

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, 2017



**Popular Annual Financial Report
City of Grosse Pointe Woods, Michigan
As of June 30, 2017**

A Message to the City of Grosse Pointe Woods

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, 2017. The information included in this report is the General Fund and Enterprise Funds financial data and is derived from the 2017 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 2017 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 four (4) consecutive fiscal years ending 2013-2016. 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 48th 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, 2016. 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.gpwmj.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

Elected Officials

Robert E. Novitke, Mayor

City Council

Arthur W. Bryant

Victoria A. Granger

George R. McMullen, Jr.

Michael Koester

Todd A. McConaghy

Richard Shetler, Jr.

Administrative Staff

City Administrator

Bruce Smith

City Clerk

Lisa Hathaway

Treasurer/Comptroller

Cathrene Behrens

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The City of Grosse Pointe Woods

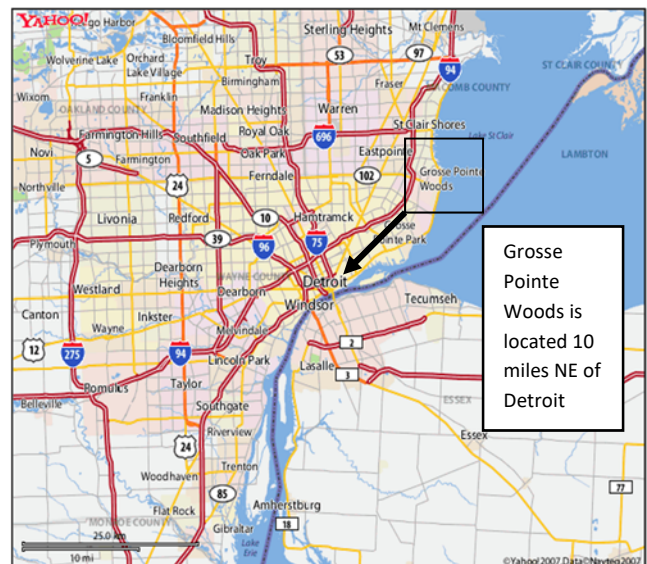
Originally incorporated in 1927, Grosse Pointe Woods was known as the Village of Lochmoor. In 1939, the Village of Lochmoor became the Village of Grosse Pointe Woods and on December 11, 1950 it was incorporated as the City of Grosse Pointe Woods, a Home Rule City. The city covers an area of 3.28 square 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: 2016 650,816,363 Total Housing Units: 6,819 Total Full-Time Employees: 78</p> <p>Sources: 2010 US Census Bureau, 2017 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:

- In May 2017, the City closed on the 2017 Unlimited Tax General Obligation Bond in the amount of \$2,875,000 for the second issue of the \$10 million bond for major road repair and reconstruction. Road construction commenced at the end of April 2017 with Anita, N. Oxford, Wedgewood, Oxford, Huntington, Maple, and Stanhope all slated for re-construction and S. Renaud for re-surfacing. We anticipate the majority of the construction will end in the fall 2017.
- Through the Department of Justice, the City was awarded a Federal grant in the amount of \$122,596. This grant was awarded through the Federal Emergency Management Association (FEMA) to use for the purchase of firefighting equipment. The City purchased approximately fifteen (15) self-contained breathing apparatus (SCBA). In addition, the City received \$2,235 through the US Department of Justice to reimburse 50% of the cost of body armor for our public safety officers. The City has received this grant for many years and it enables us to keep up a steady schedule of replacement for these important life-safety tools.
- The City has realized a large growth in our General Fund balance in fiscal year 2016-17. Actual revenues exceeded actual expenditures by \$1.3 million.
- The Cities of Grosse Pointe Woods and the Village of Grosse Pointe Shores were awarded a \$500,000 grant to combine public safety dispatch and police lockup services. This grant will provide for equipment and retrofitting of the Grosse Pointe Woods dispatch center to house the operations of both cities. This project is scheduled to begin sometime in the fall of fiscal year 2017-18.
- The City remains vigilant with property maintenance enforcement to ensure properties are maintained. Maintaining property values and minimizing the decline through an effective property maintenance and rental inspection program is an important component to our overall financial plan and maintaining the quality of life within our community.
- 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 2016 data and displays the change in revenue from fiscal year 2016 to fiscal year 2017. There were fluctuations in the various revenue categories, resulting in a net decrease in General Fund revenue of \$67,131.

