - Current				
General government	148,991	-	16,800	450
Public safety	321,056	-	-	67,659
Municipal improvements	-	-	-	-
Parks and recreation	-	-	-	-
Total expenditures	470,047	-	16,800	68,109
Excess of Revenue Over (Under)				
Expenditures	28,230	7,857	(8,717)	(2,557)
Other Financing Sources (Uses)				
Transfers in	50,000	-	-	8,000
Transfers out	(8,000)	-	-	-
Total other financing sources (uses)	42,000	-	-	8,000
Net Change in Fund Balances	70,230	7,857	(8,717)	5,443
Fund Balances - Beginning of year	48,282	26,433	16,748	904
Fund Balances - End of year	\$ 118,512	\$ 34,290	\$ 8,031	\$ 6,347

Other Supplemental Information
Combining Statement of Revenue, Expenditures, and Changes in
Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

<u>Special Revenue Funds</u>		<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>	<u>Total Nonmajor Governmental Funds</u>
Drug Enforcement	Parkway Beautification Fund	2005 Park Refunding Bond	Municipal Improvement Fund	
\$ -	\$ -	\$ -	\$ -	\$ 250,519
-	-	-	-	8,083
-	-	-	-	7,184
-	1,311	-	-	2,886
750	67,872	-	24,370	405,400
750	69,183	-	24,370	674,072
-	-	-	-	166,241
1,802	-	-	-	390,517
-	-	-	129,178	129,178
-	71,908	-	-	71,908
1,802	71,908	-	129,178	757,844
(1,052)	(2,725)	-	(104,808)	(83,772)
-	-	6,860	170,800	235,660
-	-	-	-	(8,000)
-	-	6,860	170,800	227,660
(1,052)	(2,725)	6,860	65,992	143,888
1,333	157,107	(6,860)	116,162	360,109
\$ 281	\$ 154,382	\$ -	\$ 182,154	\$ 503,997

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Ambulance Fund Budgetary Comparison Schedule Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Property taxes	\$ 250,198	\$ 250,198	\$ 250,519	\$ 321
Interest income	5,000	5,000	1,575	(3,425)
Other revenue	180,000	180,000	246,183	66,183
Transfers in	50,000	50,000	50,000	-
Total revenue	485,198	485,198	548,277	63,079
Expenditures				
Current:				
General government	134,643	134,643	148,991	(14,348)
Public safety	367,234	367,234	321,056	46,178
Transfers out	-	8,000	8,000	-
Total expenditures	501,877	509,877	478,047	31,830
Net Change in Fund Balance	(16,679)	(24,679)	70,230	94,909
Fund Balance - Beginning of year	48,282	48,282	48,282	-
Fund Balance - End of year	<u>\$ 31,603</u>	<u>\$ 23,603</u>	<u>\$ 118,512</u>	<u>\$ 94,909</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Act 302 Training Fund Budgetary Comparison Schedule Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 7,500	\$ 7,500	\$ 7,184	\$ (316)
Other revenue	500	500	673	173
Total revenue	8,000	8,000	7,857	(143)
Expenditures				
Current - Public safety	5,000	5,000	-	5,000
Transfers out	3,000	3,000	-	3,000
Total expenditures	8,000	8,000	-	8,000
Net Change in Fund Balance	-	-	7,857	7,857
Fund Balance - Beginning of year	26,433	26,433	26,433	-
Fund Balance - End of year	<u>\$ 26,433</u>	<u>\$ 26,433</u>	<u>\$ 34,290</u>	<u>\$ 7,857</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Grants Fund Budgetary Comparison Schedule Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue - Federal grants	\$ 20,500	\$ 20,500	\$ 8,083	\$ (12,417)
Expenditures - Current - General government - Contractual services	<u>20,500</u>	<u>20,500</u>	<u>16,800</u>	<u>3,700</u>
Net Change in Fund Balance	-	-	(8,717)	(8,717)
Fund Balance - Beginning of year	<u>16,748</u>	<u>16,748</u>	<u>16,748</u>	-
Fund Balance - End of year	<u><u>\$ 16,748</u></u>	<u><u>\$ 16,748</u></u>	<u><u>\$ 8,031</u></u>	<u><u>\$ (8,717)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 911 Emergency Service Budgetary Comparison Schedule Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Other revenue	\$ 42,500	\$ 42,500	\$ 65,552	\$ 23,052
Transfers in	8,000	8,000	8,000	-
Total revenue	50,500	50,500	73,552	23,052
Expenditures - Current				
General government	450	450	450	-
Public safety	48,402	52,902	67,659	(14,757)
Total expenditures	48,852	53,352	68,109	(14,757)
Net Change in Fund Balance	1,648	(2,852)	5,443	8,295
Fund Balance - Beginning of year	904	904	904	-
Fund Balance (Deficit) - End of year	<u>\$ 2,552</u>	<u>\$ (1,948)</u>	<u>\$ 6,347</u>	<u>\$ 8,295</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Drug Enforcement Budgetary Comparison Schedule Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue - Other revenue	\$ 1,000	\$ 1,000	\$ 750	\$ (250)
Expenditures - Current - Public safety	<u>1,000</u>	<u>1,000</u>	<u>1,802</u>	<u>(802)</u>
Net Change in Fund Balance	-	-	(1,052)	(1,052)
Fund Balance - Beginning of year	<u>1,333</u>	<u>1,333</u>	<u>1,333</u>	-
Fund Balance - End of year	<u><u>\$ 1,333</u></u>	<u><u>\$ 1,333</u></u>	<u><u>\$ 281</u></u>	<u><u>\$ (1,052)</u></u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - 2005 Park Refunding Bond Budgetary Comparison Schedule Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue - Transfers in	\$ -	\$ -	\$ 6,860	\$ 6,860
Fund Balance - Beginning of year	<u>(6,860)</u>	<u>(6,860)</u>	<u>(6,860)</u>	<u>-</u>
Fund Balance - End of year	<u>\$ (6,860)</u>	<u>\$ (6,860)</u>	<u>\$ -</u>	<u>\$ 6,860</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Municipal Improvement Fund Budgetary Comparison Schedule Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
Other revenue	\$ 500	\$ 500	\$ 24,370	\$ 23,870
Transfers in	105,800	170,800	170,800	-
Total revenue	106,300	171,300	195,170	23,870
Expenditures - Current - Municipal improvements	106,300	171,300	129,178	42,122
Net Change in Fund Balance	-	-	65,992	65,992
Fund Balance - Beginning of year	116,162	116,162	116,162	-
Fund Balance - End of year	<u>\$ 116,162</u>	<u>\$ 116,162</u>	<u>\$ 182,154</u>	<u>\$ 65,992</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Nonmajor Governmental Fund - Local Street Fund Budgetary Comparison Schedule Year Ended June 30, 2011

	Original Budget	Amended Budget	Actual	Variance with Amended Budget
Revenue				
State-shared revenue and grants	\$ 240,000	\$ 240,000	\$ 251,206	\$ 11,206
Interest income	100	100	-	(100)
Other revenue - Other miscellaneous income	80,500	80,500	34,620	(45,880)
Total revenue	320,600	320,600	285,826	(34,774)
Expenditures - Current				
Public works:				
Routine maintenance	394,492	394,492	364,116	30,376
Forestry services	70,975	70,975	61,209	9,766
Traffic services	10,000	10,000	4,346	5,654
Winter maintenance	41,000	41,000	31,153	9,847
Administration	190,100	190,100	187,868	2,232
Fringe benefits	263,781	263,781	248,421	15,360
Municipal improvements	135,211	135,211	116,709	18,502
Total expenditures	1,105,559	1,105,559	1,013,822	91,737
Excess of Expenditures Over Revenue	(784,959)	(784,959)	(727,996)	56,963
Other Financing Sources -				
Transfers in	560,898	599,959	599,461	(498)
Net Change in Fund Balance	(224,061)	(185,000)	(128,535)	56,465
Fund Balance - Beginning of year	253,864	253,864	253,864	-
Fund Balance - End of year	\$ 29,803	\$ 68,864	\$ 125,329	\$ 56,465

Note - The City implemented GASB No. 54 in the current year. As a result, the Local Street 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 Funds Budgetary Comparison Schedule Year Ended June 30, 2011

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance with Amended Budget</u>
Revenue - Interest income	\$ -	\$ -	\$ 17,248	\$ 17,248
Fund Balance - Beginning of year	<u>559,530</u>	<u>559,530</u>	<u>559,530</u>	<u>-</u>
Fund Balance - End of year	<u>\$ 559,530</u>	<u>\$ 559,530</u>	<u>\$ 576,778</u>	<u>\$ 17,248</u>

Note - The City implemented GASB No. 54 in the current year. As a result, the Local Street 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 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, 2011

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Assets				
Current assets:				
Cash and investments	\$ 324,944	\$ 303,278	\$ 96,186	\$ 724,408
Receivables - Due from other funds	9,500	-	-	9,500
Total current assets	334,444	303,278	96,186	733,908
Noncurrent assets - Depreciable capital assets - Capital assets				
	186,791	52,292	-	239,083
Total assets	521,235	355,570	96,186	972,991
Liabilities				
Current liabilities:				
Accounts payable	12,095	1,244	-	13,339
Due to other funds	-	10,000	-	10,000
Accrued and other liabilities	18,307	-	-	18,307
Total current liabilities	30,402	11,244	-	41,646
Noncurrent liabilities - Other postemployment benefit obligation				
	181,333	-	-	181,333
Total liabilities	211,735	11,244	-	222,979
Net Assets				
Invested in capital assets - Net of related debt	186,791	52,292	-	239,083
Unrestricted	122,709	292,034	96,186	510,929
Total net assets	\$ 309,500	\$ 344,326	\$ 96,186	\$ 750,012

