

**Village of Grosse Pointe Shores,
A Michigan City
Wayne and Macomb Counties, Michigan**

FINANCIAL STATEMENTS

June 30, 2015

Village of Grosse Pointe Shores, A Michigan City

Wayne and Macomb Counties, Michigan

June 30, 2015

CITY COUNCIL

Thaddeus Kedzierski	Mayor
Bruce Bisballe	Mayor Pro-Tem
Alexander Ajlouni, M.D.	Council Member
Robert Barrette, Jr.	Council Member
Daniel Schulte	Council Member
Kay Felt	Council Member
Robert Gesell	Council Member

Village of Grosse Pointe Shores, A Michigan City

TABLE OF CONTENTS

June 30, 2015

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	i-iii
MANAGEMENT'S DISCUSSION AND ANALYSIS	iv-viii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Governmental Funds	
Balance Sheet	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures, and Changes in Fund Balances	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	6
Proprietary Funds	
Statement of Net Position	7
Statement of Revenues, Expenses, and Changes in Fund Net Position	8
Statement of Cash Flows	9-10
Fiduciary Funds	
Statement of Fiduciary Net Position	11
Statement of Changes in Fiduciary Net Position	12
Notes to Financial Statements	13-37
REQUIRED SUPPLEMENTARY INFORMATION	
General Fund	
Budgetary Comparison Schedule	38-39
General and Public Safety Retirement System	
Schedule of Changes in the City's Net Pension Liability and Related Ratios	40
Schedule of City Contributions	41
Schedule of Investment Returns	42
Retired Employees' Health Care Benefits	
Schedules of Funding Progress and Employer Contributions	43
Notes to Required Supplementary Information	44
OTHER SUPPLEMENTARY INFORMATION	
Nonmajor Governmental Funds	
Combining Balance Sheet	45
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	46
Pension and Employee Benefit Trust Funds	
Combining Statement of Fiduciary Net Position	47
Combining Statement of Changes in Fiduciary Net Position	48
Annual Information Statement (unaudited)	49-54

Principals

Dale J. Abraham, CPA
Michael T. Gaffney, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



2601 Cambridge Court
Suite 201
Auburn Hills, MI 48326
(248) 844-2550
FAX: (248) 844-2551

INDEPENDENT AUDITOR'S REPORT

To the City Council
Village of Grosse Pointe Shores, A Michigan City
Wayne and Macomb Counties, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grosse Pointe Shores, A Michigan City (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Grosse Pointes-Clinton Refuse Disposal Authority, which represent less than 1 percent, 2 percent, and less than 1 percent of the assets, net position, and revenues, respectively, of the governmental activities. We did not audit the Grosse Pointe Shores Improvement Foundation, which represents 100%, 100%, and 100%, respectively of the total assets, net position, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Grosse Pointe Shores Improvement Foundation and the equity interest in the Grosse Pointes-Clinton Refuse Disposal Authority, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Grosse Pointe Shores, A Michigan City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note M to the financial statements, the City implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. As a result, the financial statements now recognize the City's unfunded defined pension benefit obligation as a liability for the first time and more comprehensively and comparable measures the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplemental information (RSI). Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension system and other post-employment benefit system schedules, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Grosse Pointe Shores, A Michigan City's basic financial statements. The combining nonmajor governmental funds, combining pension and employee benefit trust fund financial statements, and the annual information statements, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental funds and combining pension and employee benefit trust funds financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The annual information statement has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 16, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Financial Reporting

This discussion and analysis of the City's financial performance provides an overview of the City's financial activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the City's financial statements.

Financial Highlights

As discussed in further detail in this analysis, the following represents the most significant financial issues for the year ended June 30, 2015:

- Property tax revenues, the City's largest source of revenue, increased \$72,598 from 2014.
- General Fund fund balance increased \$155,443 as a result of current year activity.
- Net pension liability increased \$4,602,412 due to changes in assumptions and experience.

Using this Annual Report

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

Government-wide Financial Statements. The statement of net position and the statement of activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. This longer-term view uses the accrual basis of accounting so that it can measure the cost of providing services during the current year, and whether the taxpayers have funded the full cost of providing government services.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

Fund Financial Statements. The fund financial statements present a short-term view; they tell us 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 operations of the City 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 the government.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

Using this Annual Report - continued

The City maintains five (5) individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund which is considered to be a major fund. The Major Street, Local Street, 911 Service, and Debt Service Funds are nonmajor governmental funds and are detailed in the combining financial statements in the Other Supplementary Information section of the audit report.

The City adopts an annual appropriated budget for its governmental funds. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds. The City maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water and sewer systems as well as marina activity.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's own programs.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-37 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information, such as this MD&A and the General Fund budgetary comparison schedule. Combining statements referred to earlier in connection with nonmajor governmental funds are presented as other supplementary information.

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of June 30, 2015, and June 30, 2014.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 2,158,345	\$ 1,931,304	\$ 996,349	\$ 1,032,013	\$ 3,154,694	\$ 2,963,317
Capital Assets	5,480,180	5,603,773	10,229,797	10,809,984	15,709,977	16,413,757
Total Assets	\$ 7,638,525	\$ 7,535,077	\$ 11,226,146	\$ 11,841,997	\$ 18,864,671	\$ 19,377,074
Deferred Outflows of Resources	\$ 3,337,700	\$ 62,743	\$ 236,810	\$ 69,804	\$ 3,574,510	\$ 132,547
Current Liabilities	\$ 727,875	\$ 793,153	\$ 943,407	\$ 908,759	\$ 1,671,282	\$ 1,701,912
Noncurrent Liabilities	9,307,168	6,097,871	4,978,072	5,231,327	14,285,240	11,329,198
Total Liabilities	\$ 10,035,043	\$ 6,891,024	\$ 5,921,479	\$ 6,140,086	\$ 15,956,522	\$ 13,031,110
Deferred Inflows of Resources	\$ 51,907	\$ -	\$ 2,647	\$ -	\$ 54,554	\$ -0-
Net Position						
Net Investment in Capital Assets	\$ 1,706,269	\$ 1,569,300	\$ 5,083,961	\$ 5,298,120	\$ 6,790,230	\$ 6,867,420
Restricted	355,941	284,924	-	-	355,941	284,924
Unrestricted	(1,172,935)	(1,147,428)	454,869	473,595	(718,066)	(673,833)
Total Net Position	\$ 889,275	\$ 706,796	\$ 5,538,830	\$ 5,771,715	\$ 6,428,105	\$ 6,478,511

Net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$6,428,105 as of June 30, 2015. A portion of the City's net position, (\$718,066), reflects its balance of unrestricted net position.

The City's net position invested in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding were \$6,790,230 at June 30, 2015. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$355,941 represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position, however, the governmental activities net position invested in capital assets net of related debt exceeded total net position. Overall net position decreased by \$1,525,215 during the current year as indicated below.

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2015 and 2014. (Note: The 2014 column is prior to the implementation of GASB Statement No. 68 which was effective for fiscal years beginning after June 15, 2014.)

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City as a Whole - continued

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues						
Program Revenues						
Charges for services	\$ 712,183	\$ 657,434	\$ 1,782,571	\$ 1,887,033	\$ 2,494,754	\$ 2,544,467
Grants and contributions	280,083	222,013	-	-	280,083	222,013
General Revenues						
Property Taxes	4,596,795	4,524,197	-	-	4,596,795	4,524,197
State Shared Revenue	241,781	238,397	-	-	241,781	238,397
Investment Earnings	2,186	2,614	952	950	3,138	3,564
Miscellaneous	182,636	146,814	-	-	182,636	146,814
Transfers	(248,491)	(118,387)	248,491	118,387	-0-	-0-
Total Revenues	5,767,173	5,673,082	2,032,014	2,006,370	7,799,187	7,679,452
Expenses						
General Government	854,067	2,673,601	-	-	854,067	2,673,601
Public Safety	4,084,305	2,471,294	-	-	4,084,305	2,471,294
Public Works	1,778,101	2,585,429	-	-	1,778,101	2,585,429
Health & Welfare	31,688	86,261	-	-	31,688	86,261
Community and Economic Development	7,464	16,875	-	-	7,464	16,875
Recreation & Culture	134,546	597,003	-	-	134,546	597,003
Other	95,658	69,761	2,336,350	2,541,876	2,432,008	2,611,637
Total Expenses	6,985,829	8,500,224	2,336,350	2,541,876	9,322,179	11,042,100
Change in Net Position	\$ (1,218,656)	\$ (2,827,142)	\$ (304,336)	\$ (535,506)	\$ (1,522,992)	\$ (3,362,648)

Governmental Activities

Governmental activities decreased the City's net position by \$1,218,656 during fiscal year 2015. The main reason for the decrease was an increase in public safety expenses related to the changes in assumptions and experience of the net pension liability. During the current fiscal year, the City implemented GASB Statement No. 68, which recognized pension expense on the Statement of Activities.

Business-type Activities

Business-type activities decreased the City's net position by \$304,336 during fiscal year 2015. The main reason for the decline is that the cost of providing the utility services (including depreciation) is greater than what the City is currently charging. The majority (88 percent) of the revenue of the business-type activities is generated through user charges.

The City's Funds

Governmental Funds. The analysis of the City's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the governmental funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes. The City's major governmental fund for the fiscal year ended June 30, 2015, was the General Fund. The General Fund pays for most of the City's governmental services. The most significant service provided during the fiscal year was for public safety which incurred expenditures of \$2,192,617 for the fiscal year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2015

The City's Funds - continued

Proprietary Funds. The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the Water and Sewer Fund and the Marina Fund at the end of the year amounted to \$411,055 and \$43,814 respectively. The decrease in net position for the Water and Sewer Water Fund for the fiscal year was \$305,513 and the increase for the Marina Fund was \$1,177 in 2015. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities on the previous page.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council made amendments to the budget as originally adopted. Actual revenues were about equal to what was budgeted. Actual expenditures were approximately 1 percent under budget mainly due to city hall and grounds department incurring less expenditures than anticipated.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the City had approximately \$15,709,977 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. During the year new asset additions include a concession stand as well as two new police vehicles, a tractor, a dump truck, and two utility vehicles. Refer to Note E for further capital asset details.

Long-term Debt. The City made principal payments on existing obligations in the amount of \$585,612. The carrying amount of the City's obligation for compensated absences was \$514,857 at year end. During the current year, the City did not acquire new debt. Refer to Note F for further details related to the City's long-term debt.

Current Economic Factors

The City has seen property values increase steadily over the last few years. Continual property value increases are predicted as local economic conditions improve and prospective residential purchasers observe the many benefits and outstanding services available to them with properties located within the City.

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, we welcome you to contact the City Manager or Treasurer at the City Hall.