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 2016-2017 property tax revenue decreased by approximately \$210,196 over fiscal year 2015-2016; this decrease is a result of the City reimbursing Wayne County for delinquent tax revenues not received on one of the City’s largest tax payers for fiscal years 2014-2015 and 2015-2016.

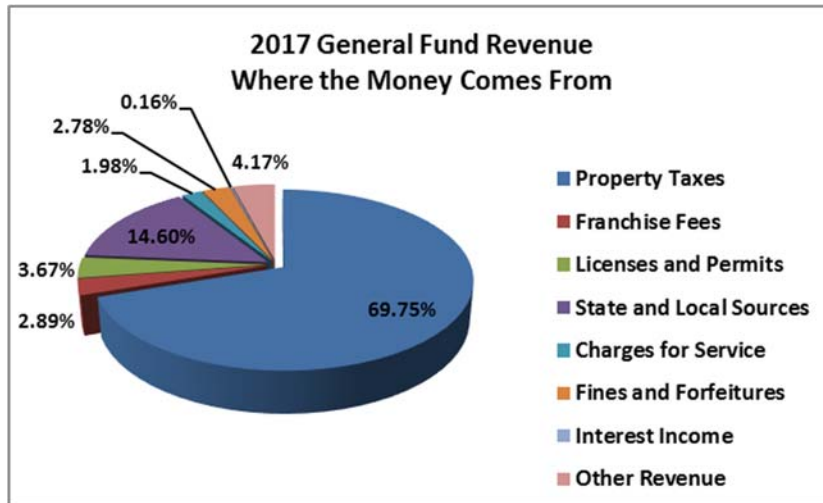
Revenue sharing from the State of Michigan remains our second largest revenue source. During the City’s 2016-2017 fiscal years state-shared decreased \$30,133 from fiscal year 2015-2016. This is the result of the City receiving less funding from the state related to personal property taxes.

License and permit revenue decreased by \$343,553 from fiscal year 2015-2016. This is the result of a reclassification of Franchise Fees into a separate revenue category in fiscal year 2016-2017. License and permit revenue had an increase in revenue of \$84,000 over fiscal year 2015-2016. This is a direct result in the increase of building permits.

Revenue from District Court fees and fines decreased by \$14,867 from fiscal year 2015-2016. This is a result of the decrease in the number of violations being processed.

Other Revenue increased by \$152,665 from fiscal year 2015-2016. This is a result of an increase in parks and recreation activity fees, insurance proceeds and retiree drug subsidy revenue.

Revenue	2017	2016	Change
Property Taxes	\$ 9,152,538	\$ 9,362,734	\$ (210,196)
Franchise Fees	379,362	-	379,362
Licenses and Permits	481,578	825,131	(343,553)
State and Local Sources	1,915,553	1,945,686	(30,133)
Charges for Service	259,340	225,434	33,906
Fines and Forfeitures	364,232	379,099	(14,867)
Interest Income	20,935	55,250	(34,315)
Other Revenue	547,514	394,849	152,665
Total Revenue	\$ 13,121,052	\$ 13,188,183	\$ (67,131)



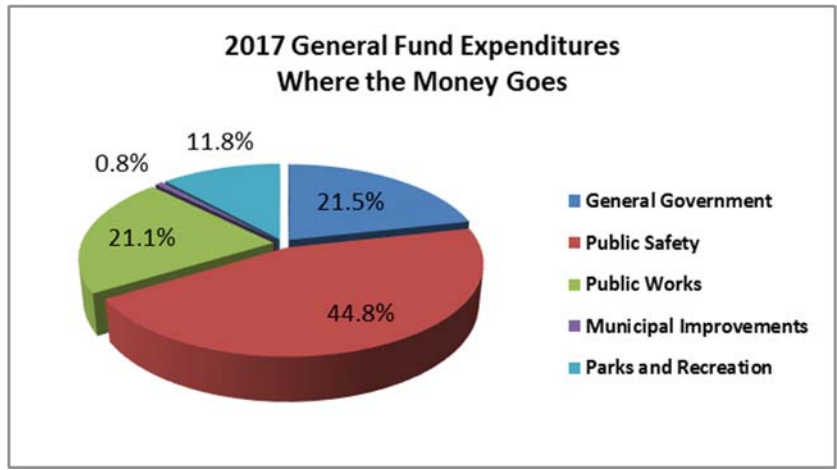
General Fund Expenditures

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 fund their operations.