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, 2011

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Operating Revenue				
Fees and violations	\$ 141,658	\$ -	\$ -	\$ 141,658
Park violations	59,508	-	-	59,508
Dockings and launching fees	-	132,715	-	132,715
Commodity sales	-	-	40,225	40,225
Total operating revenue	201,166	132,715	40,225	374,106
Operating Expenses				
Operation and maintenance	62,169	60,180	30,689	153,038
General and administrative	111,277	-	-	111,277
Charges from internal service funds	6,400	6,000	-	12,400
Depreciation	19,020	7,690	-	26,710
Total operating expenses	198,866	73,870	30,689	303,425
Operating Income	2,300	58,845	9,536	70,681
Nonoperating Income - Interest income	228	457	274	959
Income - Before contributions	2,528	59,302	9,810	71,640
Transfers In	9,500	-	-	9,500
Change in Net Assets	12,028	59,302	9,810	81,140
Net Assets - Beginning of year	297,472	285,024	86,376	668,872
Net Assets - End of year	<u>\$ 309,500</u>	<u>\$ 344,326</u>	<u>\$ 96,186</u>	<u>\$ 750,012</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Nonmajor Enterprise Funds Year Ended June 30, 2011

	Parking Utility Fund	Boat Dock Rental Fund	Commodity Sales Fund	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 201,166	\$ 132,715	\$ 40,225	\$ 374,106
(Receipts) payments from interfund services and reimbursements	(37,157)	29,647	-	(7,510)
Payments to suppliers	(71,953)	(64,387)	(30,689)	(167,029)
Payments to employees	(119,064)	(891)	-	(119,955)
Internal activity - Payments to other funds	(164)	-	-	(164)
Other receipts	202,593	10,065	-	212,658
Other payments	(83,246)	(39,368)	-	(122,614)
Net cash provided by operating activities	92,175	67,781	9,536	169,492
Cash Flows from Noncapital Financing Activities - Transfers from other funds	9,500	-	-	9,500
Cash Flows from Investing Activities - Interest received on investments	228	457	274	959
Net Increase in Cash and Cash Equivalents	101,903	68,238	9,810	179,951
Cash and Cash Equivalents - Beginning of year	223,041	235,040	86,376	544,457
Cash and Cash Equivalents - End of year	\$ 324,944	\$ 303,278	\$ 96,186	\$ 724,408
Reconciliation of Operating Income to Net Cash from Operating Activities				
Operating income	\$ 2,300	\$ 58,845	\$ 9,536	\$ 70,681
Adjustments to reconcile operating income to net cash from operating activities:				
Depreciation and amortization	19,020	7,690	-	26,710
Changes in assets and liabilities:				
Due from others	10,083	344	-	10,427
Accounts payable	(2,934)	902	-	(2,032)
Due to others	(164)	-	-	(164)
Accrued and other liabilities	63,870	-	-	63,870
Net cash provided by operating activities	\$ 92,175	\$ 67,781	\$ 9,536	\$ 169,492

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Internal Service Funds Fund Descriptions

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

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

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, 2011

	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	Total
Assets				
Current assets:				
Cash and investments	\$ 958,154	\$ 873,819	\$ -	\$ 1,831,973
Accrued interest receivable	16,082	8,608	-	24,690
Due from other funds	-	23,000	-	23,000
Total current assets	974,236	905,427	-	1,879,663
Noncurrent assets - Depreciable capital assets	1,068,301	-	-	1,068,301
Total assets	2,042,537	905,427	-	2,947,964
Liabilities				
Current liabilities:				
Accounts payable	19,175	4,347	-	23,522
Accrued and other liabilities	16,764	-	-	16,764
Provision for claims - Less than one year	2,579	-	-	2,579
Total current liabilities	38,518	4,347	-	42,865
Noncurrent liabilities:				
Provision for claims - Greater than one year	-	136,975	-	136,975
Other postemployment benefit obligation	276,135	-	-	276,135
Total noncurrent liabilities	276,135	136,975	-	413,110
Total liabilities	314,653	141,322	-	455,975
Net Assets				
Invested in capital assets	1,068,301	-	-	1,068,301
Unrestricted	659,583	764,105	-	1,423,688
Total net assets	\$ 1,727,884	\$ 764,105	\$ -	\$ 2,491,989

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, 2011

	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	Total
Operating Revenue				
Other revenue	\$ 4,801	\$ -	\$ -	\$ 4,801
Revenue and billings to other funds	1,011,732	140,451	-	1,152,183
Total operating revenue	1,016,533	140,451	-	1,156,984
Operating Expenses				
Insurance expense	5,417	146,456	-	151,873
Vehicle operation and maintenance	498,442	-	-	498,442
Administration	208,829	-	-	208,829
Depreciation	227,873	-	-	227,873
Total operating expenses	940,561	146,456	-	1,087,017
Operating Income (Loss)	75,972	(6,005)	-	69,967
Nonoperating Revenue				
Interest income	642	6,059	-	6,701
Gain on disposal of asset	2,772	-	47,132	49,904
Income - Before contributions	79,386	54	47,132	126,572
Transfers Out	-	-	(105,008)	(105,008)
Change in Net Assets	79,386	54	(57,876)	21,564
Net Assets - Beginning of year	1,648,498	764,051	57,876	2,470,425
Net Assets - End of year	<u>\$ 1,727,884</u>	<u>\$ 764,105</u>	<u>\$ -</u>	<u>\$ 2,491,989</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Cash Flows Internal Service Funds Year Ended June 30, 2011

	Motor Vehicle Fund	Workers' Compensation Fund	Management Information System	Total
Cash Flows from Operating Activities				
Receipts from customers	\$ 1,016,533	\$ 140,451	\$ -	\$ 1,156,984
Receipts from interfund services and reimbursements	282,398	178,400	18,810	479,608
Payments to suppliers	(384,331)	(146,456)	(27,763)	(558,550)
Payments to employees	(313,085)	12,799	(80,473)	(380,759)
Other receipts	499,068	(2,149)	-	496,919
Other payments	(411,190)	-	-	(411,190)
Net cash provided by (used in) operating activities	689,393	183,045	(89,426)	783,012
Cash Flows from Noncapital Financing Activities - Transfers to other funds	-	-	(105,008)	(105,008)
Cash Flows from Capital and Related Financing Activities				
Proceeds from sales of capital assets	2,772	-	47,132	49,904
Purchase of capital assets	(179,713)	-	44,701	(135,012)
Net cash (used in) provided by capital and related financing activities	(176,941)	-	91,833	(85,108)
Cash Flows from Investing Activities - Interest received on investments	642	6,059	-	6,701
Net Increase (Decrease) in Cash and Cash Equivalents	513,094	189,104	(102,601)	599,597
Cash and Cash Equivalents - Beginning of year	445,060	684,715	102,601	1,232,376
Cash and Cash Equivalents - End of year	<u>\$ 958,154</u>	<u>\$ 873,819</u>	<u>\$ -</u>	<u>\$ 1,831,973</u>
Reconciliation of Operating Income (Loss) to Net Cash from Operating Activities				
Operating income (loss)	\$ 75,972	\$ (6,005)	\$ -	\$ 69,967
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation and amortization	227,873	-	-	227,873
Changes in assets and liabilities:				
Receivables	(710)	(2,149)	-	(2,859)
Due from others	286,067	178,400	18,810	483,277
Accounts payable	(975)	-	(27,763)	(28,738)
Accrued and other liabilities	101,166	12,799	(80,473)	33,492
Net cash provided by (used in) operating activities	<u>\$ 689,393</u>	<u>\$ 183,045</u>	<u>\$ (89,426)</u>	<u>\$ 783,012</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Fiduciary Funds Fund Descriptions

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

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

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

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Statement of Fiduciary Net Assets Fiduciary Funds June 30, 2011

	Pension and Other Employee Benefit Funds			Total
	Pension Fund	Supplementary Annuity Fund	Other Post Employment Benefit Trust Fund	
Assets				
Cash and cash equivalents	\$ 2,376,517	\$ 108,057	\$ -	\$ 2,484,574
Investments:				
U.S. government securities	3,553,189	1,035,825	-	4,589,014
Stocks	26,017,332	-	-	26,017,332
Bonds	39,282	-	-	39,282
Mutual funds	4,115,943	-	-	4,115,943
Receivables:				
Accrued interest receivable	13,257	-	-	13,257
Other receivables	114,002	-	-	114,002
Due from primary government	-	11,000	3,180	14,180
Total assets	36,229,522	1,154,882	3,180	37,387,584
Net Assets Held in Trust for Pension and Other Employee Benefits	\$ 36,229,522	\$ 1,154,882	\$ 3,180	\$ 37,387,584

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Changes in Fiduciary Net Assets Fiduciary Funds Year Ended June 30, 2011

	Pension Fund	Supplementary Annuity Fund	Other Post- employment Benefit Trust Fund	Total
Additions				
Investment income:				
Interest and dividends	\$ 863,851	\$ -	\$ -	\$ 863,851
Net increase in fair market value	6,816,816	165,749	-	6,982,565
Less investment expenses	(280,546)	-	-	(280,546)
Net investment income	7,400,121	165,749	-	7,565,870
Contributions:				
Employer	751,202	224,202	-	975,404
Employee	305,220	-	3,180	308,400
Net contributions	1,056,422	224,202	3,180	1,283,804
Total additions	8,456,543	389,951	3,180	8,849,674
Deductions - Pension payments	2,774,413	224,242	-	2,998,655
Net Increase in Net Assets Held in Trust	5,682,130	165,709	3,180	5,851,019
Net Assets Held in Trust for Pension and Other Employee Benefits - Beginning of year	30,547,392	989,173	-	31,536,565
Net Assets Held in Trust for Pension and Other Employee Benefits - End of year	<u>\$ 36,229,522</u>	<u>\$ 1,154,882</u>	<u>\$ 3,180</u>	<u>\$ 37,387,584</u>

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Combining Statement of Assets and Liabilities Agency Funds June 30, 2011

	Wayne County Tax Fund	Cash Bond Escrow Fund	Total
Assets - Cash and investments	\$ 17,718	\$ 20,858	\$ 38,576
Liabilities			
Due to other governmental units	\$ 17,718	\$ -	\$ 17,718
Court bonds payable	-	20,858	20,858
Total liabilities	\$ 17,718	\$ 20,858	\$ 38,576

City of Grosse Pointe Woods, Michigan

Other Supplemental Information Schedule of Changes in Assets and Liabilities Agency Funds June 30, 2011