BASIC FINANCIAL STATEMENTS

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF NET POSITION

June 30, 2015

	Primary Government			Component Unit (Improvement Foundation)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,592,123	\$ 476,354	\$ 2,068,477	\$ 146,085
Investments	502,022	-	502,022	-
Receivables	38,576	285,813	324,389	-
Due from other governmental units	166,831	-	166,831	-
Internal balances	(230,228)	230,228	-0-	-
Inventory	27,434	2,975	30,409	-
Prepays	40,087	979	41,066	574
Total current assets	2,136,845	996,349	3,133,194	146,659
Noncurrent assets				
Investments	-	-	-0-	887,339
Investment in joint venture	21,500	-	21,500	-
Capital assets not being depreciated	880,608	5,053	885,661	-
Capital assets being depreciated, net	4,599,572	10,224,744	14,824,316	-
Total noncurrent assets	5,501,680	10,229,797	15,731,477	887,339
TOTAL ASSETS	7,638,525	11,226,146	18,864,671	1,033,998
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	62,743	69,804	132,547	-
Deferred outflows of resources related to pensions	3,274,957	167,006	3,441,963	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,337,700	236,810	3,574,510	-0-
LIABILITIES				
Current liabilities				
Accounts payable	301,663	-	301,663	458
Accrued wages	106,665	1,367	108,032	-
Accrued interest payable	21,312	49,748	71,060	-
Unearned revenue	-	487,547	487,547	525
Current portion of compensated absences	4,288	-	4,288	-
Current portion of long-term debt	293,947	404,745	698,692	-
Total current liabilities	727,875	943,407	1,671,282	983
Noncurrent liabilities				
Other post-employment benefits obligation	2,291,243	-	2,291,243	-
Noncurrent portion of compensated absences	495,253	15,316	510,569	-
Noncurrent portion of long-term debt	3,542,707	4,810,895	8,353,602	-
Net pension liability	2,977,965	151,861	3,129,826	-
Total noncurrent liabilities	9,307,168	4,978,072	14,285,240	-0-
TOTAL LIABILITIES	10,035,043	5,921,479	15,956,522	983
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to pensions	51,907	2,647	54,554	-0-
NET POSITION				
Net investment in capital assets	1,706,269	5,083,961	6,790,230	-
Restricted				
Streets and highways	290,733	-	290,733	-
Public safety	61,777	-	61,777	-
Debt service	3,431	-	3,431	-
Expendable endowment	-	-	-0-	10,395
Nonexpendable endowment	-	-	-0-	610,000
Unrestricted	(1,172,935)	454,869	(718,066)	412,620
TOTAL NET POSITION	\$ 889,275	\$ 5,538,830	\$ 6,428,105	\$ 1,033,015

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit (Improvement Foundation)
	Expenses	Program Revenues		Primary Government			
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities	Total	
Primary government							
Governmental activities							
General government	\$ 854,067	\$ 518,365	\$ 49,648	\$ (286,054)	\$ -	\$ (286,054)	\$ -
Public safety	4,084,305	-	27,740	(4,056,565)	-	(4,056,565)	-
Public works	1,778,101	138,554	202,695	(1,436,852)	-	(1,436,852)	-
Health and welfare	31,688	55,264	-	23,576	-	23,576	-
Community and economic development	7,464	-	-	(7,464)	-	(7,464)	-
Recreation and culture	134,546	-	-	(134,546)	-	(134,546)	-
Interest and fees on long-term debt	95,658	-	-	(95,658)	-	(95,658)	-
Total governmental activities	6,985,829	712,183	280,083	(5,993,563)	-0-	(5,993,563)	-0-
Business-type activities							
Water and sewer	2,037,756	1,583,752	-	-	(454,004)	(454,004)	-
Marina	298,594	198,819	-	-	(99,775)	(99,775)	-
Total business-type activities	2,336,350	1,782,571	-0-	-0-	(553,779)	(553,779)	-0-
Total primary government	\$ 9,322,179	\$ 2,494,754	\$ 280,083	(5,993,563)	(553,779)	(6,547,342)	-0-
Component unit							
Grosse Pointe Shores Improvement Foundation	\$ 103,767	\$ -	\$ 117,352	-	-	-0-	13,585
General revenues							
Property taxes				4,596,795	-	4,596,795	-
State shared revenue				241,781	-	241,781	-
Investment earnings				2,186	952	3,138	80,318
Miscellaneous				182,636	-	182,636	-
Transfers				(248,491)	248,491	-0-	-
Total general revenues and transfers				4,774,907	249,443	5,024,350	80,318
Change in net position				(1,218,656)	(304,336)	(1,522,992)	93,903
Restated net position, beginning of the year				2,107,931	5,843,166	7,951,097	939,112
Net position, end of the year				\$ 889,275	\$ 5,538,830	\$ 6,428,105	\$ 1,033,015

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

BALANCE SHEET

June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,336,274	\$ 255,849	\$ 1,592,123
Investments	502,022	-	502,022
Accounts receivable	38,576	-	38,576
Due from other governmental units	132,876	33,955	166,831
Due from other funds	227,134	117,487	344,621
Inventory	27,434	-	27,434
Prepays	40,087	-	40,087
	<u>2,304,403</u>	<u>407,291</u>	<u>2,711,694</u>
TOTAL ASSETS	\$ 2,304,403	\$ 407,291	\$ 2,711,694
LIABILITIES			
Accounts payable	\$ 301,663	\$ -	\$ 301,663
Accrued wages	106,665	-	106,665
Due to other funds	544,811	30,038	574,849
	<u>953,139</u>	<u>30,038</u>	<u>983,177</u>
TOTAL LIABILITIES	953,139	30,038	983,177
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	23,919	-	23,919
FUND BALANCES			
Nonspendable			
Inventory	27,434	-	27,434
Prepays	40,087	-	40,087
Restricted			
Streets and highways	-	290,733	290,733
Public safety	-	61,777	61,777
Debt service	-	24,743	24,743
Assigned			
Capital outlay	195,188	-	195,188
Unassigned	1,064,636	-	1,064,636
	<u>1,327,345</u>	<u>377,253</u>	<u>1,704,598</u>
TOTAL FUND BALANCES	1,327,345	377,253	1,704,598
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,304,403	\$ 407,291	\$ 2,711,694

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION

June 30, 2015

Total fund balances - governmental funds \$ 1,704,598

Amounts reported for the governmental activities in the statement of net position are different because:

Investments in joint ventures are not current financial resources and therefore are not reported as an asset in the governmental funds. 21,500

Capital assets used in governmental activities are not current financial resources and therefore are not reported as assets in the governmental funds.

The cost of capital assets is	\$ 14,733,546	
Accumulated depreciation is	<u>(9,253,366)</u>	
Capital assets, net		5,480,180

Long-term receivables are not available to pay for current period expenditures and therefore are unavailable in the funds. These consist of:

Unavailable revenue		23,919
---------------------	--	--------

Governmental funds report actual pension expenditures for the fiscal year, whereas the governmental activities will recognize the net pension asset or liability as of the measurement date. Pension contributions subsequent to the measurement date will be deferred in the statement of net position. In addition, resources related to changes of assumptions, differences between expected and actual experience, and differences between projected and actual pension plan investment earnings will be deferred over time in the government-wide financial statements. These amounts consist of:

Deferred outflows of resources related to pensions	3,274,957	
Deferred inflows of resources related to pensions	<u>(51,907)</u>	
		3,223,050

Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds balance sheet. Long-term liabilities and related deferred charges at year-end consist of:

Bonds payable and installment purchase agreement	(3,836,654)	
Deferred charges on refunding	62,743	
Other post-employment benefits obligation	(2,291,243)	
Accrued interest payable	(21,312)	
Compensated absences	(499,541)	
Net pension liability	<u>(2,977,965)</u>	
		<u>(9,563,972)</u>

Net position of governmental activities \$ 889,275

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 4,265,352	\$ 465,038	\$ 4,730,390
Intergovernmental	291,129	202,695	493,824
Licenses and permits	82,020	-	82,020
Charges for services	233,887	-	233,887
Fines and forfeits	259,286	-	259,286
Interest	2,128	58	2,186
Other	182,935	27,740	210,675
TOTAL REVENUES	5,316,737	695,531	6,012,268
EXPENDITURES			
Current			
General government	1,057,401	-	1,057,401
Public safety	2,166,103	26,514	2,192,617
Public works	788,442	139,676	928,118
Health and welfare	98,588	-	98,588
Community and economic development	22,092	-	22,092
Recreation and culture	315,046	-	315,046
Other	289,263	-	289,263
Capital outlay	196,954	66,974	263,928
Debt service	253,758	95,194	348,952
TOTAL EXPENDITURES	5,187,647	328,358	5,516,005
EXCESS OF REVENUES OVER EXPENDITURES	129,090	367,173	496,263
OTHER FINANCING SOURCES (USES)			
Transfers in	225,000	118,647	343,647
Transfers out	(198,647)	(393,491)	(592,138)
TOTAL OTHER FINANCING SOURCES (USES)	26,353	(274,844)	(248,491)
NET CHANGE IN FUND BALANCES	155,443	92,329	247,772
Fund balances, beginning of year	1,171,902	284,924	1,456,826
Fund balances, end of year	<u>\$ 1,327,345</u>	<u>\$ 377,253</u>	<u>\$ 1,704,598</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

Net change in fund balances - total governmental funds **\$ 247,772**

Amounts reported for governmental activities in the statement of activities are different because:

Change in equity interest in the joint venture is not reported in the governmental funds. 7,603

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	\$	155,719
Depreciation expense		(264,406)
Loss on disposal of capital assets		<u>(14,906)</u>

Excess of depreciation expense and loss on disposal over capital outlay (123,593)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. In the current period, these amounts consist of:

Change in unavailable revenue 3,396

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing long-term debt increases liabilities in the statement of net position. Items resulting from the repayment of long-term debt are reported as expenditures in governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current period, these amounts consist of:

Debt principal retirement 260,562

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. These activities consist of:

(Increase) in net pension liability		(4,379,100)
Increase in deferred outflows of resources related to pensions		3,274,957
(Increase) in deferred inflows of resources related to pensions		(51,907)
(Increase) in other post-employment benefits obligation		(488,606)
(Increase) in accrued interest payable		(7,268)
Decrease in accrued compensated absences		<u>37,528</u>

(1,614,396)

Change in net position of governmental activities **\$ (1,218,656)**

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2015

	Water and Sewer Fund	Marina Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 476,354	\$ 476,354
Accounts receivable	285,374	439	285,813
Due from other funds	447,324	-	447,324
Inventory	2,975	-	2,975
Prepays	979	-	979
Total current assets	736,652	476,793	1,213,445
Noncurrent assets			
Capital assets not being depreciated	5,053	-	5,053
Capital assets being depreciated, net	6,916,287	3,308,457	10,224,744
Total noncurrent assets	6,921,340	3,308,457	10,229,797
TOTAL ASSETS	7,657,992	3,785,250	11,443,242
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	69,804	-	69,804
Deferred outflows of resources related to pensions	167,006	-	167,006
TOTAL DEFERRED OUTFLOWS OF RESOURCES	236,810	-0-	236,810
LIABILITIES			
Current liabilities			
Accrued wages payable	1,367	-	1,367
Accrued interest payable	11,764	37,984	49,748
Due to other funds	-	217,096	217,096
Unearned revenue	309,648	177,899	487,547
Current portion of long-term debt	358,766	45,979	404,745
Total current liabilities	681,545	478,958	1,160,503
Noncurrent liabilities			
Compensated absences	15,316	-	15,316
Noncurrent portion of long-term debt	1,309,152	3,501,743	4,810,895
Net pension liability	151,861	-	151,861
Total noncurrent liabilities	1,476,329	3,501,743	4,978,072
TOTAL LIABILITIES	2,157,874	3,980,701	6,138,575
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	2,647	-	2,647
NET POSITION			
Net investment in capital assets	5,323,226	(239,265)	5,083,961
Unrestricted	411,055	43,814	454,869
TOTAL NET POSITION	\$ 5,734,281	\$ (195,451)	\$ 5,538,830