The following chart shows expenditures for each governmental service for the City of Grosse Pointe Woods. The table also gives 2016 data and displays the change in expenditures from fiscal year 2016 to fiscal year 2017.

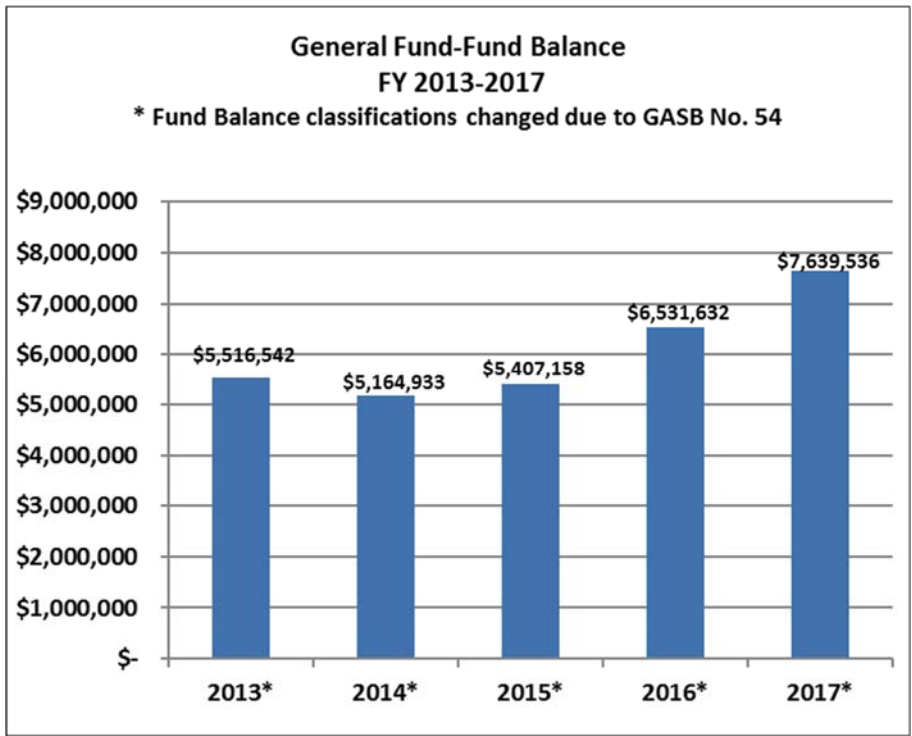
General Fund expenditures for fiscal year 2016-2017 increased \$177,516 from fiscal year 2015-2016. The increase is due to a slight increase in personnel costs and operating expenses.

Expenditures	2017	2016	Change
General Government	\$ 2,587,860	\$ 2,577,304	\$ 10,556
Public Safety	5,377,622	5,241,913	135,709
Public Works	2,536,139	2,585,589	(49,450)
Municipal Improvements	91,086	112,141	(21,055)
Parks and Recreation	1,419,541	1,317,785	101,756
Total Expenditures	\$ 12,012,248	\$ 11,834,732	\$ 177,516

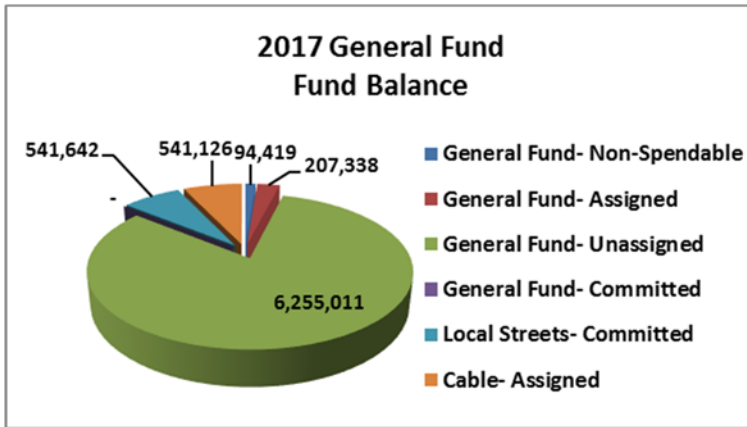


General Fund-Fund Balance

The City’s total General Fund year-end fund balance is approximately \$7.6 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 \$541,642 is classified as “committed” and the Cable Fund fund balance of \$541,126 is classified as “assigned” in General Fund.



