

City of Grosse Pointe Woods, Michigan

Popular Annual Financial Report



Grosse Pointe Woods City Offices



Memorial Day Celebration



Cook School House

Fiscal Year Ended June 30, 2016



Popular Annual Financial Report City of Grosse Pointe Woods, Michigan As of June 30, 2016

A Message to the City of Grosse Pointe Woods

Elected Officials

Robert E. Novitke, Mayor

City Council

Arthur W. Bryant

Victoria A. Granger

Kevin Ketels

Michael Koester

Todd A. McConaghy

Richard Shetler, Jr.

Administrative Staff

City Administrator

Bruce Smith

City Clerk

Lisa Hathaway

Deputy Comptroller

Shawn Murphy

Contents

GPW- History	1
Policies and Initiatives	2
General Fund Revenue	3
General Fund Expenditures	4
General Fund-Fund Balance	5
Taxable Value	6
GPW Property Tax	7
GF Revenue/Expenditures	
History	8
Proprietary Fund	9
Demographics	10
PAFR Certificate-2015	11

On behalf of our City Council and Administration, I am pleased to present you with the City of Grosse Pointe Woods Popular Annual Financial Report (PAFR) for fiscal year ended June 30, 2016. The information included in this report is the General Fund and Enterprise Funds financial data and is derived from the 2016 Certificate of Achievement for Excellence in Financial Reporting (CAFR). The complete financial data for the City was audited by Plante & Moran, PLLC, prepared in accordance with generally accepted accounting principles (GAAP) and can be viewed in its entirety in the 2016 CAFR.

The PAFR is an unaudited document that provides an analysis of our annual financial and operating information that conforms to program standards of creativity, presentation, understandability and reader appeal. An Award for Outstanding Achievement in Popular Annual Financial Reporting is valid for a period of one year only. The City of Grosse Pointe Woods has received a Popular Award for the last three (3) consecutive fiscal years ending 2013-2015. We believe our current report continues to conform to the Popular Annual Financial Reporting requirements, and we are submitting it to the Government Finance Officers Association (GFOA).

The City also received its 47th consecutive Certificate of Achievement for Excellence in Financial Reporting, from the Government Finance Officers Association of the United States and Canada for fiscal year ended June 30, 2015. The Certificate of Achievement is considered the highest form of recognition in the area of governmental accounting and financial reporting. A Certificate of Achievement is valid for a period of one year only. We believe our CAFR continues to conform to the Certificate of Achievement program requirements and we are submitting our CAFR for the current year to the GFOA. The CAFR and the PAFR are available to view on the City's website at www.gpwmi.us.

Grosse Pointe Woods is one of the most desired areas to live in the State of Michigan. The City provides excellence in public safety, public works, recreational opportunities, and also promotes a true sense of community. We are proud of our Lake Front Park which provides the largest outdoor swimming complex in the Midwest and all of our recreational programs and community events. We consider these "core" services essential to maintain a stable and vibrant community for current and future generations.

We are proud to serve the citizens of Grosse Pointe Woods and to provide this report to our residents.

Sincerely,

Robert E. Novitke
Mayor

The City of Grosse Pointe Woods

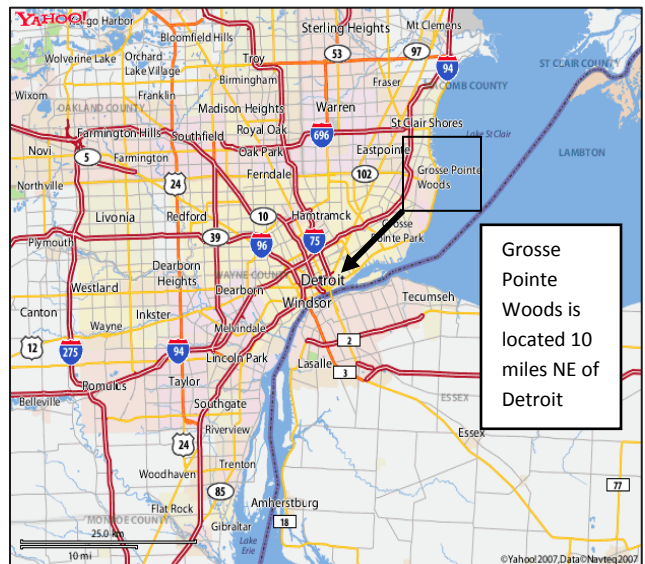
Originally incorporated in 1927, Grosse Pointe Woods was known as the Village of Lochmoor. In 1939, the Village of Lochmoor became the Village of Grosse Pointe Woods and on December 11, 1950 it was incorporated as the City of Grosse Pointe Woods, a Home Rule City. The city covers an area of 3.28 square miles. The City is located approximately 10 miles northeast of downtown Detroit and is over 97 percent residential.