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

Year Ended June 30, 2015

	Water and Sewer Fund	Marina Fund	Total
OPERATING REVENUES			
Customer billings	\$ 1,583,752	\$ -	\$ 1,583,752
Other charges for services	-	198,819	198,819
TOTAL OPERATING REVENUES	1,583,752	198,819	1,782,571
OPERATING EXPENSES			
Water supply and sewage disposal	1,207,467	-	1,207,467
Repairs and maintenance	177,279	30,244	207,523
General and administrative	141,102	2,695	143,797
Utilities	-	6,853	6,853
Depreciation and amortization	477,092	107,116	584,208
TOTAL OPERATING EXPENSES	2,002,940	146,908	2,149,848
OPERATING INCOME (LOSS)	(419,188)	51,911	(367,277)
NONOPERATING REVENUES (EXPENSES)			
Interest expenses and fees	(34,816)	(151,686)	(186,502)
Interest revenue	-	952	952
TOTAL NONOPERATING REVENUES (EXPENSES)	(34,816)	(150,734)	(185,550)
(LOSS) BEFORE TRANSFERS	(454,004)	(98,823)	(552,827)
TRANSFERS			
Transfers in	373,491	100,000	473,491
Transfers out	(225,000)	-	(225,000)
TOTAL TRANSFERS	148,491	100,000	248,491
CHANGE IN NET POSITION	(305,513)	1,177	(304,336)
Restated net position, beginning of year	6,039,794	(196,628)	5,843,166
Net position, end of year	\$ 5,734,281	\$ (195,451)	\$ 5,538,830

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2015

	Water and Sewer Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,626,273	\$ 240,655	\$ 1,866,928
Cash paid to other funds	-	(97,177)	(97,177)
Cash paid to suppliers	(1,384,768)	(37,097)	(1,421,865)
Cash paid to employees	(82,417)	(2,695)	(85,112)
NET CASH PROVIDED BY OPERATING ACTIVITIES	159,088	103,686	262,774
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(225,000)	-	(225,000)
Transfers in	439,404	100,000	539,404
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	214,404	100,000	314,404
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on long-term debt	(320,050)	(50,000)	(370,050)
Interest payments on long-term debt	(53,442)	(153,687)	(207,129)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(373,492)	(203,687)	(577,179)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	952	952
NET INCREASE IN CASH AND CASH EQUIVALENTS	-0-	951	951
Cash and cash equivalents, beginning of year	-	475,403	475,403
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ 476,354</u>	<u>\$ 476,354</u>

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2015

	Water and Sewer Fund	Marina Fund	Total
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (419,188)	\$ 51,911	\$ (367,277)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation and amortization	477,092	107,116	584,208
(Increase) decrease in:			
Accounts receivable	68,116	(215)	67,901
Inventory	(175)	-	(175)
Prepays	153	-	153
Deferred outflows of resources related to pensions	(167,006)	-	(167,006)
Increase (decrease) in:			
Accrued wages	103	-	103
Compensated absences	(371)	-	(371)
Due to other funds	-	(97,177)	(97,177)
Unearned revenue	(25,595)	42,051	16,456
Net pension liability	223,312	-	223,312
Deferred inflows of resources related to pensions	2,647	-	2,647
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 159,088</u>	 <u>\$ 103,686</u>	 <u>\$ 262,774</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	<u>Fiduciary Trust Funds</u>	<u>Agency Fund</u>
ASSETS		
Cash and cash equivalents	\$ 16,142,102	\$ 60,189
Investments		
U.S. government securities	363,540	-
Foreign bonds	479,013	-
Corporate bonds	5,477,864	-
Interest receivable	92,119	-
Prepays	16,361	-
	<u>22,570,999</u>	<u>\$ 60,189</u>
TOTAL ASSETS		
	22,570,999	<u>\$ 60,189</u>
LIABILITIES		
Due to individuals and agencies	-	<u>\$ 60,189</u>
	<u>-</u>	<u>\$ 60,189</u>
NET POSITION		
Held in trust for pension and other employee benefits	<u>\$ 22,570,999</u>	

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Fiduciary Funds

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2015

	<u>Fiduciary Trust Funds</u>
ADDITIONS	
Investment income	
Interest, dividends, and net realized income on investments	\$ 4,258,132
Net change in fair value of investments	(3,400,870)
Less investment expenses	<u>(42,390)</u>
Net investment income	814,872
Contributions	
Employer	323,369
Employee	<u>104,930</u>
Total contributions	<u>428,299</u>
TOTAL ADDITIONS	1,243,171
DEDUCTIONS	
Pension benefit payments	1,226,883
Healthcare benefit payments	309,987
Contribution refund	22,268
Administrative expenses	51,325
Other	<u>29,458</u>
TOTAL DEDUCTIONS	<u>1,639,921</u>
CHANGE IN NET POSITION	(396,750)
Net position, beginning of year	<u>22,967,749</u>
Net position, end of year	<u><u>\$ 22,570,999</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Village of Grosse Pointe Shores, A Michigan City (the City), operates under an elected City Council, which consists of the Mayor, Mayor Pro-Tem, and five (5) council members, with daily activities operated by the City Manager and City Treasurer.

The financial statements of the City have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to city governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The City's more significant accounting policies are described below.

1. Reporting Entity

As required by accounting principles generally accepted in the United States of America, these financial statements present the financial activities of the Village of Grosse Pointe Shores, A Michigan City. The General and Public Safety Retirement System and Retired Employees' Health Care Benefits Trust Funds are governed by a five-member pension board that includes the City Mayor and two residents chosen by the City Council along with two active members of the retirement system - one representing Public Safety members and one representing the General and Public Works members. The General and Public Safety Retirement System and Retired Employees' Health Care Benefits Trust Funds are reported as fiduciary funds because of the fiduciary responsibility that the City retains relative to the operations of the funds.

The inclusion of the activities of various agencies is based on the manifestation of oversight criteria, relying on such guidelines as the selection of the governing authority, the designation of management, the ability to exert significant influence on operations, and the accountability for fiscal matters. The accountability for fiscal matters considers the possession of the budgetary authority, the responsibility for surplus or deficit, the controlling of fiscal management, and the revenue characteristics, whether a levy or a charge. Consideration is also given to the scope of public service. The scope of public service considers whether the activity is for the benefit of the reporting entity and/or its residents and is within the geographic boundaries of the reporting entity and generally available to its citizens.

The component unit described below should be included in the City's reporting entity because of the significance of its operational or financial relationship with the City. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City.

2. Discretely Presented Component Unit

The Grosse Pointe Shores Improvement Foundation (Foundation) is a Michigan nonprofit corporation described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes. The Foundation was organized to provide financial assistance to the City. The City is the primary recipient of the Foundation's activities, receiving 100 percent of the Foundation's economic resources. Additionally, the Foundation seeks the City's input to determine projects to complete. Finally, the Foundation's endowment is material to the City's financial statements. The Foundation's activities are reported on a calendar year end of December 31. The financial statements for the Foundation are audited separately and may be obtained from their administrative office.

3. 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 Wayne and Macomb counties. Other members include the cities of Harper Woods, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe, and Grosse Pointe Woods. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

3. Joint Venture - continued

The City's interest in the net position of the Authority totaled approximately \$21,500 at June 30, 2015, and is reported as part of the governmental activities in the statement of net position. The City is unaware of any circumstances, including potential environmental remediation, which would cause an additional burden to the participating municipalities in the near future. Complete financial statements for the Authority can be obtained from the Village of Grosse Pointe Shores, A Michigan City upon request.

4. Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The statement of net position and the statement of activities (the government-wide financial statements) present information for the City as a whole. All non-fiduciary activities of the City are included (i.e., fiduciary fund activities are not included in the government-wide financial statements). For the most part, interfund activity has been eliminated in the preparation of these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities presents the direct functional expenses of the City and the program revenues that support them. Direct expenses are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. Program revenues are associated with specific functions and include charges to recipients of goods or services and grants and contributions that are restricted to meeting the operational or capital requirements of that function. Revenues that are not required to be presented as program revenues are general revenues. This includes all taxes, interest, unrestricted State revenue sharing payments, and other general revenues and shows how governmental functions are either self-financing or supported by general revenues.

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. 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 the major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

- a. The Water and Sewer Fund is used to account for the activities of the City's water distribution system and sewage collection system. Funding is primarily funded through user charges.
- b. The Marina Fund is used to account for the activities of the City-run marina, which is primarily funded through the rental of boat wells.

Additionally, the City reports trust funds to account for the activities of the employee benefit plans, which accumulate resources for pension and other post-employment benefits obligations to qualified employees. The City's trust funds are the General and Public Safety Retirement System Fund and the Retired Employees' Health Care Benefits Fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

4. Basis of Presentation - continued

FUND FINANCIAL STATEMENTS - CONTINUED

The City also reports agency funds to account for assets held by the City in a trustee capacity. Agency funds are custodial in nature and do not involve the results of operations. The City's agency funds are the Trust and Agency Fund and the Tax Collection Fund.

5. Measurement Focus

The government-wide, proprietary, and non-agency fiduciary fund financial statements are presented using the economic resources measurement focus, similar to that used by business enterprises or not-for-profit organizations. Because another measurement focus is used in the governmental fund financial statements, reconciliations to the government-wide financial statements are provided that explain the differences in detail.

All governmental funds are presented using the current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

There is no measurement focus for agency funds since assets equal liabilities.

6. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Under this method, revenues are recognized when they become susceptible to accrual (when they become both "measurable" and "available to finance expenditures of the current period"). The length of time used for "available" for purposes of revenue recognition in the governmental fund financial statements is 60 days. Revenues that are considered measurable but not available are recorded as a receivable and unavailable revenue. Revenues are generally considered available when they are received in cash (unless legally restricted to some future period) or when earned and expected to be collected soon enough after year-end to pay liabilities of the current period. Significant revenues susceptible to accrual include certain intergovernmental revenues and charges for services. Most licenses and permits, fines and forfeits, and miscellaneous revenue sources generally are recorded as revenues when received in cash because they are not measurable until actually received. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for interest on long-term debt which is recorded when due.

All proprietary and similar trust funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the costs of sales and services, administrative expenses, and other costs of running the activity. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. If/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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

7. Budgets and Budgetary Accounting

The General Fund budget shown as required supplementary information was prepared on a basis not substantially different than the basis used to reflect actual results. The basis is consistent with accounting principles generally accepted in the United States of America. Annual appropriations are adopted for all required governmental fund types.

The City employs the following procedures in establishing the budgetary data reflected in the financial statements:

- a. Prior to April 1, the City Council and City Manager prepare and submit their proposed operating budgets for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and resources to finance them.
- b. A Public Hearing is conducted to obtain taxpayers' comments.
- c. Prior to June 1, the budget is legally enacted through passage of a resolution.
- d. The budget is legally adopted at the activity level for the General Fund and total expenditure level for the Special Revenue Fund; however, they are maintained at the account level for control purposes.
- e. After the budget is adopted, all transfers of budgeted amounts between departments within the General Fund or any revisions that alter the total expenditures of any fund must be approved by the City Council.
- f. Appropriations unused at June 30 are not carried forward to the following fiscal year.
- g. The City does not employ encumbrance accounting as an extension of formal budgetary integration in the governmental funds.
- h. Budgeted amounts are reported as originally adopted or amended by the City Council during the year. Individual amendments were not material in relation to the original budgets which were amended.

8. Cash, Cash Equivalents, and Investments

Cash and cash equivalents consist of checking, savings, and investment trust fund accounts. The cash equivalents are recorded at cost, which approximates fair value.

Investments include U.S. Government Securities, corporate bonds (both domestic and foreign) and corporate certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Investments are recorded at fair value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

9. Receivables

Receivables consist of amounts due from various individuals and businesses related to charges for services, amounts owed to the City from court related fees, and taxes levied that have not been collected.