	Balance at July 1, 2010	Additions	Reductions	Balance at June 30, 2011
<u>Wayne County Tax Fund</u>				
Assets - Cash and investments	<u>\$ -</u>	<u>\$ 63,564,434</u>	<u>\$ (63,546,716)</u>	<u>\$ 17,718</u>
Liabilities - Due to other governmental units	<u>\$ -</u>	<u>\$ 63,564,434</u>	<u>\$ (63,546,716)</u>	<u>\$ 17,718</u>
<u>Cash Bond Escrow Fund</u>				
Assets - Cash and investments	<u>\$ 9,200</u>	<u>\$ 155,666</u>	<u>\$ (144,008)</u>	<u>\$ 20,858</u>
Liabilities - Court bonds payable	<u>\$ 9,200</u>	<u>\$ 155,666</u>	<u>\$ (144,008)</u>	<u>\$ 20,858</u>
<u>Total Agency Funds</u>				
Assets - Cash and investments	<u>\$ 9,200</u>	<u>\$ 40,911,026</u>	<u>\$ (40,881,647)</u>	<u>\$ 38,579</u>
Liabilities				
Due to other governmental units	\$ -	\$ 63,564,434	\$ (63,546,713)	\$ 17,721
Court bonds payable	<u>9,200</u>	<u>155,666</u>	<u>(144,008)</u>	<u>20,858</u>
Total liabilities	<u>\$ 9,200</u>	<u>\$ 63,720,100</u>	<u>\$ (63,690,721)</u>	<u>\$ 38,579</u>

Statistical Section

City of Grosse Pointe Woods, Michigan

Statistical and Continuing Disclosure Contents

Statistical Information

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

1. Financial Trend Information

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

Net Assets by Component	96
Changes in Governmental, Business-type Activities, and Primary Government Net Assets	97-98
Fund Balances of Governmental Funds	99-100*
Changes in Fund Balances of Governmental Funds	101-102

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	103
Property Tax Levies and Collections	104*
Assessed Value and Actual Value of Taxable Property	105*
Direct and Overlapping Property Tax Rates	106-107*
Principal Property Taxpayers (Major Taxpayers)	108*

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	109-110
Pledged-revenue Coverage	111
Ratios of General Bonded Debt Outstanding	112*
Direct and Overlapping Debt	113
Legal Debt Margin	114-115

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	116
Principal Employers	117*

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	118
Operating Indicators by Function	119-120
Capital Asset Statistics by Function	121

Continuing Disclosure

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

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

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Water Usage and Revenue of the Ten Largest Customers	127
Metered Water Rates	128

* 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 Nine Fiscal Years (Accrual Basis of Accounting) (Unaudited)

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested in capital assets - Net of related debt	\$ 7,301,103	\$ 6,921,840	\$ 12,611,930	\$ 16,543,166	\$ 19,660,463	\$ 24,238,535	\$ 25,835,044	\$ 26,744,399	\$ 26,918,168
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
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)
Total net assets	\$ 18,647,190	\$ 21,312,824	\$ 23,061,336	\$ 25,887,600	\$ 27,493,039	\$ 30,806,672	\$ 28,214,252	\$ 27,535,532	\$ 25,095,346
Business-type Activities									
Invested in capital assets - Net of related debt	\$ 11,807,253	\$ 14,781,305	\$ 16,548,499	\$ 17,634,292	\$ 17,640,281	\$ 18,626,103	\$ 18,921,503	\$ 18,573,221	\$ 18,345,231
Restricted	-	-	-	-	453,789	453,789	453,789	453,789	425,500
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
Total net assets	\$ 18,679,060	\$ 18,301,800	\$ 18,847,148	\$ 19,069,162	\$ 19,618,756	\$ 20,564,239	\$ 20,566,776	\$ 20,829,614	\$ 21,232,645
Primary Government in Total									
Invested in capital assets - Net of related debt	\$ 19,108,356	\$ 21,703,145	\$ 29,160,429	\$ 34,177,458	\$ 37,300,744	\$ 42,864,638	\$ 44,756,547	\$ 45,317,620	\$ 45,263,399
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
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)
Total net assets	\$ 37,326,250	\$ 39,614,624	\$ 41,908,484	\$ 44,956,762	\$ 47,111,795	\$ 51,370,911	\$ 48,781,028	\$ 48,365,146	\$ 46,327,991

Source: City annual financial statements

Note: GASB Statement No. 34 was implemented in 2003; as a result, only nine years of comparative data are available.

City of Grosse Pointe Woods, Michigan

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Expenses									
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
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
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
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
Municipal improvement	159,066	72,408	44,676	30,127	196,696	270,819	386,989	59,724	130,849
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
Interest on long-term debt	450,019	396,661	283,417	271,234	207,182	238,813	153,736	113,653	72,814
Total governmental activities expenses	13,805,144	14,629,093	16,026,075	16,125,106	17,365,693	17,067,384	21,440,260	19,826,924	20,250,387
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
Parking	325,131	377,288	375,660	331,892	325,058	293,746	316,991	241,562	198,866
Boat dock	158,596	199,823	235,846	277,276	144,289	146,403	121,541	85,257	73,870
Commodity sales	60,405	88,412	84,762	186,296	52,789	46,518	45,185	68,571	30,689
Total business-type activities expenses	5,175,671	5,803,492	5,356,449	5,643,612	5,619,116	5,716,700	5,723,463	5,248,702	5,347,762
Total primary government expenses	18,980,815	20,432,585	21,382,524	21,768,718	22,984,809	22,784,084	27,163,723	25,075,626	25,598,149
Program Revenue									
Governmental activities:									
Charges for services:									
Municipal court	866,321	595,207	717,903	876,197	768,596	805,958	831,454	894,768	774,390
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
Other activities	552,563	1,499,491	1,743,905	1,326,003	509,323	872,235	675,914	826,085	435,796
Operating grants and contributions	188,188	77,979	81,447	41,464	1,011,171	943,139	908,512	873,343	886,569
Total governmental activities program revenue	2,154,106	2,549,372	2,832,966	2,670,444	2,447,853	2,621,332	2,415,880	2,663,703	2,198,792
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
Parking	308,694	325,378	348,865	336,895	266,067	293,453	242,765	221,657	201,166
Boat dock	178,457	178,704	169,621	173,153	164,601	162,468	146,872	141,338	132,715
Commodity sales	92,977	91,572	81,683	-	-	-	48,410	45,560	40,225
Capital grants and contributions	-	-	-	-	125,373	731,943	146,962	-	-
Total business-type program revenue	4,692,267	4,603,177	5,123,317	5,068,571	5,252,698	5,782,594	5,463,922	5,264,638	5,779,142
Total primary government program revenue	6,846,373	7,152,549	7,956,283	7,739,015	7,700,551	8,403,926	7,879,802	7,928,341	7,977,934

Source: City annual financial statements

Note: GASB Statement No. 34 was implemented in 2003; as a result, only nine years of comparative data are available.

City of Grosse Pointe Woods, Michigan

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

	Fiscal Year								
	2003	2004	2005	2006	2007	2008	2009	2010	2011
Net (Expense) Revenue									
Governmental activities	\$ (11,651,038)	\$ (12,079,721)	\$ (13,193,109)	\$ (13,454,662)	\$ (14,917,840)	\$ (14,446,052)	\$ (19,024,380)	\$ (17,163,221)	(18,051,595)
Business-type activities	(483,404)	(1,200,315)	(233,132)	(575,041)	(366,418)	65,894	(259,541)	15,936	431,380
Total primary government net expense	(12,134,442)	(13,280,036)	(13,426,241)	(14,029,703)	(15,284,258)	(14,380,158)	(19,283,921)	(17,147,285)	(17,620,215)
General Revenue									
Governmental activities:									
Property taxes	11,963,222	12,285,813	12,742,873	14,083,603	15,181,945	15,551,944	14,468,721	15,002,660	13,536,960
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
Investment earnings	712,300	438,694	219,518	246,448	238,139	733,693	153,512	44,655	63,272
Donations	-	91,413	139,312	97,251	-	-	-	-	-
Franchise fees	-	-	-	-	230,453	238,054	271,953	295,688	320,426
Other	-	-	-	-	-	-	-	-	234,820
Transfers	(750,000)	(754,000)	(754,000)	(754,500)	(810,000)	(802,000)	(218,060)	(250,400)	35,500
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
Business-type activities:									
Unrestricted investment earnings	45,380	69,055	24,480	42,555	106,012	79,589	21,534	11,960	7,151
Transfers	750,000	754,000	754,000	754,500	810,000	802,000	218,060	250,400	(35,500)
Total business-type activities	795,380	823,055	778,480	797,055	916,012	881,589	239,594	262,360	(28,349)
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
Change in Net Assets									
Governmental activities	3,009,103	2,589,655	1,749,512	2,826,264	1,605,439	2,943,070	(2,702,532)	(678,720)	(2,440,186)
Business-type activities	311,976	(377,260)	545,348	222,014	549,594	947,483	(19,947)	278,296	403,031
Total primary government	<u>\$ 3,321,079</u>	<u>\$ 2,212,395</u>	<u>\$ 2,294,860</u>	<u>\$ 3,048,278</u>	<u>\$ 2,155,033</u>	<u>\$ 3,890,553</u>	<u>\$ (2,722,479)</u>	<u>\$ (400,424)</u>	<u>\$ (2,037,155)</u>

Note: GASB Statement No. 34 was implemented in 2003; as a result, only nine years of comparative data are available.