Grosse Pointe Woods operates under a Council-Manager form of government, established by the City Charter and adopted by voters in 1950. This efficient format divides government into policy-making and administrative functions, and has an organizational structure similar to a business.

The residents of the city are the highest government authority. They delegate this authority to representatives they elect every four years. Similar to a board of directors of a corporation, the City Council, composed of the mayor and six council members, is responsible for determining policies and adopting ordinances needed to maintain the health, safety, and welfare of the citizens.

Input provided by various advisory boards and commissions is a valuable resource. Citizens show interest in the community not only by voting, but also by taking an active part in the policy-making process. More than 100 volunteers dedicate their time and talents to the City's boards, commissions, and committees that foster and support a true "sense of community."

<p>City of Grosse Pointe Woods Numbers at a Glance</p> <p>Area: 3.28 Square Miles Population: 16,135 (2010 Census) Median Household Income: \$ 85,986 Median Age: 45 Median Home Value: \$236,600 Equalized Assessed Value: 2015 637,951,875 Total Housing Units: 6,819 Total Full-Time Employees: 77</p> <p>Sources: SEMCOG Community Profiles, 2016 CAFR</p>



Fiscal Policies and Major Initiatives

The City's long-term financial stability is the result of a strong and continuous commitment to fundamental principles of fiscal integrity. As a result, the City's overall bond rating is "AA+" from Standard & Poor's. This outstanding bond rating allows the City to borrow at the lowest possible interest rate, saving taxpayers thousands of dollars in future costs. The City's current administration, Mayor, and City Council continue to be proactive in improved budgeting, cost containment, and improved efficiencies which have helped to address current economic conditions. The following initiatives have been implemented:

- Residents approved a \$10 million capital improvement bond for major road repair and construction in November of 2014. The first series of bonds were issued in May 2015 and construction began. Construction is expected to continue through fiscal year 2017-2018.
- In conjunction with the road repair and construction project, the City has replaced many streetlights with a more energy-efficient LED light. The cost recovery for this project is estimated at one and one-half years.
- Through the Department of Justice, the City was awarded a small grant to assist with the purchase of new vests for our Public Safety Officers. The City has been awarded this grant for a number of years.
- The City of Grosse Pointe Woods, Shores, and Farms were awarded a grant to combine public safety dispatch and police lockup services. The grant will provide for equipment and retrofitting of the Grosse Pointe Woods dispatch center to house the operations of all three cities. This project is currently in the planning stages.
- The City has been awarded a Storm Water Asset Management and Wastewater (SAW) Grant. This grant will allow the City to investigate the condition of storm sewer and truck lines. The City will receive funding for this grant in fiscal year 2016-2017.
- The City remains vigilant with property maintenance enforcement to ensure properties are well maintained.
- The City continues to support community events such as; Winterfest, Music on the Lawn, and Fall Fest. Providing these events supports our "sense of community."
- The City will continue with cost containment initiatives as reflected in the current budget approved by City Council.

General Fund Revenue

The following chart shows the dollar amounts collected for each of the City of Grosse Pointe Woods sources of revenue. The table also gives 2015 data and displays the change in revenue from fiscal year 2015 to fiscal year 2016. There were fluctuations in the various revenue categories, resulting in a net increase in General Fund revenue of \$632,876.

Property taxes continue to be the City’s largest source of revenue; however, like most communities in Michigan, the taxable value of property is slow to rebound after the 2007 decline. Fiscal year 2015-2016 property tax revenue increased by approximately \$200,000 over fiscal year 2014-2015; this increase is a result of increased taxable value.