10. Due from Other Governmental Units

Due from other governmental units consists of amounts due from the State of Michigan or other governments for various payments and grants.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

11. Property Tax

The City bills and collects its own property taxes and also taxes for other governmental units. The City's property tax revenue recognition policy and related tax calendar disclosures are as follows:

Property taxes are levied and become a lien on July 1. The tax levy is due September 14. All taxes not paid by their due date are deemed delinquent. Delinquent real property taxes are turned over to the Macomb and Wayne County Treasurers on March 1 of the year following the levy. The Macomb and Wayne County Treasurers remit payments to all taxing units on all delinquent real property taxes. Delinquent personal property taxes are retained by the City for subsequent collection.

The City is permitted to levy up to 20.0000 mills (\$20 per \$1,000 of taxable valuation) for general governmental services and 3.0000 mills (\$3.00 per \$1,000 of taxable valuation) for refuse services. Additional levies for debt service, the retirement system, and Public Act 359 activities are also authorized. For the year ended June 30, 2015, the City levied 12.5403 mills for general governmental services, 2.1706 mills for refuse services, 1.1500 mills for the retirement system, 1.8242 mills for debt service, and 0.1943 mills for Public Act 359 activities. The total taxable value for the 2014 levy for the property within the City was \$257,044,309.

12. Inventories and Prepays

Inventories are valued on a first-in, first-out cost basis. Prepaid items represent payments made to vendors for goods and services applicable to future fiscal years. These items are recorded in both the government-wide and fund financial statements. Reportable inventories and prepaids are equally offset by nonspendable fund balance which indicates they do not constitute "available spendable resources" even though they are a component of net current assets.

13. Capital Assets

Capital assets are recorded (net of accumulated depreciation, if applicable) in the government-wide financial statements under the governmental and business-type activities columns. Capital assets are those with an initial individual cost of \$5,000 or more and an estimated useful life of more than one year. Capital assets are not recorded in the governmental funds. Instead, capital acquisition and construction are reflected as expenditures in governmental funds, and the related assets are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation is computed using the straight-line method over the following useful lives:

Land improvements	20 years
Buildings	50 years
Vehicles	8 - 15 years
Machinery and equipment	5 - 20 years
Infrastructure	20 - 50 years
Marina	45 - 50 years

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

14. Unearned Revenue

The City's financial statements report unearned revenues for resources that have been received, but not yet earned.

Unearned revenue consists of boat well rentals the City received in advance and amounts related to the settlement of a dispute related to overbilling for water consumption. A formal agreement was signed under which the City will credit the water customer \$25,000 per year until the revenue has been fully recognized.

15. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until then. The City has two items that qualify for reporting in this category. They are the deferred charge on refunding and deferred outflows of resources related to pensions reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The deferred outflows of resources related to pensions are the result of changes in assumptions and differences between projected and actual pension plan investment earnings. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

In addition to liabilities, the statement of net position and balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position/fund balance that applies to a future period and will not be recognized as an inflow of resources (revenue) until then. The City has one type of this item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items are unavailable revenue which is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenue related to probation payments not received within 60 days of fiscal year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has another item in this category which is reported in the government-wide statement of net position. The deferred inflows of resources related to pensions is related to differences between expected and actual experience. This amount is deferred and recognized as an inflow of resources in the period to which it applies.

16. Compensated Absences

In accordance with the City personnel policies and/or contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused sick leave under formulas and conditions specified in the respective personnel policies and/or contracts.

Vested sick leave earned as of June 30, 2015, including related payroll taxes, is recorded entirely in the government-wide financial statements.

17. Long-Term Obligations

Long-term debt and other long-term obligations are recognized as a liability in the government-wide financial statements and proprietary fund types when incurred. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

Long-term debt is recognized as a liability of a governmental fund when due or when resources have been accumulated for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE A: DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

18. Interfund Transactions

During the course of normal operations, the City has numerous transactions between funds, including expenditures and transfers of resources to provide services, construct assets, and service debt. The accompanying financial statements generally reflect such transactions as transfers. Transfers between governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

The General Fund records charges for services provided to various City departments and funds as operating revenue. All City funds record these payments as operating expenditures/expenses.

19. Restricted Net Position

Restrictions of net position shown in the government-wide financial statements indicate restrictions that have been imposed by outside sources which preclude a portion of net position from their use for unrestricted purposes.

20. Comparative Data

Comparative data for the prior year has not been presented in all funds in the accompanying financial statements since their inclusion would make the financial statements unduly complex and difficult to read.

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS

In accordance with Michigan Compiled Laws, the City is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or any agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a State or nationally chartered bank or a State or Federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 6 of 1855 PA 105, MCL 21.146.
- c. Commercial paper rated at the time of purchase within the three (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The General and Public Safety Retirement System (Retirement System) Trust Fund and the Retired Employees' Health Care Benefits Trust Fund 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.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2015, the carrying amount of the City's deposits was \$2,552,988 and the bank balance was \$2,623,105.

Deposits of the City are at federally insured banks located in the State of Michigan with all accounts maintained in the name of the City. As of June 30, 2015, \$1,000,000 of the City accounts were FDIC insured while \$1,623,105 were uninsured.

Due to significantly higher cash flow at certain periods during the year, the amount the City held as cash and cash equivalents increased significantly. As a result, the amount of the uninsured and uncollateralized cash and cash equivalents were substantially higher at these peak periods than at year-end.

The carrying amount of the component unit's deposits was \$146,085. The bank balance was not readily available.

Interest rate risk

The City will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by designating its investment portfolio with the objective of obtaining a rate of return through the economic cycles considering risk constraints and cash flow characteristics. The City's investment policy does not restrict investment maturities, other than commercial paper which can only be purchased with a 270-day maturity.

The following table lists the average weighted maturities of investments for the City as of June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate bonds	\$ 5,477,864	3.90 years
Foreign bonds	479,013	1.51 years
U.S. government obligations	363,540	1.53 years
Uncategorized pooled cash	16,219,152	N/A
	<u>\$ 22,539,569</u>	

The fair value of the component unit's investments as of December 31, 2014, was \$887,339. The weighted average maturity for each investment type was not readily available.

Credit risk

State law limits investments in certain types of investments to a prime or better rating issued by nationally recognized statistical rating organizations (NRSRO's). The investment policy for the pension and other post-employment benefit trust funds states that the weighted average credit quality of fixed income securities shall be A rated by Moody's and Standard & Poor's. Additionally, no more than 20 percent of the fixed income portfolio of a manager should be invested in securities carrying less than a Baa/BBB rating either by Moody's or Standard and Poor's. Split-rate securities will be governed by the lower rating and commercial paper must be rated either A1 or P1.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS - CONTINUED

Credit risk - continued

The following table lists credit ratings as rated by Standard and Poor's for the City's debt securities as of June 30, 2015:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate bonds	\$ 739,912	AA
Corporate bonds	2,067,918	A
Corporate bonds	2,245,298	BBB
Corporate bonds	424,736	BB
Foreign bonds	479,013	A
U.S. government obligations	122,030	AAA
U.S. government obligations	241,510	N/A

The ratings for investments held by the component unit as of December 31, 2014, were not readily available.

Concentration of credit risk

The City's investment policy requires the City to diversify investments by security type and institution. No more than 50 percent of the City's total investment portfolio can be invested in a single security type or with a single financial institution.

The City's fiduciary funds are also subject to Michigan Public Act 485 of 1996, which limits the City's investment with any one issuer at no more than 5 percent of total investments.

The fair value of individual marketable securities that represent 5 percent or more of the total marketable securities included in investments as of June 30, 2015, are as follows:

<u>Issuer Name</u>	<u>Fair Value</u>	<u>Percentage of Overall Investments</u>
First Eagle	\$ 1,461,238	6.48%
Ishares	3,424,760	15.19%
Cornerstone Patriot Fund	1,131,287	5.02%

The cash, cash equivalents, and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note A. The cash and cash equivalents caption on the financial statements include \$650 in petty cash. The following summarizes the categorization of these amounts as of June 30, 2015:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,068,477	\$ 16,202,291	\$ 146,085	\$ 18,416,853
Investments	502,022	6,320,417	887,339	7,709,778
	<u>\$ 2,570,499</u>	<u>\$ 22,522,708</u>	<u>\$ 1,033,424</u>	<u>\$ 26,126,631</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE C: INTERFUND PAYABLES AND RECEIVABLES

The amount of interfund receivables and payables at June 30, 2015, are as follows:

Due to General Fund from:		
Nonmajor governmental funds	\$	10,038
Marina Fund		<u>217,096</u>
	\$	<u>227,134</u>
Due to nonmajor governmental funds from:		
General Fund	\$	97,487
Nonmajor governmental funds		<u>20,000</u>
	\$	<u>117,487</u>
Due to Water and Sewer Fund from:		
General Fund	\$	<u>447,324</u>

Amounts appearing as interfund payables and receivables arise from two types of transactions. One type of transaction is where a fund will pay for a good or service that at least a portion of the benefit belongs to another fund. The second type of transaction is where one fund provides a good or service to another fund. Balances at the end of the year are for transfers that have not yet cleared as of the balance sheet date.

NOTE D: INTERFUND TRANSFERS

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. For the purpose of the statement of activities, all interfund transfers between individual governmental funds and enterprise funds have been eliminated.

Transfers to General Fund from:		
Water and Sewer Fund	\$	<u>225,000</u>
Transfers to nonmajor governmental funds from:		
General Fund	\$	98,647
Nonmajor governmental funds		<u>20,000</u>
	\$	<u>118,647</u>
Transfers to Water and Sewer Fund from:		
Nonmajor governmental funds	\$	<u>373,491</u>
Transfers to Marina Fund from:		
General Fund	\$	<u>100,000</u>

The transfers from the Water and Sewer Fund to the General Fund was for operational costs. Transfers from the General Fund and nonmajor governmental funds to other nonmajor governmental funds (Major Street and Local Street Funds) were to build up funds for future projects. Transfers from nonmajor governmental funds to the Water and Sewer Fund were to fund current debt service payments.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

Governmental Activities

	Balance July 1, 2014	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2015
Capital assets not being depreciated				
Land	\$ 880,608	\$ -	\$ -	\$ 880,608
Construction in progress	30,000	22,582	(52,582)	-0-
Capital assets not being depreciated	910,608	22,582	(52,582)	880,608
Capital assets being depreciated				
Land improvements	827,850	-	-	827,850
Machinery and equipment	442,086	29,511	-	471,597
Buildings	1,501,448	52,582	-	1,554,030
Vehicles	1,443,461	103,626	(134,210)	1,412,877
Infrastructure	9,586,584	-	-	9,586,584
Subtotal	13,801,429	185,719	(134,210)	13,852,938
Less accumulated depreciation for:				
Land improvements	(636,861)	(7,975)	-	(644,836)
Machinery and equipment	(372,479)	(13,254)	-	(385,733)
Buildings	(898,746)	(26,224)	-	(924,970)
Vehicles	(1,117,132)	(47,986)	119,304	(1,045,814)
Infrastructure	(6,083,046)	(168,967)	-	(6,252,013)
Subtotal	(9,108,264)	(264,406)	119,304	(9,253,366)
Net capital assets being depreciated	4,693,165	(78,687)	(14,906)	4,599,572
Capital assets, net	\$ 5,603,773	\$ (56,105)	\$ (67,488)	\$ 5,480,180

Depreciation expense was charged to the following governmental activities:

General government	\$ 22,844
Public safety	27,748
Public works	195,846
Recreation and culture	17,968
	<u>\$ 264,406</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE E: CAPITAL ASSETS - CONTINUED