Source: City annual financial statements

City of Grosse Pointe Woods, Michigan

	Fiscal Year				
	2002	2003	2004	2005	2006
General Fund					
Nonspendable	\$ -	\$ -	\$ -	\$ -	\$ -
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Unreserved:					
Designated	-	-	-	-	-
Undesignated	4,707,884	4,803,828	4,887,262	4,889,093	4,674,366
Total General Fund	4,707,884	4,803,828	4,887,262	4,889,093	4,674,366
All Other Governmental Funds					
Designated:					
Special revenue funds	-	-	-	-	-
Capital project funds	-	-	-	-	-
Restricted	-	-	-	-	-
Assigned	-	-	-	-	-
Reserved	1,504,590	4,267,678	5,884,353	4,113,798	4,040,089
Unreserved, reported in:					
Special revenue funds	2,033,723	1,601,160	2,842,700	1,317,011	674,931
Capital project funds	-	239,997	229,333	138,075	-
Debt service funds	563	4,207	-	-	-
Total General Fund and all other governmental funds	<u>\$ 8,246,760</u>	<u>\$ 10,916,870</u>	<u>\$ 13,843,648</u>	<u>\$ 10,457,977</u>	<u>\$ 9,389,386</u>

Source: City annual financial statements

* Fund balance classifications were changed as a result of implementation of GASB 54

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

		Fiscal Year				
2007	2008	2009	2010	2011*		
\$ -	\$ -	\$ 37,750	\$ 99,767	\$ 6,111		
-	-	-	-	125,329		
-	-	-	-	949,395		
-	-	-	-	3,773,809		
500,000	673,600	-	-	-		
<u>2,862,514</u>	<u>2,367,734</u>	<u>2,311,090</u>	<u>3,205,975</u>	<u>-</u>		
3,362,514	3,041,334	2,348,840	3,305,742	4,854,644		
317,247	77,609	247,647	320,417	-		
35,000	19,060	63,850	-	-		
-	-	-	-	765,921		
-	-	-	-	447,234		
-	-	-	-	-		
3,395,765	2,390,161	1,223,726	1,124,603	-		
50,033	210,272	167,083	116,162	-		
<u>970,061</u>	<u>1,176,240</u>	<u>1,180,314</u>	<u>763,214</u>	<u>-</u>		
<u>\$ 8,130,620</u>	<u>\$ 6,914,676</u>	<u>\$ 5,231,460</u>	<u>\$ 5,630,138</u>	<u>\$ 6,067,799</u>		

City of Grosse Pointe Woods, Michigan

	Fiscal Year			
	2002	2003	2004	2005
Revenue				
Property taxes	\$ 11,356,910	\$ 11,963,222	\$ 12,285,813	\$ 12,742,873
State and local sources	884,297	2,734,619	2,607,456	2,594,914
Intergovernmental taxes	1,956,485	-	-	-
Delinquent interest and collection fee income	256,514	262,194	276,548	306,283
Federal financial assistance	34,000	96,953	32,000	81,447
Other revenue	2,162,675	2,416,024	2,593,351	2,445,239
Investment income	-	-	162,146	219,518
Donations	87,974	91,235	91,413	139,312
Total revenue	16,738,855	17,564,247	18,048,727	18,529,586
Expenditures				
Current:				
General government	1,900,793	2,016,549	2,187,028	2,253,072
Public safety	4,519,666	4,605,798	4,661,117	4,988,001
Public works	6,350,777	6,828,104	6,106,669	8,123,810
Recreation and culture	1,494,075	1,523,565	1,610,864	1,635,410
Capital outlay	307,995	250,473	263,374	283,238
Debt administration:				
Principal	1,885,755	1,700,366	1,713,897	3,867,764
Interest	-	-	-	-
Total expenditures	16,459,061	16,924,855	16,542,949	21,151,295
Excess of Revenue Over (Under) Expenditures	279,794	639,392	1,505,778	(2,621,709)
Other Financing Sources (Uses)				
Debt issuance	-	-	2,175,000	-
Transfers in	3,379,452	3,186,303	3,334,690	3,461,977
Transfers out	(4,086,452)	(3,936,303)	(4,088,690)	(4,225,940)
Total other financing (uses) sources	(707,000)	(750,000)	1,421,000	(763,963)
Net Change in Fund Balances	(427,206)	(110,608)	2,926,778	(3,385,672)
Fund Balances - Beginning of year - As restated	11,454,684	11,027,478	10,916,870	13,843,648
Fund Balances - End of year	\$ 11,027,478	\$ 10,916,870	\$ 13,843,648	\$ 10,457,976
Debt service as a percentage of noncapital expenditures	11.68%	10.20%	10.53%	18.53%

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

Source: City annual financial statements

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

		Fiscal Year							
		2006	2007	2008	2009	2010	2011		
\$	14,083,603	\$	14,727,101	\$	15,082,641	\$	14,471,027	\$	13,525,921
	2,608,124		2,565,900		2,481,832		2,197,887		2,209,151
	-		-		-		-		-
	325,632		350,413		395,910		293,797		511,840
	41,464		20,564		-		31,646		11,090
	2,303,348		1,929,902		2,193,987		1,986,433		2,153,729
	246,448		238,678		731,478		143,074		43,829
	97,251		-		-		-		-
	<u>19,705,870</u>		<u>19,832,558</u>		<u>20,885,848</u>		<u>18,931,192</u>		<u>19,389,402</u>
	2,342,482		3,013,153		3,749,368		3,764,577		2,580,898
	5,408,713		5,042,765		4,717,501		4,866,702		5,640,372
	8,401,376		8,706,606		8,161,930		6,355,295		6,479,853
	1,750,909		2,936,496		1,686,488		1,784,052		1,682,472
	393,476		196,696		270,819		1,526,933		677,778
	1,406,272		1,458,497		2,823,747		1,552,022		1,539,247
	271,234		252,109		260,502		157,014		117,379
	<u>19,974,462</u>		<u>21,606,322</u>		<u>21,670,355</u>		<u>20,006,595</u>		<u>18,717,999</u>
	(268,592)		(1,773,764)		(784,507)		(1,075,403)		671,403
	-		1,325,000		-		-		-
	4,102,869		5,091,500		3,170,034		2,325,500		1,753,164
	(4,902,869)		(5,901,500)		(3,972,034)		(3,031,190)		(2,038,124)
	(800,000)		515,000		(802,000)		(705,690)		(284,960)
	(1,068,592)		(1,258,764)		(1,586,507)		(1,781,093)		386,443
	10,457,976		9,389,384		8,501,183 *		7,024,788		5,243,695
	<u>10,457,976</u>		<u>9,389,384</u>		<u>8,501,183 *</u>		<u>7,024,788</u>		<u>5,243,695</u>
\$	<u>9,389,384</u>	\$	<u>8,130,620</u>	\$	<u>6,914,676</u>	\$	<u>5,243,695</u>	\$	<u>5,630,138</u>
	8.57%		7.99%		14.41%		9.25%		9.18%
									7.71%

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
2002	\$ 11,356,910	\$ 2,840,782	\$ 256,514	\$ 34,000	\$ 2,162,675	\$ 87,974	\$ 16,738,855
2003	11,963,222	2,734,619	262,194	96,953	2,416,024	91,235	17,564,247
2004	12,285,813	2,607,456	276,548	32,000	2,593,351	253,559	18,048,727
2005	12,742,873	2,594,914	306,283	81,447	2,445,239	358,830	18,529,586
2006	14,083,603	2,608,124	325,632	41,464	2,303,348	343,699	19,705,870
2007	14,727,101	2,565,900	350,413	20,564	1,929,902	238,678	19,832,558
2008	15,082,641	2,481,832	395,910	-	2,193,987	731,478	20,885,848
2009	14,093,330	2,382,912	293,797	31,646	1,986,433	143,074	18,931,192
2010	14,471,027	2,197,887	511,840	11,090	2,153,729	43,829	19,389,402
2011	13,525,921	2,217,234	609,115	-	108,795	1,304,709	17,765,774

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
2002	\$ 11,349,250	\$ 11,109,277	97.89	\$ 211,107	\$ 11,320,384	99.75
2003	11,964,385	11,698,095	97.77	218,692	11,916,787	99.60
2004	12,379,468	12,124,901	97.94	266,290	12,391,191	100.09
2005	12,740,052	12,423,359	97.51	274,573	12,697,932	99.67
2006	14,033,157	13,660,396	97.34	323,441	13,983,837	99.65
2007	14,443,049	13,923,377	96.40	316,822	14,240,199	98.60
2008	14,931,695	14,474,262	96.94	446,046	14,920,308	99.92
2009	14,249,802	13,789,085	96.77	460,717	14,249,802	100.00
2010	14,465,586	13,993,400	96.74	472,187	14,465,587	100.00
2011	14,501,247	14,096,721	97.21	404,526	14,501,247	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
2002	\$ 884,043,630	\$ 56,054,000	\$ 100,800	\$ 14,554,200	\$ 954,752,630	15.9324	\$ 1,909,505,260	50.00%
2003	900,917,728	58,588,300	104,000	15,204,870	974,814,898	16.0301	1,949,629,796	50.00%
2004	926,166,500	59,918,650	105,300	17,757,800	1,003,948,250	15.8159	2,007,896,500	50.00%
2005	943,491,400	65,834,100	110,100	19,677,000	1,029,112,600	17.2597	2,058,225,200	50.00%
2006	937,491,730	70,116,000	114,500	15,270,200	1,022,992,430	17.2368	2,045,984,860	50.00%
2007	935,577,570	74,871,700	118,200	16,723,700	1,027,291,170	17.2368	2,054,582,340	50.00%
2008	832,163,456	79,091,000	121,400	14,187,800	925,563,656	16.7917	1,851,127,312	50.00%
2009	703,687,882	63,418,163	99,310	13,775,117	780,980,472	18.5417	1,561,960,944	50.00%
2010	622,799,835	61,345,908	99,012	15,022,091	699,266,846	18.5417	1,398,533,692	50.00%
2011	539,673,504	63,125,634	100,695	14,263,900	617,163,733	19.7082	1,234,327,466	50.00%

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

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

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Millage Rates - Direct City Taxes (1)

Overlapping

Tax Year	General Operating	Voted EMS	Voted Park Bond	Statutory Solid Waste	Ch 20/21 Milk River Drain	Total Direct Taxes	County	H.C.M.A.
2002	9.2010	0.4980	0.6555	2.1179	3.4600	15.9324	8.1900	0.2200
2003	9.2306	0.4551	0.6559	2.1485	3.5400	16.0301	8.4200	0.2161
2004	9.3983	0.4526	0.6710	1.9280	3.3660	15.8159	8.4200	0.2154
2005	10.2108	0.3690	0.5656	1.8443	4.2700	17.2597	8.4200	0.2146
2006	10.1847	0.3578	0.5665	1.8807	4.2471	17.2368	8.4120	0.2146
2007	10.1847	0.3578	0.5665	1.8807	4.2471	17.2958	8.4120	0.2146
2008	10.1847	0.3578	0.5665	1.8807	3.9986	17.0473	8.5120	0.2146
2009	11.2957	0.3578	0.5665	1.8807	3.8020	16.7917	8.5120	0.2146
2010	12.5012	0.3578	0.5665	1.8807	3.8020	19.1672	8.5120	0.2146
2011	13.0012	0.3578	-	1.8807	4.4685	19.7082	8.5120	0.2146