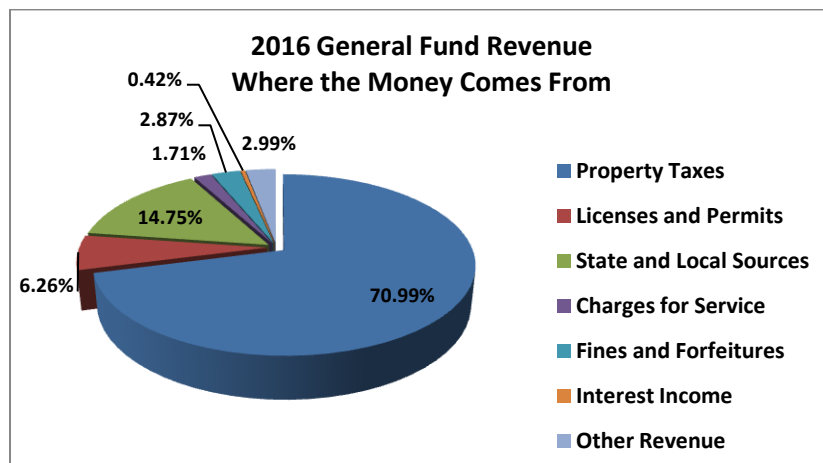
Revenue sharing from the State of Michigan remains our second largest revenue source. During the City’s 2015-2016 fiscal years state-shared revenue increased \$1,179 from fiscal year 2014-2015.

The City also received \$209,544 from the State of Michigan related to recent changes in personal property taxes. This was the first year for state reimbursement; this funding is meant to offset the reduction in personal property tax revenue collected by the City.

License and permit revenue increased by \$62,228 from fiscal year 2014-2015. This is the result of the completion of the permit process for construction projects.

Revenue from District Court fees and fines increased by \$58,000 as compared to fiscal year 2015-2016. This is a result of the increase in the number of violations being processed.

Revenue	2016	2015	Change
Property Taxes	\$ 9,362,734	\$ 9,165,203	\$ 197,531
Licenses and Permits	\$ 825,131	\$ 762,903	\$ 62,228
State and Local Sources	\$ 1,945,686	\$ 1,703,204	\$ 242,482
Charges for Service	\$ 225,434	\$ 200,141	\$ 25,293
Fines and Forfeitures	\$ 379,099	\$ 321,151	\$ 57,948
Interest Income	\$ 55,250	\$ 21,244	\$ 34,006
Other Revenue	\$ 394,849	\$ 381,461	\$ 13,388
Total Revenue	\$ 13,188,183	\$ 12,555,307	\$ 632,876



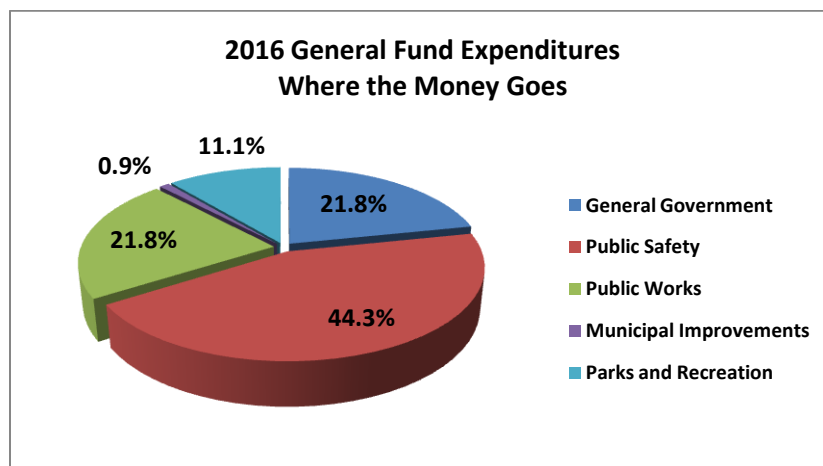
General Fund Expenditures

The General Fund is the City’s primary operating fund and supports the majority of the City’s governmental services. The two largest services funded by General Fund are public safety (combined police and fire services) and public works. In addition, the other major activities included in General Fund are parks and recreation and all general government administrative and service operations. Some of these activities are supported by fees for services that help offset costs, but the majority of these activities rely on property taxes and state shared revenue to subsidize their operations.