Business-type Activities

	Balance <u>July 1, 2014</u>	Additions	Deletions	Balance <u>June 30, 2015</u>
Capital assets not being depreciated				
Land	\$ 5,053	\$ -	\$ -	\$ 5,053
Capital assets being depreciated				
Vehicles	121,231	-	-	121,231
Machinery and equipment	18,700	-	-	18,700
Buildings	234,500	-	-	234,500
Infrastructure	23,606,679	-	-	23,606,679
Marina	<u>9,010,854</u>	<u>-</u>	<u>-</u>	<u>9,010,854</u>
Subtotal	32,991,964	-0-	-0-	32,991,964
Less accumulated depreciation for:				
Vehicles	(74,915)	(6,175)	-	(81,090)
Machinery and equipment	(18,700)	-	-	(18,700)
Buildings	(234,500)	-	-	(234,500)
Infrastructure	(16,259,616)	(470,917)	-	(16,730,533)
Marina	<u>(5,599,302)</u>	<u>(103,095)</u>	<u>-</u>	<u>(5,702,397)</u>
Subtotal	<u>(22,187,033)</u>	<u>(580,187)</u>	<u>-0-</u>	<u>(22,767,220)</u>
Net capital assets being depreciated	<u>10,804,931</u>	<u>(580,187)</u>	<u>-0-</u>	<u>10,224,744</u>
Capital assets, net	<u>\$ 10,809,984</u>	<u>\$ (580,187)</u>	<u>\$ -0-</u>	<u>\$ 10,229,797</u>

Depreciation expense was charged to the following business-type activities:

Water and sewer	\$ 477,092
Marina	<u>103,095</u>
	<u>\$ 580,187</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Deletions	Balance June 30, 2015	Amounts Due Within One Year
Governmental activities					
2004 Unlimited tax bonds	\$ 64,950	\$ -	\$ (64,950)	\$ -0-	\$ -
2013 General obligation refunding bonds	1,067,345	-	-	1,067,345	95,260
2013 General obligation refunding bonds premium	30,748	-	-	30,748	3,075
2013 Honeywell installment purchase agreement	2,934,173	-	(195,612)	2,738,561	195,612
Compensated absences	537,069	76,559	(114,087)	499,541	4,288
Total governmental activities	4,634,285	76,559	(374,649)	4,336,195	298,235
Business-type activities					
General obligation bonds					
2003 Unlimited tax bonds	465,000	-	(235,000)	230,000	230,000
2004 Unlimited tax bonds	85,050	-	(85,050)	-0-	-
2007 Limited tax bonds	3,650,000	-	(50,000)	3,600,000	50,000
2007 Limited tax bonds discount	(56,300)	-	4,022	(52,278)	(4,021)
2013 General obligation refunding bonds	1,397,655	-	-	1,397,655	124,740
2013 General obligation refunding bonds premium	40,263	-	-	40,263	4,026
Compensated absences	15,687	2,736	(3,107)	15,316	-
Total business-type activities	5,597,355	2,736	(369,135)	5,230,956	404,745
	<u>\$ 10,231,640</u>	<u>\$ 79,295</u>	<u>\$ (743,784)</u>	<u>\$ 9,567,151</u>	<u>\$ 702,980</u>

Significant details regarding outstanding long-term debt (including current portion) are presented below:

Governmental Activities

\$2,465,000 2013 General Obligation Refunding Bonds, dated December 23, 2013, due in annual installments ranging from \$210,000 to \$320,000 through October 1, 2024, with interest ranging from 2.000 to 4.000 percent, payable semiannually. These bonds are allocated between governmental and business-type activities. The allocation is roughly 43 percent governmental activities and 57 percent business-type activities.

\$ 1,067,345

\$2,934,173 2013 Honeywell Installment Purchase Agreement, dated July 10, 2013, due in annual installments of \$195,612 through October 1, 2028, with interest of 2.050 percent, payable semiannually.

2,738,561

\$ 3,805,906

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT - CONTINUED

Business-type Activities

\$2,450,000 2003 General Obligation Bonds, dated February 27, 2003, due in an annual installment of \$230,000 on October 1, 2015, with interest of 3.800 percent, payable semiannually.	\$ 230,000
\$3,800,000 2007 Limited Tax Bonds, dated October 1, 2007, due in annual installments ranging from \$50,000 to \$250,000 through October 1, 2036, with interest ranging from 4.000 to 4.375 percent, payable semiannually.	3,600,000
\$2,465,000 2013 General Obligation Refunding Bonds, dated December 23, 2013, due in annual installments ranging from \$210,000 to \$320,000 through October 1, 2024, with interest ranging from 2.000 to 4.000 percent, payable semiannually. These bonds are allocated between governmental and business-type activities. The allocation is roughly 43 percent governmental activities and 57 percent business-type activities.	<u>1,397,655</u>
	<u><u>\$ 5,227,655</u></u>

The annual requirements to pay the debt principal and interest outstanding for bonds and installment purchase agreement are as follows:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 290,872	\$ 82,290	\$ 404,740	\$ 192,175
2017	290,872	76,375	174,740	183,310
2018	288,707	70,481	221,905	177,844
2019	286,542	64,631	219,070	171,309
2020	286,542	58,575	219,070	164,380
2021-2025	1,579,927	181,561	1,438,130	684,060
2026-2030	782,444	32,080	900,000	457,875
2031-2035	-	-	1,150,000	240,438
2036-2037	-	-	500,000	21,875
	<u>\$ 3,805,906</u>	<u>\$ 565,993</u>	<u>\$ 5,227,655</u>	<u>\$ 2,293,266</u>

Advance Refunding - Prior

On December 23, 2013, the City defeased the portion of the 2004 Unlimited Tax General Obligation Bonds which are due and payable October 1, 2015 through October 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2013 Unlimited Tax General Obligation Refunding Bonds in the amount of \$2,465,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2015, bonds due and payable October 1, 2015 through October 1, 2024 for the 2004 Unlimited Tax General Obligation Bonds in the amount of \$2,400,000 are considered defeased.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE F: LONG-TERM DEBT - CONTINUED

Compensated Absences

In accordance with the City personnel policies and/or contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. At June 30, 2015, the dollar amount of these vested rights, including related payroll taxes, amounted to \$499,541 and \$15,316 for sick leave in government activities and business-type activities, respectively.

NOTE G: RISK MANAGEMENT

The City participates in a pool, the Michigan Municipal League Workers' Compensation Fund, with other municipalities for workers' compensation losses. The pool is organized under Public Act 317 of 1969, as amended. In the event the pool's claims and expenses for a policy period exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessments to make up the deficiency. The City has not been informed of any special assessments being required.

The City participates in a State pool through the Michigan Municipal Risk Management Authority, with other municipalities for liability, property, torts, errors and omissions, personal injury, terrorism, automobile, and crime losses. The pool is organized under Public Act 138 of 1982, as amended as a governmental group property and casualty self-insurance pool. In the event the pool's claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The City has not been informed of any special assessments being required.

Effective May 1, 2005, the City became self-funded for medical benefits up to a retention amount, at which time the City's reinsurance coverage begins. Settled claims related to medical insurance have not exceeded medical coverage in any of the past three years. The self-funding program is done in conjunction with the cities of Grosse Pointe Woods, Grosse Pointe, Grosse Pointe Farms, and Grosse Pointe Park. While the Grosse Pointe Woods serves as the administrative agent for the program, each individual municipality is responsible for its individual claims.

The City estimates the liability for medical benefit claims that have been incurred through the end of the fiscal year, including claims that have been incurred but not reported (IBNR). The City's liability is based on individual claims and management's evaluation of experience with respect to the probable number and nature of the claims. Any adjustments resulting from the settlement of losses will be reflected at the time the adjustments are determined.

The following summarizes the changes in the estimated liability for the year ended June 30, 2015:

Estimated liability - July 1, 2014	\$ -
Estimated claims incurred including changes in estimates	435,618
Claim payments	<u>(435,618)</u>
Estimated liability - June 30, 2015	<u><u>\$ -0-</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN

Plan Administration

The City contributes to the General and Public Safety Retirement System (the Plan), which is the administrator of a single-employer defined benefit public employees' retirement plan that covers nearly all general and public safety employees of the City. The Plan does not issue a separate financial report. The Pension Commission has the authority to amend the terms of the Plan.

The Pension Commission consists of five members. Two members are appointed by the City Council, two members are elected by the participants of the Plan, and the City's Mayor serves as an ex-officio member.

Summary of Significant Accounting Policies

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

Plan Membership

At June 30, 2015, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	32
Active members	<u>24</u>
	<u>56</u>

Benefits Provided

The Plan provides retirement, death and disability benefits to plan members and their beneficiaries. General members and public safety clerks hired prior to July 1, 2010, and public works members are eligible for benefits at age 50 with 25 or more years of service or age 55 with 10 or more years of service. Public safety members are eligible for benefits at age 50 with 25 or more years of service.

Retirement benefits for general plan members are calculated as final average salary times 2.5 percent for each year of service. The maximum is 75 percent of final average salary for public safety clerks and 85 percent of final average salary for general members. For general non-union employees and departments heads retiring after September 30, 2010, retirement benefits are the sum of 2.5 percent of final average salary as of September 30, 2010, multiplied by credited service through September 30, 2010, plus 2 percent of final average salary multiplied by credited service earned after September 20, 2010, up to a maximum of 25 years of credited service, plus 1.5 percent of final average salary multiplied by credited service, if any, up to a maximum 15 years in excess of the initial 25 years taken into account previously. The maximum is 85 percent of final average salary.

For public works members hired before July 1, 2007, retirement benefits are 2.5 percent of final average salary times credited service. The maximum is 75 percent of average salary. For public works members hired after July 1, 2007, retirement benefits are 2.25 percent of final average salary times the first 25 years of service plus 1.5 percent for each year after 25 years. The maximum is 75 percent of average salary.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits Provided - continued

Public safety officers hired prior to July 1, 2007, shall receive a straight life pension equal to 2.5 percent of the equivalent of his or her final average compensation (FAC) as if he or she was retiring at that point multiplied by the number of year, and fraction of year, of then-current credited service. Future accruals shall be based on 2.5 percent of his or her FAC multiplied by the number of years of service for the first 25 years of service, then 2 percent for each additional year, and fraction of a year. Basic retirement pay shall remain limited to 75 percent of an officer's FAC. Public safety officers hired after July 1, 2007 through June 1, 2012, shall receive a straight life pension equal to 2.25 percent for the first 25 years and 1.5 percent for each year after 25 years. Basic retirement pay shall remain limited to 75 percent of an officer's FAC. Public safety officers hired on or after June 1, 2012, are not members of the Plan.

Command officers hired through June 30, 2012, shall receive a straight life pension equal to 2.5 percent of the equivalent of his or her FAC as if he or she was retiring at that point multiplied by the number of years, and fraction of a year, of then-current credited service. Future accruals shall be based on 2.5 percent of his or her FAC multiplied by the number of years of service for the first 25 years of service, then 2 percent for each additional year, and fraction of a year. Basic retirement pay shall remain limited to 80 percent of a command officer's FAC. Command officers hired after July 1, 2007 through June 1, 2012, shall receive a straight life pension equal to 2.25 percent for the first 25 years and 1.5 percent for each year after 25 years. Basic retirement pay shall remain limited to 75 percent of an officer's FAC.