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

(2) Previously termed homestead and nonhomestead

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

2006	15.0469	0.4476	0.6100	2.6859	N/A
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Source: Comptroller's office

**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	1.6074	3.4643	13.7291	24.2632	45.6294	56.1635
2.4862	1.5829	3.4643	13.0431	23.3187	45.2427	55.5183
2.4844	1.5000	3.4643	14.8384	25.1152	46.7384	57.0152
2.4769	1.5000	3.4643	14.5498	26.2851	47.8853	59.6206
2.4769	1.5413	3.4643	14.5498	26.2851	47.8957	59.6310
2.4769	1.5412	3.4643	14.5498	26.2851	47.9546	59.6899
2.4769	1.5412	3.4643	14.0165	26.2499	47.2728	59.5062
2.4769	1.5412	3.4643	14.2900	26.3496	47.2907	59.3503
2.4769	1.5412	3.4643	14.2900	26.3496	49.6662	61.7258
2.2408	1.5412	3.4643	15.5790	26.6750	51.2601	62.3561

City of Grosse Pointe Woods, Michigan

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

Taxpayer	Type of Business	2011 Taxable Value	Percentage of Total City Value	2000 Taxable Value	Percentage of Total	2000 Rank (1)
1 Sunrise of Grosse Pointe Woods	Assisted Living	\$ 7,121,247	0.22	\$ -	-	N/A
2 Pointe Plaza	Office Bldg	4,426,495	0.14	3,605,660	0.1757	3
3 Lochmoor Club	Private Club	4,270,700	0.13	4,057,830	0.1977	2
4 Colliers International	Rental	4,207,527	0.13	-	-	N/A
5 Kroger Co. of Mich.	Grocery	2,909,865	0.09	3,138,970	0.1529	4
6 Detroit Edison	Utility	2,908,795	0.09	4,090,340	0.1993	1
7 Michigan Cons. Gas Co.	Utility	1,894,300	0.06	2,415,790	0.1177	5
8 Grosse Pointe Hunt Club	Private Club	1,550,389	0.05	1,043,540	0.0508	8
9 St. John Hospital	Hospital	1,507,090	0.05	1,080,500	0.0526	7
10 A H Peters Funeral Home	Mortuary	1,436,390	0.04	1,091,640	0.0533	6
Total		<u>\$ 32,232,798</u>	<u>1.00</u>	<u>\$ 20,524,270</u>	<u>1.0000</u>	
Total City Taxable Value		<u>\$ 618,121,633</u>		<u>\$ 687,858,080</u>		

(1) A complete rank of top 10 taxpayers in 2000 is unavailable

Source: City of Grosse Pointe Woods Assessing Department records

City of Grosse Pointe Woods, Michigan

	2002	2003	2004	2005	2006
Governmental Activities					
General obligation bonds (GOB)	\$ 3,025,000	\$ 2,745,000	\$ 4,610,000	\$ 2,155,000	\$ 1,750,000
GOB installment note	158,182	107,182	55,426	-	-
GOB contract - Wayne County Drain	11,709,741	10,784,094	9,834,246	8,860,199	7,858,927
Total	14,892,923	13,636,276	14,499,672	11,015,199	9,608,927
Business-type Activities					
Installment purchase agreements	1,111,818	757,262	389,574	-	-
2010 DWRP bonds	-	-	-	-	-
Revenue bonds	985,000	6,095,000	5,910,000	5,705,000	5,510,000
Total	2,096,818	6,852,262	6,299,574	5,705,000	5,510,000
Total debt of the government	\$ 16,989,741	\$ 20,488,538	\$ 20,799,246	\$ 16,720,199	\$ 15,118,927
Total taxable value (1)	\$ 722,061,149	\$ 747,023,290	\$ 778,377,290	\$ 813,304,250	\$ 838,542,390
Ratio of total debt to taxable value	2.35%	2.74%	2.67%	2.06%	1.80%
Total population	17,080	17,080	17,080	17,080	17,080
Total debt per capita	\$ 995	\$ 1,200	\$ 1,218	\$ 979	\$ 885

(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

2007	2008	2009	2010	2011
\$ 1,320,000	\$ 880,000	\$ 420,000	\$ -	\$ -
1,325,000	-	-	-	-
<u>6,830,430</u>	<u>5,771,683</u>	<u>4,679,661</u>	<u>3,560,414</u>	<u>2,407,892</u>
9,475,430	6,651,683	5,099,661	3,560,414	2,407,892
-	-	-	-	-
-	-	-	1,976,488	2,723,141
<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>5,300,000</u>	<u>5,050,000</u>	<u>4,795,000</u>	<u>6,506,488</u>	<u>6,978,141</u>
<u>\$ 14,775,430</u>	<u>\$ 11,701,683</u>	<u>\$ 9,894,661</u>	<u>\$ 10,066,902</u>	<u>\$ 9,386,033</u>
\$ 867,467,911	\$ 847,756,558	\$ 780,980,472	\$ 699,266,846	\$ 617,163,733
1.70%	1.38%	1.27%	1.44%	1.52%
17,080	17,080	17,080	17,080	16,135
\$ 865	\$ 685	\$ 579	\$ 589	\$ 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	
2002	\$ 3,830,999	\$ 2,988,262	\$ 842,737	\$ 467,652	\$ 116,671	\$ 584,323	1.44
2003	4,112,139	4,079,550	32,589	544,556	85,940	630,496	0.05 (4)
2004	4,007,523	4,413,105	(405,582)	552,688	210,941	763,629	- (4)
2005	4,523,148	4,463,250	59,898	205,000	196,933	401,933	0.15 (4)
2006	4,558,523	4,255,169	303,354	195,000	186,296	381,296	0.80 (4)
2007	4,696,657	4,310,669	385,988	210,000	172,524	382,524	1.01
2008	4,594,730	4,430,308	164,422	-	170,079	170,079	0.97 (4)
2009	4,878,913	4,414,039	464,874	-	164,167	164,167	2.83
2010	4,856,083	4,031,251	824,832	265,000	160,115	425,115	1.94
2011	5,405,036	4,164,564	1,240,472	275,000	151,741	426,741	2.91

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
2002	17,080 (1)	\$ 722,061,149	\$ 14,892,924	2.06%	\$ 872
2003	17,080	747,023,290	13,636,276	1.83%	798
2004	17,080	778,377,290	14,499,672	1.86%	849
2005	17,080	813,304,250	11,015,199	1.35%	645
2006	17,080	838,542,390	9,608,927	1.15%	563
2007	17,080	867,467,911	9,475,430	1.09%	555
2008	17,080	847,756,558	6,651,683	0.78%	389
2009	17,080	780,980,472	5,099,661	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

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, 2011

	Debt Outstanding	Percent Applicable to the City	Estimated Share of Overlapping Debt
Direct debt, general obligation debt	\$ 9,386,034	100.00	\$ 9,386,034
Overlapping debt:			
Grosse Pointe Public Library	16,000,000	25.11	4,017,600
Grosse Pointe Public Schools	52,580,000	25.11	13,202,838
County of Wayne Building Authority and Debt Fund	380,965,776	1.51	5,752,583
Wayne County Community College	9,140,000	2.36	215,704
Total overlapping debt	<u>458,685,776</u>		<u>23,188,725</u>
Total direct and overlapping debt	<u>\$ 468,071,810</u>		<u>\$ 32,574,759</u>

Source: Municipal Advisory Council of Michigan

2003 Park Refunding Bonds	\$ 1,320,000
Grosse-Gratiot Drain	<u>6,978,669</u>
Total	<u>\$ 8,298,669</u>

City of Grosse Pointe Woods, Michigan

	2002	2003	2004	2005	2006
Calculation of Debt Limit (1)					
Taxable valuation	\$ 687,858,080	\$ 723,570,576	\$ 747,023,290	\$ 778,377,290	\$ 813,304,250
Debt limit (10% of equalized value)	68,785,808	72,357,058	74,702,329	77,837,729	81,330,425
Calculation of Debt Subject to Limit					
Total debt	17,119,741	20,578,538	20,844,246	16,720,199	15,118,927
Less Debt Not Subject to Charter Limitations					
Michigan Transportation Fund Bonds	-	-	-	-	-
Water and Sewer Revenue Bonds 1993	985,000	795,000	610,000	405,000	210,000
Grosse-Gratiot Drain/Milk River Debt	11,709,742	10,784,094	9,834,247	8,860,199	7,858,927
Water/Sewer Installment Note	-	757,262	389,574	-	-
2010 DWRP Bonds	-	-	-	-	-
Water/Sewer Revenue Bonds 2003	<u>1,111,818</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>	<u>5,300,000</u>
Total debt not subject to Charter limitations	<u>13,806,560</u>	<u>17,636,356</u>	<u>16,133,821</u>	<u>14,565,199</u>	<u>13,368,927</u>
Total net debt (2)	<u>3,313,181</u>	<u>2,942,182</u>	<u>4,710,425</u>	<u>2,155,000</u>	<u>1,750,000</u>
Legal debt margin	<u>\$ 65,472,627</u>	<u>\$ 69,414,876</u>	<u>\$ 69,991,904</u>	<u>\$ 75,682,729</u>	<u>\$ 79,580,425</u>
Net debt subject to limit as percentage of debt limit	5.06%	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
\$ 867,467,911	\$ 847,756,558	\$ 780,980,472	\$ 699,266,846	\$ 617,163,733
86,746,791	84,775,656	78,098,047	69,926,685	61,716,373
14,775,430	11,701,684	9,894,661	10,280,414	9,722,702
-	-	-	-	-
-	-	-	-	-
6,830,430	5,771,684	4,679,661	3,560,414	2,407,892
-	-	-	-	-
-	-	-	1,976,488	2,723,141
<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>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>2,645,000</u>	<u>880,000</u>	<u>420,000</u>	<u>213,512</u>	<u>336,669</u>
<u>\$ 84,101,791</u>	<u>\$ 83,895,656</u>	<u>\$ 77,678,047</u>	<u>\$ 69,713,173</u>	<u>\$ 61,379,704</u>
3.14%	1.05%	0.54%	0.31%	0.55%