The following chart shows expenditures for each governmental service for the City of Grosse Pointe Woods. The table also gives 2015 data and displays the change in expenditures from fiscal year 2015 to fiscal year 2016.

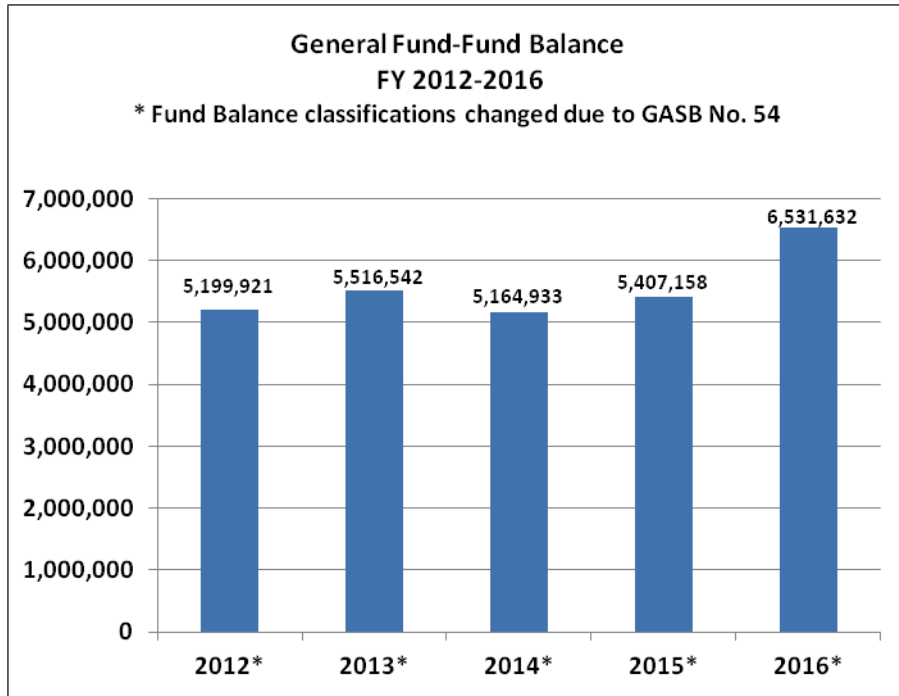
General Fund expenditures for fiscal year 2015-2016 decreased \$246,934 from fiscal year 2014-2015. The decrease is due to various cost containment efforts of the City Council, appointed officials, and department directors.

Expenditures	2016	2015	Change
General Government	\$ 2,577,304	\$ 2,831,165	\$ (253,861)
Public Safety	5,241,913	5,326,347	(84,434)
Public Works	2,585,589	2,526,256	59,333
Municipal Improvements	112,141	59,239	52,902
Parks and Recreation	1,317,785	1,338,659	(20,874)
Total Expenditures	\$ 11,834,732	\$ 12,081,666	\$ (246,934)

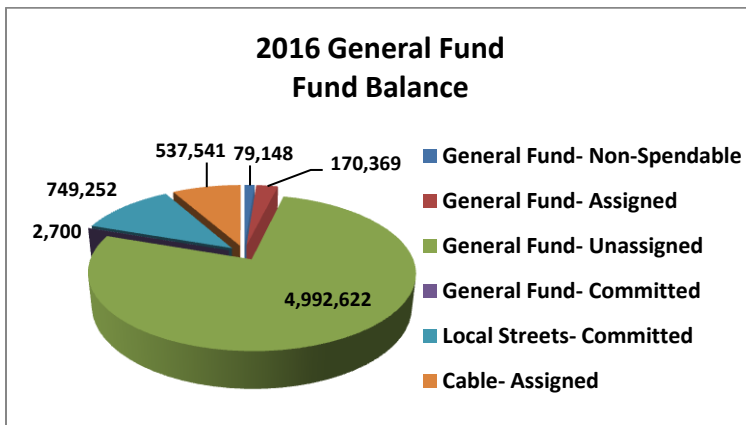


General Fund-Fund Balance

The City’s total General Fund year end fund balance is approximately \$6.5 million. Local Streets and the Cable Fund are included in the General Fund fund balance as a result of GASB No. 54 implementation in fiscal year 2011. The Local Streets fund balance of \$749,252 is classified as “committed” and the Cable Fund fund balance of \$538,000 is classified as “assigned” in General Fund.