As the chart indicates, \$2.3 million is committed, assigned and unspendable, leaving \$6.2 million unassigned. The unassigned amount represents approximately 52 percent of fiscal year 2016-2017 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)

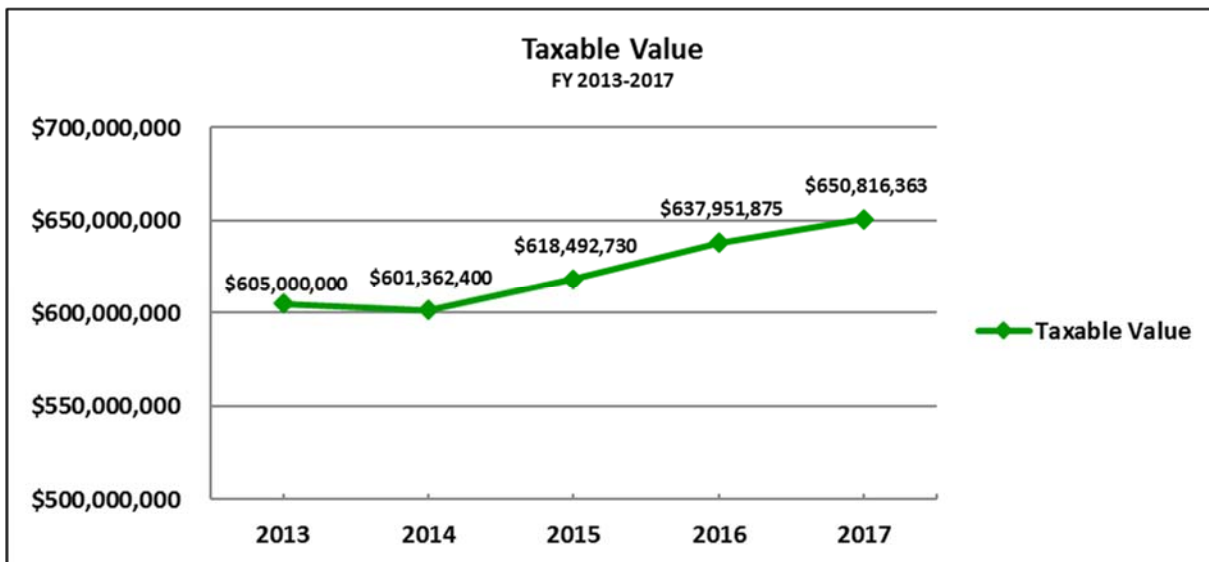
Committed: Funds that have been formally set aside by Council to be used for a specific purpose (Local Streets)

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

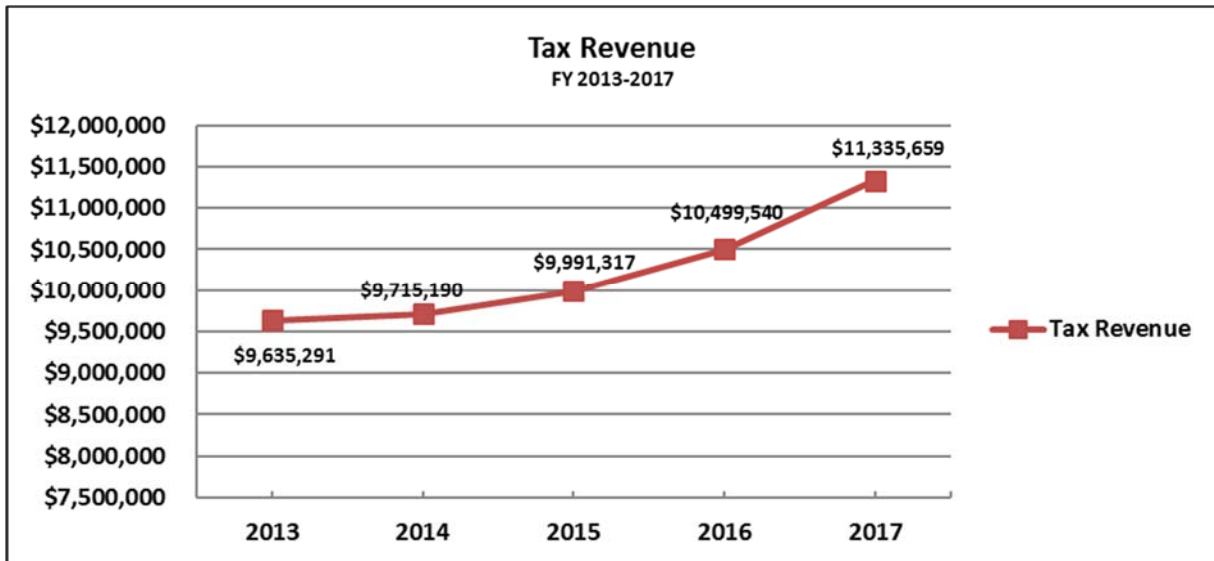
Unassigned: Funds that do not fall into any other category