For public safety clerks retiring after January 18, 2011, retirement benefits are the sum of 2.5 percent of final average salary as of January 18, 2011, multiplied by credited service through January 18, 2011, plus 2 percent of final average salary multiplied by credited service earned after January 18, 2011, up to a maximum of 25 years of credited service, plus 1.5 percent of final average salary multiplied by credit service, if any, up to a maximum 15 years in excess of the initial 25 years taken into account previously.

Benefit terms provide for annual cost-of-living adjustments to each member's retirement allowance subsequent to the member's retirement date. Pensions of public safety clerks are increased 2.5 percent per year, compounded, for 10 years following retirement. As an alternative, a member may elect at the time of retirement to defer any cost-of-living for the first 10 years of retirement and thereafter beginning in the eleventh year, receive 2.5 percent per year compounded for life. Pensions of general and public works members retiring after July 1, 2004 and public safety members retiring after July 1, 2003, are increased by 2.5 percent per year compounded for life, commencing with the 37th monthly pension payment.

Deferred Retirement Option Program

Participants are eligible for the deferred retirement option program (DROP) if he or she has 10 or more years of service, regardless of age. The benefit begins at regular retirement age. For public safety clerks, if dispatch operations are subcontracted all full-time employees hired prior to July 1, 2010 shall be vested after 7 years. The annual benefit is computed as regular retirement but based on service and final average salary at time of termination. For the year ended June 30, 2015, the balance of amounts held by the Plan pursuant to the DROP is \$0.

Duty Disability

Participants are eligible for duty disability if they are a receipt of workers compensation, regardless of age or service time. The benefit is 62.5 percent of base pay at the time of disability with a recomputation at age 50. At age 50 the disability pension is increased by 1.5 percent of the participant's base pay, multiplied by the number of years he or she received the disability pension to a maximum of 5 years. Maximum disability pension is 70 percent of base pay.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Non-Duty Disability

Participants are eligible for non-duty disability if they have 10 years of credited service. The benefit is the accrued regular retirement amount.

Duty Death

There is no age or service requirement for duty death benefits. The benefit for general members and public safety clerks is 70 percent of final average salary to surviving spouse. The benefit for public works members and public safety officers is 75 percent of final average salary to surviving spouse. The benefit for command officers is 80 percent of final average salary to surviving spouse.

Non-Duty Death Before Retirement

Participants are eligible for non-duty death before retirement benefits if they have 20 or more years of service or are age 50 with 10 years of service. The benefit is regular retirement amount reduced actuarially in accordance with a 100 percent joint and survivor election.

Contributions

The obligation to contribute to and maintain the system for these employees was established by the City charter. All full-time general and public safety employees are eligible to participate in the system. General participants in the system are required to contribute 3 percent of the first \$4,200 of annual salary plus 5 percent of annual salary in excess of \$4,200. Public safety participants are required to contribute 7 percent of their annual salary. All members contribute .5 percent for medical. Employer contributions are determined by actuarially determined rates. Computed employer contribution rates for the year ended June 30, 2015, were 23.96 percent for general employees and 7.82 percent for public safety employees. Administrative costs associated with the plan are financed through investment earnings. For the year ended June 30, 2015, the City contributed \$223,369 to the Plan.

Net Pension Liability

The net pension liability reported at June 30, 2015 was determined using a measure of the total pension liability and the pension net position as of June 30, 2015. The June 30, 2015 total pension liability was determined by an actuarial valuation performed as of that date.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Liability - continued

Changes in the net pension liability during the measurement year were as follows:

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		<u>Net Pension (Asset) Liability (a)-(b)</u>
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	
Balances at June 30, 2014	\$ 19,514,182	\$ 20,986,768	\$ (1,472,586)
Service cost	344,632	-	344,632
Interest on total pension liability	1,429,644	-	1,429,644
Differences between expected and actual experience	(76,376)	-	(76,376)
Changes in assumptions	3,527,154	-	3,527,154
Employer contributions	-	223,369	(223,369)
Employee contributions	-	97,112	(97,112)
Net investment income	-	382,944	(382,944)
Benefit payments, including employee refunds	(1,249,151)	(1,249,151)	-0-
Administrative expense	-	(51,325)	51,325
Other	-	(29,458)	29,458
Net changes	<u>3,975,903</u>	<u>(626,509)</u>	<u>4,602,412</u>
Balances at June 30, 2015	<u>\$ 23,490,085</u>	<u>\$ 20,360,259</u>	<u>\$ 3,129,826</u>

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$1,215,003. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 54,554
Changes in assumptions	2,519,396	-
Difference between expected and actual investment experience	922,567	-
	<u>\$ 3,441,963</u>	<u>\$ 54,554</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Pension Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - continued

Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2016	\$ 1,216,578
2017	1,216,578
2018	723,611
2019	230,642

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	4 years smoothed market
Inflation	3.00%
Projected salary increases	7.30% - 3.00% (includes inflation)
Investment rate of return	7.00% (7.50% prior to June 30, 2015), net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Combined Health Mortality Table

The actuarial assumptions used in the June 30, 2015, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2015.

Discount Rate

The discount rate used to measure the total pension liability was 6.47 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 7 percent long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target</u>	<u>Long-term Expected Rate of Return</u>
Debt Securities	28.00%	7.00%
Equity Securities	72.00%	7.00%

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the City's net pension liability, calculated using the discount rate of 6.47 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percent lower (5.47 percent) or 1 percent higher (7.47 percent) than the current rate:

	1% Decrease Rate 5.47%	Current Discount Rate 6.47%	1% Increase Rate 7.47%
City's net pension liability	\$ 7,963,397	\$ 3,129,826	\$ 679,584

NOTE I: OTHER POST-EMPLOYMENT BENEFITS

Plan Description

The City provides retiree healthcare benefits to eligible employees and their spouses, in accordance with labor contracts through the Retiree Health Care Fund. Benefits are provided to general and public safety employees. Currently, the plan has 65 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits).

This is a single employer defined benefit plan administered by the City. The benefits are provided in accordance with labor contracts. The plan does not issue a separate stand-alone financial statement.

Funding Progress

For the year ended June 30, 2015, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2012. The calculation 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 to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

The City's computed contribution and actual funding is summarized as follows:

Annual required contribution	\$ 530,061
Interest on net OPEB obligation	135,198
Adjustment to annual required contribution	<u>(68,834)</u>
Annual OPEB cost (expense)	596,425
Contributions made	<u>(107,819)</u>
Increase in net OPEB obligation	488,606
Net OPEB obligation, beginning of year	<u>1,802,637</u>
Net OPEB obligation, end of year	<u><u>\$ 2,291,243</u></u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED

Funding Progress - continued

The annual OPEB costs, the percentage contributed to the plan, and the net OPEB obligation, were as follows:

	Year Ended June 30,		
	2013	2014	2015
Annual OPEB cost	\$ 599,637	\$ 469,276	\$ 596,425
Percentage contributed	11%	36%	18%
Net OPEB obligation	\$ 1,501,445	\$ 1,802,637	\$ 2,291,243

The funding progress of the plan based on the most recent valuations, is as follows:

	As of	
	March 31, 2009	June 30, 2012
Actuarial value of assets	\$ 1,583,578	\$ 2,151,952
Actuarial accrued liability (AAL) (entry age)	8,758,484	8,669,148
Unfunded AAL (UAAL)	7,174,906	6,517,196
Funded ratio	18.1%	24.8%
Covered payroll	2,649,837	1,841,767
UAAL as a percentage of covered payroll	271%	354%

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. The schedule of funding progress, presented as required supplementary 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 liabilities for benefits.

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, 2012, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the employer's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 8 percent initially, decreasing in increments of 0.5 percent over the next 8 years to the ultimate 4.0 percent assumption. Both rates included a 5.5 percent inflation assumption. 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 four-year period. The UAAL is being amortized as a level percentage of projected payroll over 30 years on an open basis.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE J: CONSTRUCTION CODE FEES

In accordance with Michigan Public Act 245 of 1999, the City is required to maintain a separate accounting system that separately accumulates revenues and expenditures related to the building department function.

As required under provisions of the Act, the City adopted this accounting treatment effective January 1, 2000. The following is a summary of the activity for the year ended June 30, 2015:

REVENUES		
Permits	\$	80,270
EXPENDITURES		
Salaries and wages		42,881
Supplies and other		<u>28,874</u>
TOTAL EXPENDITURES		<u>71,755</u>
EXCESS OF REVENUES OVER EXPENDITURES		8,515
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES		<u>(297,486)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	\$	<u><u>(288,971)</u></u>

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, established fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The following are the five (5) classifications under this standard:

Nonspendable - assets that are not available in a spendable form such as inventory, prepaid expenditures, and long-term receivables not expected to be converted to cash in the near term. It also includes funds that are legally or contractually required to be maintained intact such as the corpus of a permanent fund or foundation.

Restricted - amounts that are required by external parties to be used for a specific purpose. Constraints are externally imposed by creditors, grantors, contributors or laws, regulations or enabling legislation.

Committed - amounts constrained on use imposed by formal action of the government's highest level of decision making authority (i.e., Board, Council, etc.).

Assigned - amounts intended to be used for specific purposes. This is determined by the governing body, the budget or finance committee or a delegated municipality official.

Unassigned - all other resources; the remaining fund balance after nonspendable, restrictions, commitments, and assignments. This class only occurs in the General Fund, except for cases of negative fund balances. Negative fund balances are always reported as unassigned, no matter which fund the deficit occurs in.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS - CONTINUED

Fund Balance Classification Policies and Procedures

The formal action required to be taken to establish a fund balance commitment is the adoption of a City ordinance.

For assigned fund balance, the City has not approved a policy indicating who is authorized to assign amounts to a specific purpose. In the absence of such a policy, authorization is deemed to rest with the City Council.

The City has not formally adopted a policy that determines when both restricted and unrestricted fund balances are available which should be used first. In the absence of such a policy, resources with the highest level of restriction will be used first.

NOTE L: CONTINGENT LIABILITIES

The City participates in a number of Federal and State assisted grant programs that are subject to compliance audits. The periodic compliance audits of many of the State programs have not yet been conducted, completed, or resolved. Accordingly, the City's compliance with the applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

NOTE M: CHANGES IN ACCOUNTING PRINCIPLES

The City implemented the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during the year. The statement requires governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI).

NOTE N: RESTATEMENT OF BEGINNING NET POSITION

Beginning net position has been restated for governmental activities, business-type activities, and Water and Sewer Fund due to a change in accounting principles.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Water & Sewer Fund</u>
Beginning net position	\$ 706,796	\$ 5,771,715	\$ 5,968,343
Net pension asset	<u>1,401,135</u>	<u>71,451</u>	<u>71,451</u>
Restated beginning net position	<u>\$ 2,107,931</u>	<u>\$ 5,843,166</u>	<u>\$ 6,039,794</u>

NOTE O: SUBSEQUENT EVENTS

On October 15, 2015, the City Council adopted the Bond Authorizing Resolution for the 2016 Refunding Bonds (Limited Tax General Obligation) in the amount of \$3,900,000 for the purpose of refinancing the City's outstanding General Obligation Limited Tax Bonds, Series 2007, which were originally issued for the purpose of paying the costs of acquiring, constructing, and equipping improvements and renovations to the marina at the City's George Osius Municipal Park.

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE P: UPCOMING PRONOUNCEMENTS

In February 2015, the GASB issued Statement No 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2015-2016 fiscal year.

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement will establish accounting and financial reporting requirements related to other postemployment benefit plans and specify the required approach to measuring the OPEB liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted. This statement will be effective for the 2016-2017 fiscal year.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The statement requires governments providing other postemployment benefits (OPEB) to recognize their unfunded OPEB obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2017-2018 fiscal year.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2015-2016 fiscal year.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. The statement improves financial reporting through the disclosure of information about the nature and magnitude of tax abatements that are not consistently or comprehensively reported to the public at present. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2016-2017 fiscal year.