As the chart indicates, \$1.5 million is committed, assigned and unspendable, leaving \$5.0 million unassigned. The unassigned amount represents approximately 42.2 percent of fiscal year 2015-2016 actual expenditures. This level of fund balance exceeds the recommended level of between 10 percent and 15 percent of annual expenditures.



Non-Spendable: Funds that are not in spendable form or are legally required to be maintained intact (Prepays)

Restricted: Reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties (Special Revenue Funds)

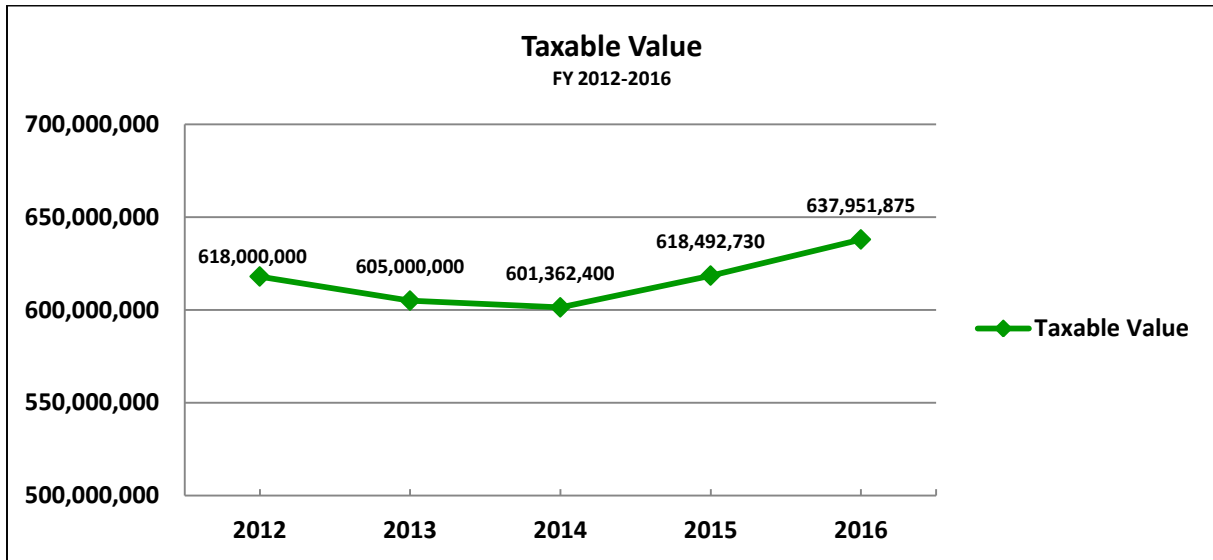
Committed: Funds that have been formally set aside by Council to be used for a specific purpose (Local Streets)

Assigned: Intent to spend resources on specific purposes expressed by Council

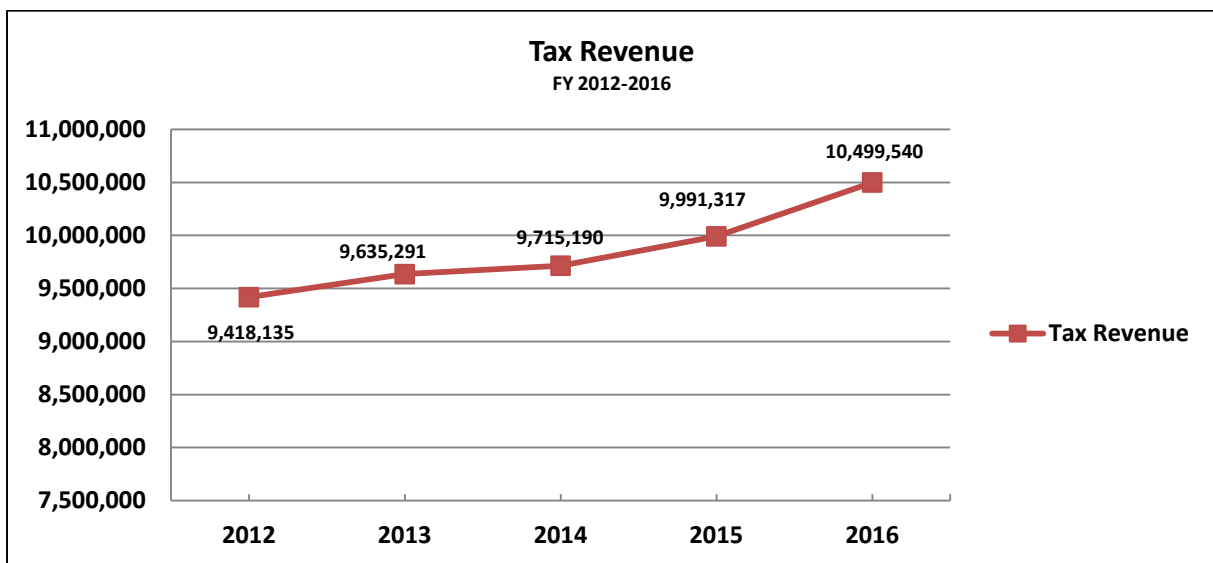
Unassigned: Funds that do not fall into any other category