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 2016-2017 total taxable value increased 2% from fiscal year 2015-2016. The positive change in taxable value, while small, indicates positive things are happening in the housing market in the City.

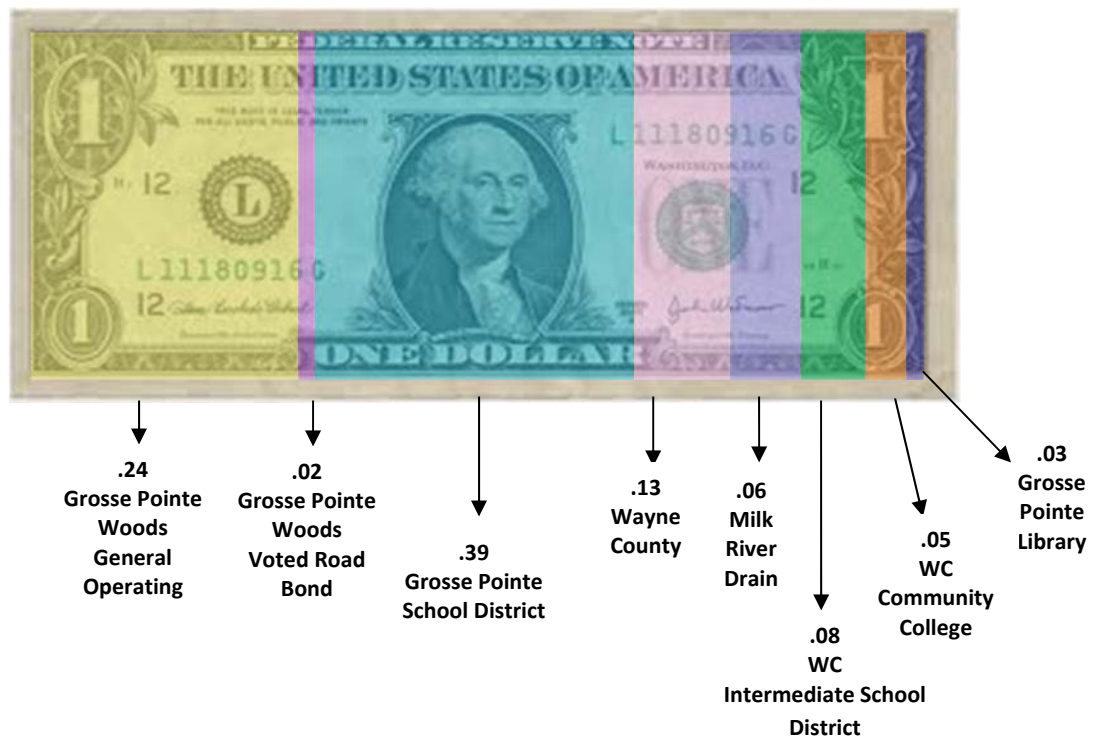


General property tax revenue increased \$800,000 over fiscal year 2015-2016. This increase is a result of the slight increase in taxable value and the collection the road bond millage.