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
2002	17,080 (2)	(5)	(5)	\$ 38,653	(5)	1.50%	8,900
2003	17,080	(5)	(5)	42,364	(5)	1.40%	8,900 (3)
2004	17,080	(5)	(5)	43,600	(5)	1.50%	9,182 (3)
2005	17,080	(5)	(5)	44,720	(5)	1.74%	8,986
2006	17,080	(5)	(4)	46,151	(4)	3.26%	8,912
2007	16,437	(5)	6,420	(5)	(5)	4.60%	8,873
2008	17,080	(5)	(5)	(5)	(5)	9.30%	8,900 (3)
2009	17,080	(5)	(5)	(5)	(5)	14.10%	8,900 (3)
2010	17,080	(5)	(5)	(5)	(5)	14.10%	8,900 (3)
2011	16,014 (1)	(5)	6,396	(5)	(5)	12.70%	8,900 (3)

(1) Information obtained from SEMCOG

(2) 2000 population from U.S. Census

(3) Estimate

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

(5) Information not available

City of Grosse Pointe Woods, Michigan

Demographic and Economic Information Principal Employers

Taxpayer	Enterprise	Employer's			
		2010 Employees	Percentage of Total Employment	2000 Employees	2000 Rank
1 Van Elslander Center	Medical	250	24.41%	(1)	(1)
2 University of Liggett	School	128	12.50%	(1)	(1)
3 Great Lakes Cancer Mgt Specialist	Medical	103	10.06%	(1)	(1)
4 St. John I.T. & Desktop Support	Medical Business	100	9.77%	(1)	(1)
5 Lochmoor Club	Country Club	100	9.77%	(1)	(1)
6 City of Grosse Pointe Woods	Municipal	98	9.57%	(1)	(1)
7 Grosse Pointe Hunt Club	Private Club	80	7.81%	(1)	(1)
8 Big Boy-Curtis Restaurant Group	Restaurant	60	5.86%	(1)	(1)
9 G.P. Physicians X-Ray, Inc.	Medical	55	5.37%	(1)	(1)
10 Original Pancake House	Restaurant	50	4.88%	(1)	(1)

(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	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Percent of Total for 2011
Supervisor	(2)	(2)	(2)	(2)	3	3	2	2	2	2	2
Assessing	(2)	(2)	(2)	(2)	2	2	2	2	1	1	1
Clerk's office	(2)	(2)	(2)	(2)	3	3	3	3	3	3	4
Treasurer's office	(2)	(2)	(2)	(2)	6	5	5	4	5	5	5
Municipal Court	(2)	(2)	(2)	(2)	3	3	3	3	3	3	4
Information systems	(2)	(2)	(2)	(2)	2	2	2	2	2	2	2
Building	(2)	(2)	(2)	(2)	3	3	3	3	3	3	4
Parks and recreation	(2)	(2)	(2)	(2)	4	4	4	3	2	2	2
Public safety	(2)	(2)	(2)	(2)	52	54	54	52	50	44	48
Public works	(2)	(2)	(2)	(2)	27	25	25	25	28	26	28
Total	-	-	-	-	105	104	103	99	99	91	100

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

(2) Data not available

Source: City personnel records

City of Grosse Pointe Woods, Michigan

Function/Program	2002	2003	2004	2005
Public safety (calendar year Jan 1 - Dec 31):				
Police physical arrests	583	542	477	770
Police traffic violations	7,056	5,183	5,857	6,045
Fire runs	81	79	77	80
Fire actual fires	12	12	8	16
Fire basic ambulance runs	418	439	481	466
Fire advance life support ambulance runs	206	197	193	263
Fire inspections	84	97	53	53
Parks and recreation (estimated):				
Recreation programs - Lake Front Park	238	265	345	338
Community center programs	24	24	22	22
Water:				
New connections (calendar year Jan 1 - Dec 31)	2	2	5	5
Water main breaks	(1)	(1)	(1)	(1)
Total consumption (billed - HCF)	950,135	990,645	954,848	920,271

(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

2006	2007	2008	2009	2010	2011
	(3)		(3)	(3)	(3)
478	805	676	(2)	(2)	(2)
2,887	4,181	4,635	(2)	(2)	(2)
39	55	71	(2)	(2)	(2)
4	4	14	(2)	(2)	(2)
466	424	368	(2)	(2)	(2)
169	328	356	(2)	(2)	(2)
66	215	180	(2)	(2)	(2)
428	406	426	415	392	362
24	24	40	41	41	41
3	5	1	-	0	0
(1)	(1)	36	19	20	22
1,006,841	887,693	1,064,580	804,221	750,096	791,980

City of Grosse Pointe Woods, Michigan

Operating Information Capital Asset Statistics by Function

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Public safety:										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	8	8	8	8	8	8	8	8	8	8
Fire trucks	3	3	3	3	3	3	3	3	3	3
Ambulances	1	1	1	1	1	1	1	1	1	1
Parks and recreation:										
Acreage	92	92	92	92	92	92	92	92	92	92
Playgrounds	5	5	5	5	5	5	5	5	5	5
Soccer fields	2	2	2	2	2	2	2	2	2	2
Baseball/Softball diamonds	5	5	5	5	5	5	5	5	5	5
Water:										
Mains (miles)	60	60	60	60	60	63	63	63	63	63
Fire hydrants	603	603	603	603	603	606	603	603	603	603
Sewer - Miles of sanitary sewers	75	75	75	75	75	78	78	78	78	78

Source: Departmental annual reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure State-shared Revenue Last Ten Fiscal Years

<u>Fiscal Years Ended</u>	<u>Modified Accrual and Accrual Basis of Accounting</u>
2002	\$ 1,956,485
2003	1,842,388
2004	1,656,709
2005	1,655,968
2006	1,682,170
2007	1,570,567
2008	1,584,047
2009	1,514,040
2010	1,339,744
2011	1,452,878

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	
2002	\$ 628,429	\$ 255,868	\$ 884,297
2003	633,886	258,345	892,231
2004	675,278	275,469	950,747
2005	665,770	273,506	939,276
2006	656,119	269,835	925,954
2007	700,767	288,920	989,687
2008	636,344	261,441	897,785
2009	612,785	251,769	864,554
2010	602,084	247,497	849,581
2011	610,993	251,206	862,199

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Labor Agreements June 30, 2011

Bargaining Unit	Expiration Date	June 30, 2011 Number of Employees
Police Officers Association of Michigan Represents police officers	6/30/2010	25
Command Officers Association of Michigan Represents police corporals, sergeants, and lieutenants	6/30/2010	7
Police Officers Labor Council Represents all paramedics/fire specialists and dispatchers	6/30/2010	9
Technical, Professional and Office Workers Assn of MI TPOAM Represents clerical, public works employees, building, and ordinance officers	6/30/2013	38
Nonunion Employees (Full-time)		
City Administrator	N/A	1
Confidential Secretary to City Administrator	N/A	1
City Assessor	N/A	1
Deputy City Assessor	N/A	0
Treasurer/Comptroller	N/A	1
Assistant to the Comptroller	N/A	1
Accounting Assistant to the Treasurer	N/A	1
Utility Billing Manager	N/A	1
City Clerk	N/A	1
Deputy City Clerk	N/A	1
Public Safety Director	N/A	1
Court Clerk	N/A	1
Probation Officer	N/A	1
Information Technology Manager	N/A	1
Information Systems Technician	N/A	1
Building Official	N/A	1
Director of Public Works	N/A	1
Assistant Director of PW	N/A	1
Foreman	N/A	0
Facilities Manager	N/A	0
Community Center Supervisor	N/A	0
Recreation Supervisor	N/A	1
Confidential Administrative Assistant	N/A	2
		<u>20</u>

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Water and Sewer Customers and Consumption June 30, 2011

User Type	Number of Meters	Water Consumption Volume (100 Cubic Feet)	Percentage of Consumption
Residential	6,544	46,245	88.16%
Commercial	285	4,543	8.66%
Churches, schools, and government	26	1,669	3.18%
Total	6,855	52,457	100.00%

Source: Comptroller's Office

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Historical Net Earnings, Cash Flow, and Debt Service Coverage June 30, 2011

Fiscal Years Ended June 30	Operating Revenue	Operating Expenses Exclusive of Depreciation	Net Operating Income (Loss)	Other Non-operating Income (I)	Annual Income Available for Debt Service	Annual Revenue Debt Service Requirements	Annual Coverage
2002	\$ 3,830,999	\$ 2,988,262	\$ 842,737	\$ 261,808	\$ 1,104,545	\$ 584,323	1.89
2003	4,112,139	4,079,550	32,589	181,807	214,396	630,496	0.34
2004	4,007,523	4,413,105	(405,582)	183,034	(222,548)	763,629	(0.29)
2005	4,523,148	4,463,250	59,898	251,133	311,031	401,933	0.77
2006	4,558,523	4,255,169	303,354	504,551	807,905	381,296	2.12
2007	4,696,657	4,310,669	385,988	52,093	438,081	262,789	1.67
2008	4,594,730	4,430,308	164,422	26,241	190,663	420,079	0.45
2009	4,878,913	4,414,039	464,874	19,799	484,673	164,167	2.95
2010	4,856,083	4,031,251	824,832	10,393	835,225	425,115	1.96
2011	4,837,093	4,164,564	672,529	6,192	678,721	426,741	1.59

(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, 2011

Customer	Usage in Dollars	Volume of Water Used (in 100 Cubic Feet)
Lochmoor Club	\$ 110,704	23,183
Grosse Pointe North High School	44,525	6,390
Shorepointe Condos	27,838	5,758
Berkshire Condo Association	21,260	3,966
ANK Development	18,979	4,023
Sunrise Development	18,440	3,517
Grosse Pointe Board of Education	16,252	2,953
Original Pancake House	15,294	3,264
St. John Hospital	11,544	1,369
Kroger	10,948	1,995

Source: City of Grosse Pointe Woods financial reports

City of Grosse Pointe Woods, Michigan

Continuing Disclosure Metered Water Rates June 30, 2011

Fiscal Year 2011-2012

Meter Size	Residential	Commercial*
5/8"	\$ 43.70	\$ 7.85
3/4"	43.70	11.78
1"	61.18	19.63
1 1/2"	78.66	43.18
2"	126.73	62.80
3"	480.70	113.83
4"	611.80	157.00
6"	917.70	235.50
8"	1,267.30	318.50
10"	2,547.71	549.50
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	1.60	1.60

*Commercial rate includes churches, schools, and government

City of Grosse Pointe Woods, Michigan

**Federal Awards
Supplemental Information
June 30, 2011**

City of Grosse Pointe Woods, Michigan

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Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2011. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Grosse Pointe Woods' basic financial statements. The accompanying schedule of expenditures of federal awards and reconciliation of 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. The information in this report has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran, PLLC

November 15, 2011

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, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Grosse Pointe Woods (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 15, 2011. We have conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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 and 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 and another deficiency that we consider to be a significant deficiency.