Taxable Value

The City's most pressing financial concern is the condition of the residential housing market and the negative effect it has had on property tax revenue since 2007. Fiscal year 2015-2016 total taxable value increased 3% from fiscal year 2014-2015. The City is hopeful that the positive change in taxable value, even though small will continue.

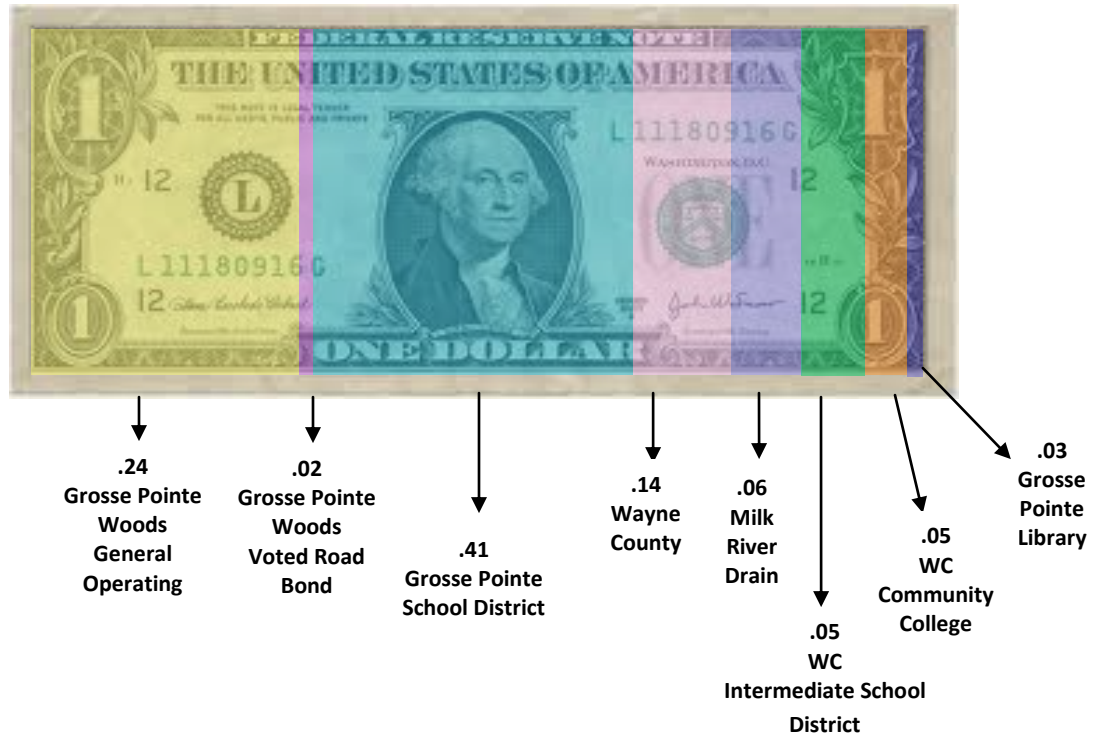


General property tax revenue increased \$500,000 over fiscal year 2014-2015. This increase is a result of increased taxable value and the collection the road bond millage.