City of Grosse Pointe Woods Property Tax Revenue

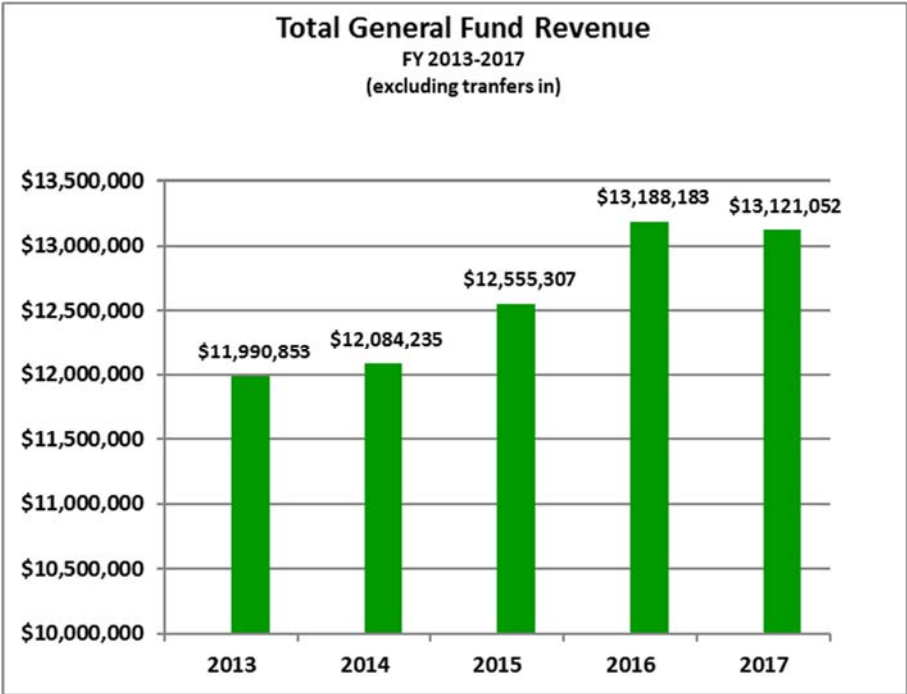
As indicated on the dollar bill below, the City of Grosse Pointe Woods only receives 26 cents for every dollar of property tax revenue collected. These taxes are used to support the general government administrative services, public safety, public works, recreation, and the voter approved road bond.



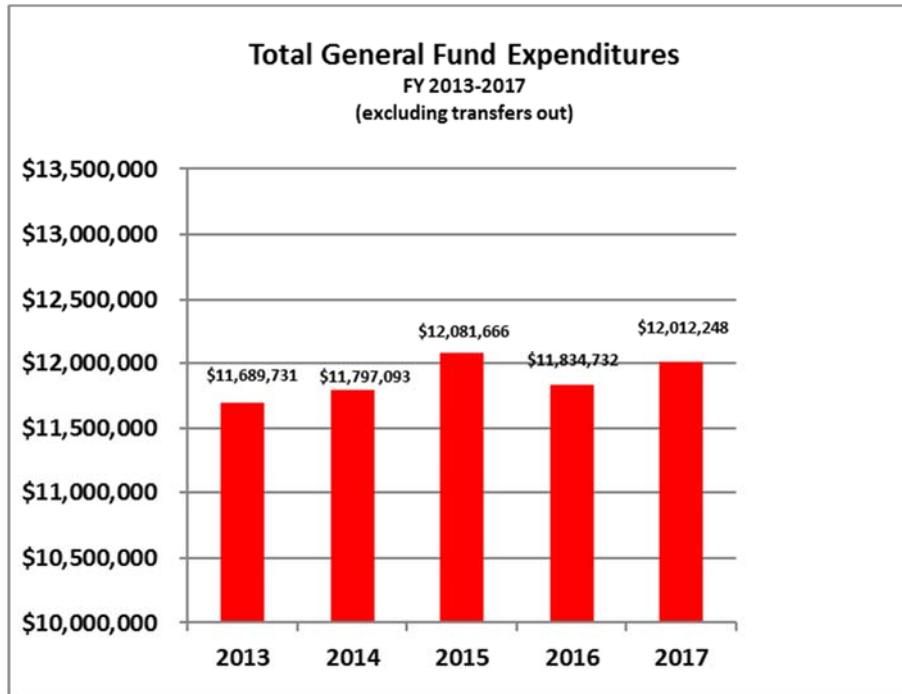
The remaining 74 cents for every dollar of property tax revenue collected is allocated to Grosse Pointe School District, Wayne County, Grosse Gratiot (Milk River) Drain, Wayne County Intermediate School District, Wayne County Community College, and the Grosse Pointe Library.

General Fund-Revenue/Expenditure History

General Fund revenue has experienced steady increases for fiscal years 2013-2016. These overall increases are from the implementation of Payment in Lieu of Taxes (PILOT), increases in property tax revenue due to new construction and improvement projects, and slight increases in State-shared revenue. The slight decrease seen in 2017 can be attributed to a decrease in funding received from the State of Michigan for personal property tax reimbursement. This is a new source of funding for municipalities implemented in fiscal year 2015-2016.