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

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 to be a material weakness (Finding 2011-1).

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency (Finding 2011-2).

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 City Council, others within the entity, regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 15, 2011

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, Michigan

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, 2011. 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, 2011.

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

Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2011-3 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 City Council, others within the entity, regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Plante & Moran, PLLC

November 15, 2011

City of Grosse Pointe Woods, Michigan

Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency - Passed through State of Michigan Department of Environmental Quality - Capitalization Grants for Drinking Water State Revolving Funds - Drinking Water Relief Fund	66.468	7301-01 and 7332-01	\$ 6,180,000	\$ 701,266 *
U.S. Department of Housing and Urban Development - Passed through Wayne County, Michigan - Community Development Block Grant - Administration Fees	14.218	IDIS Project #14	8,083	<u>8,083</u>
Total federal expenditures				<u>\$ 709,349</u>

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

City of Grosse Pointe Woods, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 8,083
Plus federal revenue not reported as such in the financial statements - Capitalization grant proceeds for Drinking Water State Revolving Funds	<u>701,266</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 709,349</u>

City of Grosse Pointe Woods, Michigan

Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

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, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

City of Grosse Pointe Woods, Michigan

Schedule of Findings and Questioned Costs Year Ended June 30, 2011

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:

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

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

Auditee qualified as low-risk auditee? Yes No

City of Grosse Pointe Woods, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-1	<p>Finding Type - Material weakness</p> <p>Criteria - Management's goal was to accurately record all transactions in the general ledger.</p> <p>Condition - During the course of the audit process, Plante & Moran, 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>Context - The adjustments were to account balances relating to properly state various year-end balances. The adjustments made related to the following: accrued liabilities (accounts payable, OPEB, IBNR, and MTTs) and asset balances (capital assets, receivables). We did not consider the impact of any of these individual entries to be material.</p> <p>Cause - 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>Effect - As a result, various adjustments were required to be made to the City's accounting records in order for the financial statements to be complete and in accordance with GAAP.</p> <p>Recommendation - The City of Grosse Pointe Woods should have work performed and separately reviewed by a person with the necessary background and experience to perform an effective review.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City of Grosse Pointe Woods will focus on adding additional procedures to correct and detect misstatements in the general ledger through a more rigorous review process.</p>

City of Grosse Pointe Woods, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-2	<p>Finding Type - Significant deficiency</p> <p>Criteria - GAAP requires expenses to be recorded in the period in which they were incurred.</p> <p>Condition - A invoice's date had been altered in order for the invoice to be improperly included in the June 30, 2011 budget year. The invoice indicated that this was done at the request of a nonspecific individual at the City.</p> <p>Context - The invoice was not material to the fund.</p> <p>Cause - In an effort to use up the current year budget, the employee thought this would allow for recording in 2011. There were multiple pages to the invoice and therefore it was not noted in review. The reviewer only noted the incorrect date.</p> <p>Effect - The vendor complied with the request and noted on the invoice that the City requested it be back-dated.</p> <p>Recommendation - We recommend that the City clarify policies with all levels of staff to ensure that this is not an allowed practice.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City agrees with the recommendation and will put the necessary procedures in place.</p>

City of Grosse Pointe Woods, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-3	<p>Program Name - Drinking Water Revolving Fund - 66.468</p> <p>Pass-through Entity - State of Michigan Department of Environmental Quality</p> <p>Finding Type - Material weakness</p> <p>Criteria - 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>Condition - 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>Questioned Costs - None</p> <p>Context - The modifications necessary to correct the SEFA initially prepared by the City were material to the program.</p> <p>Cause and Effect - 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>Recommendation - 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>Views of Responsible Officials and Planned Corrective Actions - The amounts reported on the SEFA will be reviewed by supervisory personnel and reconciled to the financial statements.</p>

City of Grosse Pointe Woods
Corrective Action Plan
Year Ended June 30, 2011

<u>Reference Number</u>	<u>Finding</u>
2010-3	CDBG-Entitlement Grants Cluster (14.218 and 14.253) - Material weakness; Material noncompliance for reporting
	<u>Condition</u>
	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.
	<u>Corrective Action Plan</u>
	The City will ensure that amounts reported on the SEFA will be reviewed by supervisory personnel and reconciled to the financial statements.

November 15, 2011

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, 2011 and have issued our report thereon dated November 15, 2011. 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.

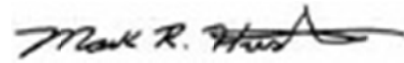
To the City Council
City of Grosse Pointe Woods, Michigan

November 15, 2011

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

Very truly yours,

Plante & Moran, PLLC

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

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, 2011, 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 and another deficiency that we consider to be a significant deficiency.

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: accrued liabilities (accounts payable, OPEB, IBNR, and MTTs), asset balances (capital assets, receivables), and fund balance. We did not consider the impact of any of these individual entries to be material.

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

Accounts Payable - During our testing of accounts payable, we reviewed an invoice that should have been expensed in 2012 but had been incorrectly accrued back to 2011. In reviewing the invoice for proper classification, we noted a comment from the vendor stating that specific instructions were given to the vendor by the City to date the invoice back to June 2011. We recommend that the City put controls in place to ensure that all purchases that are planned to be budgeted in a given year are purchased in the appropriate time period.

Section II - Communications Required Under SAS 114

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated December 1, 2009, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. 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 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 15, 2011 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 23, 2011.

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. As described in Note I, the City implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund-type Definitions*, in 2011. Fund balance classifications in the governmental fund financial statements have been changed to reflect the five new classifications required under GASB Statement No. 54. In addition, the Local Streets and Cable Franchise Fee funds have been merged into the General Fund as they no longer qualify as a special revenue fund. Accordingly, the accounting change has been retrospectively applied to prior periods presented as if the policy had always been used.

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

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

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

The most sensitive estimates affecting the financial statements were:

- OPEB (other postemployment benefits) costs - Including the actuarial methods and assumptions, as well as the measurement of the "implied" healthcare costs actually incurred for 2010
- Pension costs (actuarial methods and assumptions)
- Potential Michigan tax tribunal refunds
- Unbilled water and sewer
- Self-insurance and health IBNR (incurred but not reported)

There were no significant components in the financial statements based on sensitive management estimates.

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, 2011. 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. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

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

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

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 15, 2011.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts.

To our knowledge, there were no such consultations with other accountants.

To the City Council
City of Grosse Pointe Woods, Michigan

November 15, 2011

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 that 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

Impact of Census Results on State-shared Revenue

The 2010 census data was released on March 22, 2011. Census results indicated an overall decline in population for the state of Michigan of 0.6 percent. The impact of the census on local units of government will vary widely based mostly upon whether or not a local unit is receiving statutory revenue-sharing payments.

In the prior year, it was reported that approximately 1,200 local units (out of approximately 1,775) did not receive any statutory revenue payments. For those communities who are only receiving constitutional payments, their percentage increase (or decrease) in population should result in a corresponding percentage increase (decrease) in constitutional revenue-sharing payments, retroactive to October 1, 2010. The retroactive payments are scheduled to be made (or deducted) in the June and August distributions.

The State's budget appropriation for 2010-2011 specifies that each local unit that experiences an increase in constitutional distributions (for instance, as a result of a population increase) will receive a corresponding reduction in statutory revenue sharing. What is less clear is whether those communities that receive a decline in constitutional distributions (due to a population decline) would receive an increase in statutory revenue sharing.

This is because of the provision that if the total statutory state-shared revenue to be paid throughout the state is higher than the State's budgeted amount, the State is under no obligation to pay more than was budgeted. At this point, we believe communities should plan on receiving the decreased amount.

State Initiatives Impacting Local Units of Government

Governor Snyder has begun his tenure with several significant initiatives, and he is moving his agenda forward at a quick pace. One of these initiatives is to improve the transparency and efficiency of local units - cities, townships, villages, and counties. More specifically, his current local government initiatives include:

- Replace "statutory revenue sharing" with a newly named "Economic Vitality Incentive Program" that will be reduced by approximately 1/3 and require local units to compete for the remaining \$200 million by demonstrating best practices in the following areas:
 - Transparency - Provide more accessible financial information to citizens
 - Service sharing - Consolidation or collaboration with other units of government
 - Employee benefits - Slimmed-down pension and healthcare benefits
- Significantly strengthening the powers of emergency managers
- Changes to Act 312, police and fire arbitration
- Changes to the Urban Cooperation Act
- Potential elimination of personal property taxes

Each of these initiatives could have an impact on the City and will be discussed in more detail below.

Accountability and Transparency

Governor Snyder's proposals call for each local unit to produce a citizen's guide to its finances (a "transparency tool") and a performance "dashboard" (already prepared and submitted by the City prior to the October 1, 2011 deadline). These two tools should be readily available to the public, which likely means available via the Internet. The citizen's guide can be thought of as a simplified view of financial data, much like a Popular Annual Financial Report (PAFR). The performance dashboard would be comparisons of key metrics both to your community (over time) and to other communities (comparables).