NOTE Q: DEFICIT NET POSITION

The Marina Fund has a negative total net position at June 30, 2015. In addition, its current assets were less than its current liabilities. However, based on the guidance provided in the Michigan Department of Treasury Numbered Letter 2014-1, the current portion of long-term debt should not be considered when calculating the difference between current assets and current liabilities. Without considering the current portion of long-term debt, the Marina Fund's current assets exceed the remaining current liabilities, therefore a deficit elimination plan is not required to be filed with the Michigan Department of Treasury.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,323,471	\$ 4,268,996	\$ 4,265,352	\$ (3,644)
Intergovernmental				
Federal	-	-	49,348	49,348
State	236,500	235,971	241,781	5,810
Licenses and permits	51,500	78,706	82,020	3,314
Charges for services	245,000	230,989	233,887	2,898
Fines and forfeits	205,000	247,283	259,286	12,003
Interest	4,000	2,025	2,128	103
Other	158,000	180,807	182,935	2,128
TOTAL REVENUES	5,223,471	5,244,777	5,316,737	71,960
EXPENDITURES				
Current				
General government				
City Council	14,160	20,410	20,401	9
Judicial	112,024	100,560	93,604	6,956
City Manager	257,495	233,839	230,193	3,646
Elections	22,432	22,293	21,264	1,029
Financial administration	253,579	224,376	223,577	799
Clerk	24,790	22,605	22,563	42
Assessor	27,000	33,601	28,566	5,035
City hall and grounds	300,975	437,345	417,233	20,112
Total general government	1,012,455	1,095,029	1,057,401	37,628
Public safety	2,474,630	2,376,954	2,374,824	2,130
Public works				
Sanitation	558,424	459,738	458,728	1,010
Building department	68,235	71,355	71,755	(400)
Other	339,519	344,728	344,780	(52)
Total public works	966,178	875,821	875,263	558
Community and economic development				
Planning and zoning	14,837	23,317	22,092	1,225

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture	\$ 273,115	\$ 346,398	\$ 315,046	\$ 31,352
Other				
Fringe benefits and insurance	276,820	289,263	289,263	-0-
Debt service	<u>253,758</u>	<u>253,758</u>	<u>253,758</u>	<u>-0-</u>
TOTAL EXPENDITURES	<u>5,271,793</u>	<u>5,260,540</u>	<u>5,187,647</u>	<u>72,893</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(48,322)	(15,763)	129,090	144,853
OTHER FINANCING SOURCES (USES)				
Installment purchase agreement	-	49,348	-	(49,348)
Transfers in	275,000	225,000	225,000	-0-
Transfers out	<u>(95,000)</u>	<u>(198,272)</u>	<u>(198,647)</u>	<u>(375)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>180,000</u>	<u>76,076</u>	<u>26,353</u>	<u>(49,723)</u>
NET CHANGE IN FUND BALANCE	131,678	60,313	155,443	95,130
Fund balance, beginning of year	<u>1,171,902</u>	<u>1,171,902</u>	<u>1,171,902</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,303,580</u>	<u>\$ 1,232,215</u>	<u>\$ 1,327,345</u>	<u>\$ 95,130</u>

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS

Last Two Fiscal Years (ultimately ten fiscal years will be displayed)

	<u>2015</u>	<u>2014</u>
CHANGE IN TOTAL PENSION LIABILITY		
Service cost	\$ 344,632	\$ 364,859
Interest	1,429,644	1,458,099
Changes of benefit terms	-	(690,273)
Differences between expected and actual experience	(76,376)	(272,458)
Changes of assumptions	3,527,154	-
Benefit payments, including refunds of member contributions	<u>(1,249,151)</u>	<u>(1,209,880)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,975,903	(349,653)
TOTAL PENSION LIABILITY, BEGINNING	<u>19,514,182</u>	<u>19,863,835</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u><u>\$ 23,490,085</u></u>	<u><u>\$ 19,514,182</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION		
Contributions - employer	\$ 223,369	\$ 358,599
Contributions - member	97,112	100,495
Net investment income	382,944	3,081,808
Benefit payments, including refunds of member contributions	(1,249,151)	(1,209,880)
Administrative expenses	(51,325)	(67,078)
Other	<u>(29,458)</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(626,509)	2,263,944
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>20,986,768</u>	<u>18,722,824</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u><u>\$ 20,360,259</u></u>	<u><u>\$ 20,986,768</u></u>
CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)	<u><u>\$ 3,129,826</u></u>	<u><u>\$ (1,472,586)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	86.68%	107.55%
Covered-employee payroll	\$ 1,563,622	\$ 1,670,564
City's net pension liability (asset) as a percentage of covered-employee payroll	200.17%	(88.15)%

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Fiscal Years

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 223,369	\$ 358,599	\$ 513,066	\$ 505,463	\$ 545,753	\$ 579,300	\$ 447,258	\$ 397,613	\$ 384,402	\$ 305,767
Contributions in relation to the actuarially determined contribution	<u>223,369</u>	<u>358,599</u>	<u>513,066</u>	<u>505,463</u>	<u>545,753</u>	<u>579,300</u>	<u>447,258</u>	<u>397,613</u>	<u>384,402</u>	<u>305,767</u>
Contribution deficiency (excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Covered-employee payroll	\$ 1,563,622	\$ 1,670,564	\$ 1,686,952	\$ 1,841,767	\$ 2,330,936	\$ 2,517,597	\$ 2,649,837	\$ 2,516,931	\$ 2,483,532	\$ 2,481,921
Contributions as a percentage of covered-employee payroll	14.29%	21.47%	30.41%	27.44%	23.41%	23.01%	16.88%	15.80%	15.48%	12.32%

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF INVESTMENT RETURNS

Last Two Fiscal Years (ultimately ten years will be displayed)

	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	7.97%	12.09%

Village of Grosse Pointe Shores, A Michigan City

Retired Employees' Health Care Benefits

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2015

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2012	\$ 2,151,952	\$ 8,669,148	\$ (6,517,196)	25%	\$ 1,841,767	353.9%
3/31/2009	1,583,578	8,758,484	(7,174,906)	18%	2,649,837	270.8%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30</u>	<u>Annual OPEB Cost</u>	<u>Annual Actual Contribution</u>	<u>Percent Contributed</u>
2015	\$ 596,425	\$ 107,819	18.1%
2014	469,276	168,084	35.8%
2013	599,637	65,000	10.8%

Village of Grosse Pointe Shores, A Michigan City

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2015

NOTE A: EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Michigan Public Act 621 of 1978, Sections 18 and 19, as amended, provides that a local governmental unit not incur expenditures in excess of the amounts appropriated.

The City's budgeted expenditures in the General Fund have been shown at the activity level. The City's budgeted expenditures for nonmajor Special Revenue Funds are not required to be reported in the financial statements. The approved budgets of the City have been adopted at the activity level for the General Fund and the total expenditure level for the Special Revenue Funds.

During the year ended June 30, 2015, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
Building department	\$ 71,355	\$ 71,755	\$ 400
Other	344,728	344,780	52
Other financing uses			
Transfers out	198,272	198,647	375

NOTE B: CHANGES IN THE CITY'S NET PENSION LIABILITY

Changes in experience - Overall experience of the Plan was slightly more favorable than assumed during the year ended June 30, 2015. The recognized rate of return on the smoothed funding value of assets of 7.97 percent versus the 7.5 percent long-term assumed rate was more than assumed and was the primary source of the favorable experience.

Changes in assumptions - The valuation interest rate was decreased from 7.5 percent to 7.0 percent and the base portion of the salary increases was reduced from 4.0 percent to 3.0 percent.

OTHER SUPPLEMENTARY INFORMATION

Village of Grosse Pointe Shores, A Michigan City

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2015

	Special Revenue				Total
	Major Street	Local Street	911 Service	Debt Service	
ASSETS					
Cash and cash equivalents	\$ 150,532	\$ 105,317	\$ -	\$ -	\$ 255,849
Due from other governmental units	20,822	13,133	-	-	33,955
Due from other funds	-	30,967	61,777	24,743	117,487
TOTAL ASSETS	\$ 171,354	\$ 149,417	\$ 61,777	\$ 24,743	\$ 407,291
LIABILITIES					
Due to other funds	\$ 30,038	\$ -	\$ -	\$ -	\$ 30,038
FUND BALANCES					
Restricted					
Streets and highways	141,316	149,417	-	-	290,733
Public safety	-	-	61,777	-	61,777
Debt service	-	-	-	24,743	24,743
TOTAL FUND BALANCES	141,316	149,417	61,777	24,743	377,253
TOTAL LIABILITIES AND FUND BALANCES	\$ 171,354	\$ 149,417	\$ 61,777	\$ 24,743	\$ 407,291

Village of Grosse Pointe Shores, A Michigan City

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES

Year Ended June 30, 2015

	Special Revenue			Debt Service	Total
	Major Street	Local Street	911 Service		
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 465,038	\$ 465,038
Intergovernmental - State	133,991	68,704	-	-	202,695
Interest	45	13	-	-	58
Other	-	-	27,740	-	27,740
TOTAL REVENUES	134,036	68,717	27,740	465,038	695,531
EXPENDITURES					
Current					
Public safety	-	-	26,514	-	26,514
Public works	80,030	59,646	-	-	139,676
Capital outlay	66,974	-	-	-	66,974
Debt service	-	-	-	95,194	95,194
TOTAL EXPENDITURES	147,004	59,646	26,514	95,194	328,358
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(12,968)	9,071	1,226	369,844	367,173
OTHER FINANCING SOURCES (USES)					
Transfers in	25,000	90,000	-	3,647	118,647
Transfers out	(20,000)	-	-	(373,491)	(393,491)
TOTAL OTHER FINANCING SOURCES (USES)	5,000	90,000	-0-	(369,844)	(274,844)
NET CHANGE IN FUND BALANCES	(7,968)	99,071	1,226	-0-	92,329
Fund balances, beginning of year	149,284	50,346	60,551	24,743	284,924
Fund balances, end of year	\$ 141,316	\$ 149,417	\$ 61,777	\$ 24,743	\$ 377,253

Village of Grosse Pointe Shores, A Michigan City

Pension and Employee Benefits Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2015

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
ASSETS			
Cash and cash equivalents	\$ 16,142,102	\$ -	\$ 16,142,102
Investments			
U.S. government securities	363,540	-	363,540
Foreign bonds	479,013	-	479,013
Corporate bonds	5,477,864	-	5,477,864
Due from other funds	-	2,194,379	2,194,379
Interest receivable	92,119	-	92,119
Prepays	-	16,361	16,361
	<u>22,554,638</u>	<u>2,210,740</u>	<u>24,765,378</u>
TOTAL ASSETS	22,554,638	2,210,740	24,765,378
LIABILITIES			
Due to other funds	<u>2,194,379</u>	<u>-</u>	<u>2,194,379</u>
NET POSITION			
Held in trust for pension and other employee benefits	<u>\$ 20,360,259</u>	<u>\$ 2,210,740</u>	<u>\$ 22,570,999</u>

Village of Grosse Pointe Shores, A Michigan City

Pension and Employee Benefits Trust Funds

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

Year Ended June 30, 2015

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
ADDITIONS			
Investment income			
Interest, dividends, and net realized income on investments	\$ 3,826,204	\$ 431,928	\$ 4,258,132
Net change in fair value investments	(3,400,870)	-	(3,400,870)
Less investment expenses	(42,390)	-	(42,390)
Net investment income	382,944	431,928	814,872
Contributions			
Employer	223,369	100,000	323,369
Employee	97,112	7,818	104,930
Total contributions	320,481	107,818	428,299
TOTAL ADDITIONS	703,425	539,746	1,243,171
DEDUCTIONS			
Pension benefit payments	1,226,883	-	1,226,883
Healthcare benefit payments	-	309,987	309,987
Contribution refunds	22,268	-	22,268
Administrative expenses	51,325	-	51,325
Other	29,458	-	29,458
TOTAL DEDUCTIONS	1,329,934	309,987	1,639,921
CHANGE IN PLAN NET POSITION	(626,509)	229,759	(396,750)
Net position, beginning of year	20,986,768	1,980,981	22,967,749
Net position, end of year	<u>\$ 20,360,259</u>	<u>\$ 2,210,740</u>	<u>\$ 22,570,999</u>

Village of Grosse Pointe Shores, A Michigan City
ANNUAL INFORMATION STATEMENT (UNAUDITED)

June 30, 2015

Pursuant to the Awarding Resolution and Various Continuing Disclosure Undertakings executed and delivered by the Village of Grosse Pointe Shores, A Michigan City with the insurance of the above referenced bond issues, we provide the following update of numerical financial information and operating data included in the official statement of the municipality relating to the above referenced bond issues:

POPULATION

2010 U.S. Census	3,008
2000 U.S. Census	2,823
1990 U.S. Census	2,955
1980 U.S. Census	3,122

FISCAL YEAR

July 1 to June 30

PROPERTY VALUATIONS

<u>Year</u>	<u>State Equalized Valuation</u>	<u>Taxable Values</u>
2015	\$ 283,700,180	\$ 262,529,646
2014	274,076,510	256,993,648
2013	260,793,210	252,624,665
2012	252,278,420	249,425,317
2011	287,233,831	282,393,166
2010	312,814,619	306,575,114
2009	343,139,979	330,934,845
2008	413,702,238	349,356,498
2007	436,950,552	347,333,898
2006	453,139,969	339,848,278

There has been a broad based decline in the market prices of residential real estate in the United States since 2006, resulting in a slowing in appreciation and declines in residential and other real property assessed valuations. A decline in assessed market valuation of any individual residential or non-residential real property will result in a reduction in the individual SEV for that property. If the SEV of an individual parcel of property falls below the Taxable Value for that real property, for the same year, the reduced SEV will become the Taxable Value for that real property. All such individual reductions will, in the aggregate, negatively affect the City's total SEV and total Taxable Value, as reflected in the table above. Each mill, then, that the City levies against the reduced Taxable Value will produce less property tax receipts than the same mill levied in the prior year. Currently, the City is experiencing increases in valuations due to the real estate market upswing and will monitor future sales and their effect on property tax receipts.

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2015

MAJOR TAXPAYERS

The State Equalized Value and the Taxable Value of each of the City's major taxpayers for the year 2014 is as follows:

Name of Taxpayer	2014 State Equalized Value	2014 Taxable Value
Grosse Pointe Yacht Club	\$ 4,890,000	\$ 2,887,180
Anderson, James and Patricia	2,768,500	2,605,401
Ford, William Clay	2,349,900	2,211,408
Wilson Jr., Ralph C.	2,194,500	2,091,376
Alandt, Paul D.	1,700,000	1,700,000
Stackpole, Stephen M.	1,543,900	1,486,916
Denton, Leet E. and Patsy	1,384,880	1,314,108
Policherla, Haranath	1,340,600	1,261,600
Booth III, John Lord	1,335,200	1,335,200
Moroun, Manuel and Nora	1,250,300	1,176,590

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2015

TAX RATES
(Per \$1,000 of Taxable Value)

		2014	
		Principal Residence	Non-Principal Residence
Village of Grosse Pointe Shores	Operating	12.5403	12.5403
	Refuse	2.1706	2.1706
	Pension	1.1500	1.1500
	Debt	1.8242	1.8242
	PA 359	0.1943	0.1943
State Education Tax		6.0000	6.0000
Grosse Pointe Public Schools -	Local	0.0000	18.0000
	Sinking Fund	1.0000	1.0000
	Debt	1.7550	1.7550
	Supplement	7.1616	0.0000
South Lake Schools -	Local	0.0000	12.9400
	Debt	6.6500	6.6500
	Supplement	4.8916	0.0000
Grosse Pointe Library		2.0512	2.0512
Wayne County		7.8220	7.8220
Macomb County		4.6135	4.6135
SMART		1.0000	1.0000
Wayne County Intermediate Schools		3.4643	3.4643
Macomb County Intermediate Schools		2.9430	2.9430
Wayne County Community College		3.2408	3.2408
Macomb Community College		1.5262	1.5262
Huron Clinton Metropolitan Authority		0.2146	0.2146
Detroit Zoological Authority		0.1000	0.1000
Detroit Institute of Arts		0.2000	0.2000
Total Village of Grosse Pointe Shores-Wayne		\$ 53.4151	\$ 62.7273
Total Village of Grosse Pointe Shores-Macomb		\$ 46.0183	\$ 58.9583

Principal Residence (formerly known as Homestead) means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal Residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the Principal Residence includes only 5 acres adjacent and contiguous to the home of the owner. Principal Residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554,801 to 554.844 of the Michigan Compiled Laws. Principal Residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non-Principal Residence (formerly known as Non-homestead) is property not included in the above definition.

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2015

TAX RATE LIMITATIONS

The City is authorized pursuant to the City Charter to levy the following tax rates:

<u>Purpose</u>	<u>Maximum Millage Authorized</u>	<u>Maximum Millage to be Levied</u>	<u>Expiration Date of Millage</u>
General Operating	\$ 20.0000	\$ 20.0000	In Perpetuity

The Michigan Constitution places certain restrictions on new taxes and tax increases and limits taxes for the payment of principal and interest on bonds or other evidences of indebtedness outstanding on or after December 23, 1978, unless such obligations are approved by the electors of the issuing public corporation.

On March 15, 1994, the electors of the State approved an amendment to the Michigan Constitution permitting the Legislature to authorize ad valorem taxes on a non-uniform basis. The legislation implementing this constitutional amendment added a new measure of property value known as "Taxable Value". Beginning in 1995, taxable property has two valuations - State equalized valuation (SEV) and Taxable Value. Property taxes are levied on Taxable Value. Generally, the Taxable Value of property is the lesser of (a) the Taxable Value of the property in the immediately preceding year, adjusted for losses, multiplied by the lesser of the net percentage change in the property's SEV, or the inflation rate, or 5 percent, plus additions, or (b) the property's current SEV. Under certain circumstances, therefore, the Taxable Value of property may be different from the same property's SEV.

On March, 15, 1994, the electors of the State of Michigan also voted to amend the State Constitution to increase the state sales tax from 4 percent to 6 percent and to place a yearly cap on property value assessment increase. The State now levies a property tax to finance education, and a higher real estate transfer tax is imposed on the sale of real property.

The City may levy taxes in excess of the above limitation pursuant to state law for the following purposes:

<u>Purpose</u>	<u>Authority</u>	<u>Rate (per \$1,000 of Taxable Valuation)</u>
Refuse Collection and Disposal	Act 298, P.A. of Michigan 1917, as amended	\$ 3.00
Police & Fire Pension Requirements	Act 345, P.A. of Michigan 1937, as amended	Amount Required to Make Contribution

In addition, Article IX, Section 6, permits the levy of millage in excess of the above for:

1. All debt service on tax supported bonds issued prior to December 23, 1978 or tax supported issues which have been approved by the voters for which the issuer has pledged its full faith and credit.
2. Operating purposes for a specified period of time provided that said increase is approved by a majority of the qualified electors of the local unit.
3. Payment of valid judgments levied in accordance with State law.

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2015

TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>Tax Levy</u>	<u>Collections to March 1 of Following Year</u>
2014	\$ 4,595,798	\$ 4,557,994
2013	4,512,344	4,479,090
2012	4,575,787	4,508,855
2011	4,840,319	4,767,404
2010	4,871,685	4,751,426
2009	5,258,633	5,130,459

On April 1, 2009, the Village of Grosse Pointe Shores became a City. Prior to April 1, 2009, the unit comprised of the Township of Grosse Pointe (Wayne County), Lake Township (Macomb County) and the Village of Grosse Pointe Shores.

REVENUES FROM THE STATE OF MICHIGAN

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971. The following table sets forth annual revenue sharing payments and other moneys received by the City for its fiscal year ending June 30:

<u>Fiscal Year Ending</u>	<u>Constitutional Payments</u>	<u>Statutory/EVIP Payments</u>	<u>Total</u>
2015	\$ 231,713	\$ 10,068	\$ 238,397
2014	227,075	11,322	238,397
2013	220,227	9,320	229,547
2012	220,438	7,145	227,583

GENERAL FUND - FUND BALANCE

<u>Fiscal Year Ended</u>	<u>Fund Balance</u>
2015	\$ 1,327,345
2014	1,171,902
2013	990,902
2012	874,629

RETIREMENT PLAN

The City contributes to the Employees Retirement System, which is the administrator of a single-employer public employees' retirement system that covers essentially all general and public safety employees of the City. All full-time general and public safety employees are eligible to participate in the system, except for new employees hired after June 30, 2012. For fiscal year ended June 30, 2015, the City's annual pension cost and required contribution was equal to the City's actual contribution of \$223,369. The annual required contribution was determined by an actuarial valuation of June 30, 2014.

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2015

RETIREMENT PLAN - CONTINUED

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, the plan has 65 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). The City includes pre-Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized in the Retired Employees' Health Care Benefit Trust Fund as the insurance premiums become due; during the fiscal year ended June 30, 2015, this amounted to \$309,987.

DEBT STATEMENT

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2015 including the Bonds. Bonds designated UTGO have an unlimited tax pledge, and LTGO bonds are limited tax pledge bonds.

City Direct Debt	Gross	Self-Supporting	Net	Net Debt ⁽¹⁾	
				Per Capita	% of Taxable Valuation
General Obligation Bonds (UTGO)	\$ 2,695,000	\$ -	\$ 2,695,000		
General Obligation Bonds (LTGO) ⁽²⁾	3,600,000	3,600,000	-		
Total Direct Debt	\$ 6,295,000	\$ 3,600,000	\$ 2,695,000	\$ 896	1.03%

City Overlapping ⁽³⁾	Gross	City Share as % of Gross	Net City Share	Net Debt ⁽¹⁾	
				Per Capita	% of Taxable Valuation
Grosse Pointe School District	\$ 40,635,000	9.73%	\$ 3,953,786		
South Lake School District	22,145,000	2.28%	504,906		
Macomb - County at Large	352,569,215	0.04%	141,028		
Wayne - County at Large	315,956,111	0.63%	1,990,523		
Macomb Community College	12,650,000	0.04%	5,060		
Grosse Pointe Public Library	12,705,000	9.73%	1,236,197		
Total Overlapping Debt	\$ 756,660,326		\$ 7,831,500	\$ 2,604	2.98%
Total City Direct and Overlapping Debt	\$ 762,955,326		\$ 10,526,500	\$ 3,500	4.01%

(1) Based upon the 2010 US Census population of 3,008 and 2014 Ad Valorem Taxable Valuation of \$256,993,648.

(2) Paid by boat marina fees.

(3) Overlapping debt is the portion of other taxing units debt for which a City taxpayer is responsible in addition to debt of the City.