City of Grosse Pointe Woods Property Tax Revenue

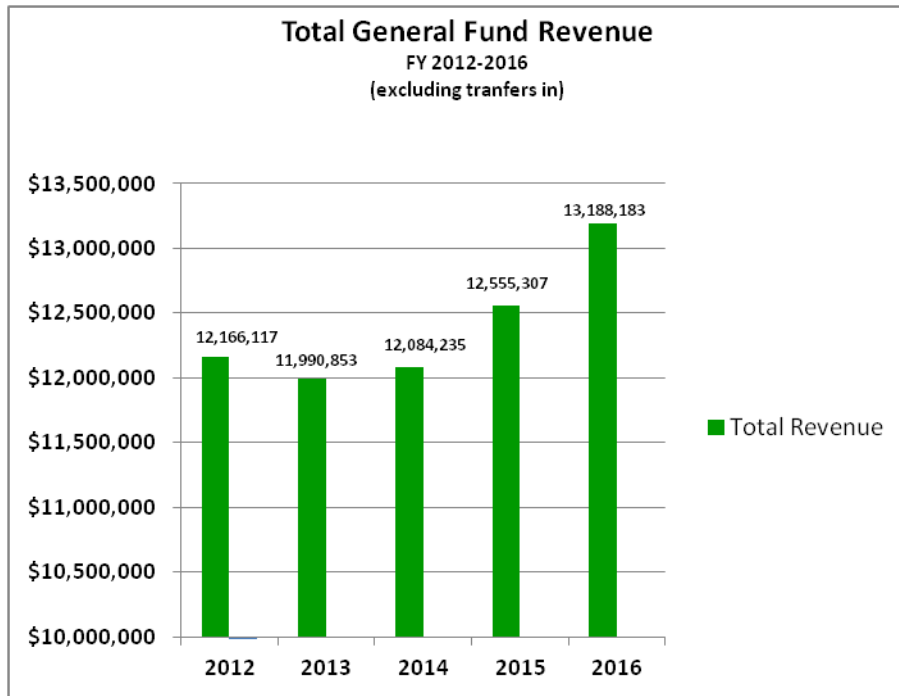
As indicated on the dollar bill below, the City of Grosse Pointe Woods only receives 26 cents for every dollar of property tax revenue collected. These taxes are used to support the general government administrative services, public safety, public works, recreation, and the voter approved road bond.



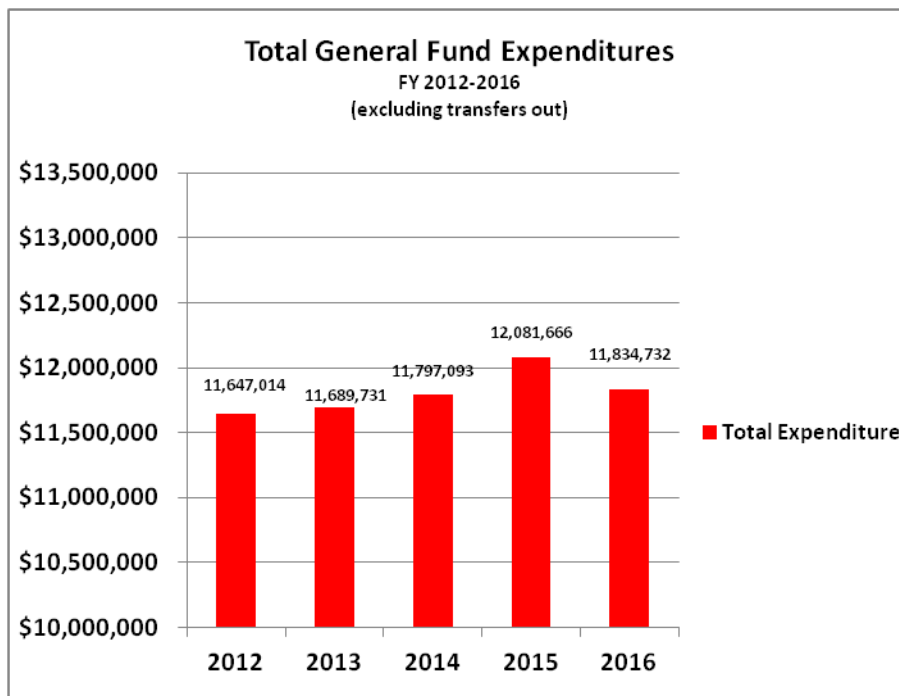
The remaining 74 cents for every dollar of property tax revenue collected is allocated to Grosse Pointe School District, Wayne County, Milk River Drain, Wayne County Intermediate School District, Wayne County Community College, and the Grosse Pointe Library.