At this point, there is no single set of criteria for these two tools; the result is to allow local units to design tools that are tailored and relevant to them.

Service Sharing and Consolidation

The second requirement to compete for statutory revenue sharing has an implementation date of January 1, 2012. The State is requiring local units to submit a plan that identifies the increased sharing of services with other governments, or consolidation of services. While it appears that past endeavors will be considered this first year, the State is also looking for communities to develop plans to enter into new sharing arrangements. At this time, communities are required to certify that they have plans that they intend to implement. Actual sharing agreements do not need to be in place by January 1, 2012.

The State requires the service-sharing plans to include estimates of potential savings and costs associated with sharing services. In addition, the State has set aside a small amount (\$5 million out of the \$200 million) to assist communities with one-time implementation costs related to launching new service-sharing initiatives.

Employee Compensation Best Practices

The new EVIP program requires changes only to new, modified, or extended employee contracts. Such contracts would be subject to the following criteria:

- a) Placing all new hires in a defined contribution plan or a hybrid retirement plan that caps annual employer contributions at 10 percent of base salary
- b) Where applicable, a 1.5 percent multiplier should be used to determine employee pensions. A 2 percent multiplier should be used for employees who are not eligible for Social Security benefits.
- c) Implementing controls to avoid pension spiking such as using a three-year salary average that does not include more than a total of 240 hours of paid leave and overtime to determine benefit levels
- d) If health care is offered, all new hires must be on an 80/20 employer to employee healthcare premium split.

Other Legislative Developments

Healthcare Initiatives

Senate Bill 7 (now PA 152 of 2011), the "Publicly Funded Health Insurance Contribution Act," was signed into law by the governor in late September 2011. This new law requires all public employers to place hard caps on the amounts they contribute toward health care with an option to elect an 80 percent contribution cap rather than a hard cap. There is also an option for the local unit to opt out entirely.

PA 152 would limit annual costs for medical benefit plans to the following:

- \$5,500 for single coverage
- \$11,000 for individual and spousal coverage
- \$15,000 for family coverage

These limits would apply once contracts expire or by January 1, 2012 if there is no contract.

Alternatively, given a majority vote of its governing bodies, a public employer can opt out of the hard cap and into an 80 percent contribution cap. Under this option, public employers would pay no more than 80 percent of the total annual costs for all of the medical benefit plans they offer or contributed to for their employees and elected public officials. This option would require that publically elected officials would have to pay 20 percent or more of the total annual costs of that plan, but the employee's share of the costs could be allocated as the city sees fit.

This act does contain a complete opt-out provision. It would allow communities to opt out of these provisions entirely with a 2/3 vote of the governing body.

Failure to comply with the provisions in this act will result in a 10 percent reduction in each EVIP payment for the period of noncompliance. Opting out by a 2/3 vote of the governing body under the provisions of this act is not considered failure to comply.

The law, which applies to all public employers, will take effect on January 1, 2012. However, any collective bargaining agreement or other contract executed on or after September 15, 2011 would also have to comply.

Senate Bill 34 - Elimination of the Personal Property Tax

On January 19, 2011, SB 34 was introduced. Very simply, this bill, if it becomes law, will amend PA 206 of 1893 and exempt all personal property from the collection of taxes. Altogether, 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. This bill does not provide any source of revenue to replace that which is lost.

Obviously, this would be devastating to many communities as personal property taxes are a significant component of a local unit's tax structure. During the governor's announcement of his budget, he did state that the elimination of the personal property tax was not part of his 2012 budget. The City's personal property tax currently brings in approximately \$248,000.

Emergency Managers - Public Act 4 of 2011

On March 16, 2011, PA 4, *Local Government and School District Fiscal Accountability Act*, was signed into law. This act repeals Public Act 72 of 1990, the previous *Local Government Fiscal Responsibility Act*. Under the new act, the state treasurer can conduct a preliminary review to determine the existence of a local government financial problem if one or more of 18 different “triggering events” occur. Some of these events are truly a sign of financial stress, such as incurring payless paydays or defaulting on a bond or note payment. Others are more subjective, including a blanket statement that the existence of “other facts or circumstances...as determined by the state treasurer” is sufficient to start the process.

If a finding of probable financial stress is made, the governor shall appoint a review team. The team would conduct its review and report back to the governor and state treasurer within 60 days of its appointment. Depending on the severity of the findings during the review, the actions then taken could range from none to a declaration of a financial emergency, the local unit would be placed in receivership, and an emergency manager (EM) appointed in place of the existing governing body and chief administrative officer.

For communities that have some of the triggers but seem to have a plan to address them, there is an in-between step whereby a consent agreement is entered into and monitored.

Clearly, this legislation is causing great anxiety in terms of both the uncertainty as to how aggressive the State will be in implementing the legislation as well the broadness of the powers granted to an EM. Any new EMs would have the authority to reject, modify, or terminate the terms of an existing contract or collective bargaining agreement.

This legislation may ultimately change the tenor of future union negotiations, in that it gives the collective bargaining representatives a strong incentive to work with the City to avoid receivership by an EM.

Proposed Changes to Act 312, Police and Fire Arbitration

Public Act 312 prohibited public police and fire department employees from the right to strike. Whenever contracts are not resolved, the employees or employer may initiate binding arbitration in lieu of striking. The arbitrator’s decision is final and binding upon the parties involved.

The governor’s March 21, 2011 special message called for reforming Act 312 of 1969, the Police and Fire Arbitration Act. In July 2011, Public Act 116 of 2011 was signed into law and contains the following provisions:

- A stronger consideration of a community’s ability to pay
- Internal salary and benefit comparisons
- Reducing the timeframe of the process to no more than 180 days

Proposed Amendments to the Urban Cooperation Act and Related Statutes

Various House and Senate bills intend to amend the numerous statutes that govern local unit service sharing. These bills eliminate certain guarantees and provisions of collectively bargained agreements. The problem in trying to form new collaborative ventures is that the existing act includes a clause that prevents the immediate negotiation of new contracts. This stands in the way of even the consideration of mergers by many local units because the new entity is hampered by a multi-layer set of work rules, wages, and benefits which effectively eliminate the economic efficiencies that are the very reason to consolidate. Under the amended act, management and employees should be allowed to immediately begin the collective bargaining process for the new entity and complete this within an appropriate timeframe.

The bills are still a work in progress; however, passage in the fall is expected.

New Contractor Withholding Requirements

IRC 3402(t) provides that all federal, state, and some local governments and instrumentalities must withhold 3 percent of payments for property or services, unless the payment is less than \$10,000 or another exception applies. The withholding is remitted by the government agency to the federal government and the payee will have the amount of withholding applied to federal taxes owed or refunded when a tax return is filed.

Even though IRC 3402(t) was originally effective on January 1, 2011, the effective date has been extended several times. The final regulations were issued May 9, 2011 and extended the effective date to January 1, 2013. This requirement applies to local government entities if the total payments are more than \$100 million. Local government entities are generally any city, county, township, or water or fire district. The rules for determining which payments are included in the determination of the \$100 million threshold are cumbersome and the guidance for the actual process for withholding has not yet been issued. For the time being, we just wanted to make you aware of this upcoming change.

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. This act was ordered to take effect immediately.

Client: **City of Grosse Pointe Woods, Michigan**
 Opinion Unit: **Governmental Activities**
 Y/E: **June 30, 2011**

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
KNOWN MISSTATEMENTS:									
A1	To record known liability as a result of attorney confirmation			\$ 10,000				\$ 10,000	\$ (10,000)
A2									
ESTIMATE ADJUSTMENTS:									
B1	To record estimate for property tax chargebacks			28,757				28,757	(28,757)
B2									
IMPLIED ADJUSTMENTS:									
C1	None								
C2									
		\$ -	\$ -	-	\$ -	\$ -	\$ -	-	-
	Total	\$ -	\$ -	\$ 38,757	\$ -	\$ -	\$ -	\$ 38,757	\$ (38,757)

Client: **City of Grosse Pointe Woods, Michigan**
 Opinion Unit: **General Fund (Major Governmental Fund)**
 Y/E: **June 30, 2011**

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
KNOWN MISSTATEMENTS:									
A1	To record known liability as a result of attorney confirmation			\$ 10,000				\$ 10,000	\$(10,000)
A2									
ESTIMATE ADJUSTMENTS:									
B1	To record estimate for property tax chargebacks			19,770				19,770	(19,770)
B2									
IMPLIED ADJUSTMENTS:									
C1	None								
C2									
		\$ -	\$ -	-	\$ -	\$ -	\$ -	-	-
	Total	\$ -	\$ -	\$ 29,770	\$ -	\$ -	\$ -	\$ 29,770	####

Client: **City of Grosse Pointe Woods, Michigan**
 Opinion Unit: **Solid Waste Fund (Major Governmental Fund)**
 Y/E: **June 30, 2011**

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
KNOWN MISSTATEMENTS:									
A1	None								
A2									
ESTIMATE ADJUSTMENTS:									
B1	To record estimate for property tax chargebacks			\$ 2,974				\$ 2,974	\$ (2,974)
B2									
IMPLIED ADJUSTMENTS:									
C1	None								
C2									
		\$ -	\$ -	-	\$ -	\$ -	\$ -	-	-
	Total	\$ -	\$ -	\$ 2,974	\$ -	\$ -	\$ -	\$ 2,974	\$ (2,974)

Client: **City of Grosse Pointe Woods, Michigan**
 Opinion Unit: **Grosse Gratiot Drain Fund (Major Governmental Fund)**
 Y/E: **June 30, 2011**

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
KNOWN MISSTATEMENTS:									
A1	None								
A2									
ESTIMATE ADJUSTMENTS:									
B1	To record estimate for property tax chargebacks			\$ 6,012				\$ 6,012	\$ (6,012)
B2									
IMPLIED ADJUSTMENTS:									
C1	None								
C2									
		\$ -	\$ -	-	\$ -	\$ -	\$ -	-	-
	Total	\$ -	\$ -	\$ 6,012	\$ -	\$ -	\$ -	\$ 6,012	\$ (6,012)