The City's General Fund ended fiscal year 2016-2017 with continued concessions from labor unions and nonunion employees in employee benefits. City Administration settled four union contracts for a three year period through June 30, 2019. 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.



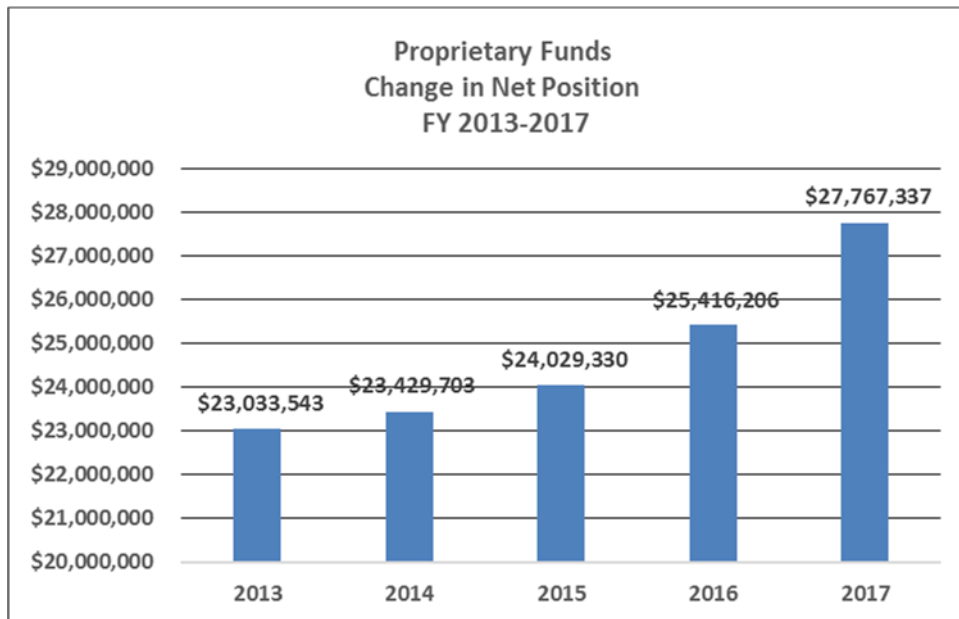
Enterprise Funds

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, 2017			
	Water and Fund	Nonmajor Funds	Total Enterprise Funds
Operating Revenue			
Total Operating Revenue	\$ 7,789,824	\$ 617,165	\$ 8,406,989
Total Operating Expenses	5,631,185	260,946	5,892,131
Operating Income	2,158,639	356,219	2,514,858
Total nonoperating (expenses) revenue	(170,669)	6,942	(163,727)
Change in Net Position	1,987,970	363,161	2,351,131
Net Position-Beginning of year	23,844,455	1,571,751	25,416,206
Net Position-End of year	\$ 25,832,425	\$ 1,934,912	\$ 27,767,337

The City's business type activities have experienced a steady increase in net position from 2013-2017. The increase is primarily the result of water and sewer rate revenue that covers operation and maintenance expenses and infrastructure improvements financed by the issuance of debt.



Demographics

City of Grosse Pointe Woods		
Major Taxpayers		
Taxpayer	Type	2016 Taxable Value
DRSN Real Estate GP LLC	Apartment Complex	13,037,084
Health Care Reit Inc	Assisted Living	6,888,910
Pointe Plaza	Office Building	4,862,963
Detroit Edison	Utility	4,215,630
Michigan Cons. Gas Co.	Utility	2,690,887
Lochmoor Club	Private Club	1,670,000
A H Peters Funeral Home	Mortuary	1,476,200
Comerica	Bank	1,316,161
Kroger Co. of Mich.	Grocery	1,200,000
St John Health System	Medical	1,177,224
		38,535,059

City of Grosse Pointe Woods		
Principal Employers		
Taxpayer	Type	# of Employees (based on 2010)
GP Public School	School	384
Van Elslander Center	Medical	250
Kroger	Grocery	159
Sunrise Assisted Living	Medical	130
University of Liggett	School	128
Great Lakes Cancer Mgt 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	78

Total People Employed in Grosse Pointe Woods	2017	3567
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City of Grosse Pointe Woods	2013	2014	2015	2016	2017
Total Full-Time Employees	84	81	78	77	78

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 313-343-2604.



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, 2016

Executive Director/CEO