General Fund-Revenue/Expenditure History

General Fund revenue has experienced an increase for fiscal years 2012-2016 of \$1.0 million. The overall increase is from the implementation of Payment in Lieu of Taxes (PILOT), increase in property tax revenue due to new construction and improvement projects, and the slight increase in State-shared revenue.



The City's General Fund ended fiscal year 2015-2016 with continued concessions from labor unions and nonunion employees. In addition, there have been across the board budget reductions, elimination of vacant positions, reductions in discretionary spending and capital improvement projects have been delayed, cancelled or reduced.



Enterprise Funds

An Enterprise Fund is a fund that accounts for operations and services that are provided to residents and are financed through user charges. The business type activities consist of the funds for water and sewer and the non major enterprise funds are the parking utility, boat dock, and commodity sales. The non-major enterprise funds are reported in total.

The Water & Sewer Fund has a “AA” bond rating from Standard & Poor’s This allows the City to borrow funds at the lowest possible interest rate to fund infrastructure projects. Water and Sewer rates were increased in the current year to cover increased costs to purchase water and to fund required infrastructure improvements.

Proprietary Funds			
Statement of Revenue, Expenses, and Changes in Net Position			
June 30, 2016			
	Water and Sewer	Nonmajor	Total Enterprise
	Fund	Enterprise Funds	Funds
Total Operating Revenue	\$ 7,174,578	\$ 620,737	\$ 7,795,315
Total Operating Expenses	5,805,365	433,544	6,238,909
Operating Income	1,369,213	187,193	1,556,406
Total nonoperating (expenses)revenue	(174,649)	5,119	(169,530)
Change in Net Position	1,194,564	192,312	1,386,876
Net Position-Beginning of year	22,649,891	1,379,439	24,029,330
Net Position-End of year	\$ 23,844,455	\$ 1,571,751	\$ 25,416,206

Demographics

City of Grosse Pointe Woods		
Major Taxpayers		
Taxpayer	Type	2015 Taxable Value
DRSN Real Estate GP, LLC	Apartment Complex	19,633,700
Health Care Reit, Inc.	Assisted Living	7,024,400
Pointe Plaza	Office Building	4,819,587
Detroit Edison	Utility	4,451,745
Michigan Cons. Gas Co.	Utility	2,567,700
Lochmoor Club	Private Club	1,709,266
A H Peters Funeral Home	Mortuary	1,438,055
GP Hunt Club	Private Club	1,415,450
Comerica	Bank	1,387,661
Kroger Co. of Michigan	Grocery	1,198,083
		45,645,647

City of Grosse Pointe Woods		
Principal Employers		
Taxpayer	Type	# of Employees (based on 2010)
Grosse Pointe Public Schools	School	384
Van Elslander Center	Medical	250
Kroger	Grocery	159
Sunrise Assisted Living	Medical	130
University of Liggett	School	128
Great Lakes Cancer Mtg. Specialist	Medical	103
Lochmoor Club	Country Club	100
St. John I.T. & Desktop Support	Medical Business	100
Grosse Pointe Hunt Club	Private Club	80
City of Grosse Pointe Woods	Municipal	80

Total People Employed in Grosse Pointe Woods	2016	3574
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City of Grosse Pointe Woods	2012	2013	2014	2015	2016
Total Full-Time Employees	86	84	81	78	77

Please visit the City of Grosse Pointe Woods website at www.gpwmi.us for financial documents that include the CAFR, PAFR, Budgets, OPEB and Actuarial Reports. If further information is needed, contact the Finance Department at 313-343-2431.



Government Finance Officers Association

Award for
Outstanding
Achievement in
Popular Annual
Financial Reporting

Presented to

City of Grosse Pointe Woods
Michigan

For its Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO