

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

FINANCIAL STATEMENTS

June 30, 2014

Village of Grosse Pointe Shores, A Michigan City

Wayne and Macomb Counties, Michigan

June 30, 2014

CITY COUNCIL

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Bruce Bisballe	Mayor Pro-Tem
Alexander Ajlouni, M.D.	Council Member
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Village of Grosse Pointe Shores, A Michigan City

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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, 2014, 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, 3 percent, and less than 1 percent of the assets, net position, and revenues, respectively, of the governmental activities. 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 equity interest in the Grosse Pointes-Clinton Refuse Disposal Authority is 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.

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

The financial statements of the Grosse Pointe Shores Improvement Foundation have not been audited, and we were not engaged to audit the Grosse Pointe Shores Improvement Foundation financial statements as part of our audit of the City's basic financial statements. The Grosse Pointe Shores Improvement Foundation financial activities are included in the City's basic financial statements as the discretely presented component unit.

Disclaimer of Opinion

Because of the significance of the matter described in the "Basis for Disclaimer of Opinion on the Discretely Presented Component Unit" paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on the financial statements of the discretely presented component unit of the Village of Grosse Pointe Shores, A Michigan City. Accordingly, we do not express an opinion on these financial statements.

Unmodified 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, each major fund, and the aggregate remaining fund information of the Village of Grosse Pointe Shores, A Michigan City, as of June 30, 2014, 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.

Change in Accounting Principles

As discussed in Note M, during the year the City implemented GASB Statement No. 67, *Financial Reporting for Pension Plans*. As a result, the pension trust fund now includes substantially different note disclosures and required supplementary information. 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 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 fund, pension and employee benefit trust fund, and agency 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 fund, pension and employee benefit trust fund, and agency fund 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. 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 18, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

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, 2014. 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, 2014:

- Property tax revenues, the City's largest source of revenue, decreased \$68,635 from 2013.
- General Fund fund balance increased \$181,000 as a result of current year activity.

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.

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.

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Using this Annual Report - continued

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 13-36 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.

The City as a Whole

The following table shows, in a condensed format, a comparative analysis of the net assets as of June 30, 2014, and June 30, 2013.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Current and Other Assets	\$ 1,931,304	\$ 1,814,956	\$ 1,032,013	\$ 1,250,257	\$ 2,963,317	\$ 3,065,213
Capital Assets	5,603,773	5,612,866	10,809,984	11,467,292	16,413,757	17,080,158
Total Assets	\$ 7,535,077	\$ 7,427,822	\$ 11,841,997	\$ 12,717,549	\$ 19,377,074	\$ 20,145,371
Deferred Outflows of Resources	\$ 62,743	\$ -	\$ 69,804	\$ -	\$ 132,547	\$ -0-
Current Liabilities	\$ 793,153	\$ 1,308,695	\$ 908,759	\$ 920,145	\$ 1,701,912	\$ 2,228,840
Noncurrent Liabilities	6,097,871	2,585,189	5,231,327	5,490,183	11,329,198	8,075,372
Total Liabilities	\$ 6,891,024	\$ 3,893,884	\$ 6,140,086	\$ 6,410,328	\$ 13,031,110	\$ 10,304,212
Net Position						
Invested in Capital Assets (net of related debt)	\$ 1,569,300	\$ 4,464,172	\$ 5,298,120	\$ 5,631,080	\$ 6,867,420	\$ 10,095,252
Restricted	284,924	277,426	-	-	284,924	277,426
Unrestricted	(1,147,428)	(1,207,660)	473,595	676,141	(673,833)	(531,519)
Total Net Position	\$ 706,796	\$ 3,533,938	\$ 5,771,715	\$ 6,307,221	\$ 6,478,511	\$ 9,841,159

Net position may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$6,478,511 as of June 30, 2014. A portion of the City's net position, (\$673,833), reflects its balance of unrestricted net position.

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

The City as a Whole - continued

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 \$6,867,420 at June 30, 2014. 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, \$284,924 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 \$3,362,648 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Revenues						
Program Revenues						
Charges for services	\$ 657,434	\$ 613,842	\$ 1,887,033	\$ 1,971,608	\$ 2,544,467	\$ 2,585,450
Grants and contributions	222,013	1,025,860	-	-	222,013	1,025,860
General Revenues						
Property Taxes	4,524,197	4,592,832	-	-	4,524,197	4,592,832
State Shared Revenue	238,397	229,547	-	-	238,397	229,547
Investment Earnings	2,614	4,551	950	947	3,564	5,498
Miscellaneous	146,814	172,745	-	-	146,814	172,745
Transfers	(118,387)	(192,861)	118,387	192,861	-	-
Total Revenues	<u>5,673,082</u>	<u>6,446,516</u>	<u>2,006,370</u>	<u>2,165,416</u>	<u>7,679,452</u>	<u>8,611,932</u>
Expenses						
General Government	2,673,601	1,240,030	-	-	2,673,601	1,240,030
Public Safety	2,471,294	2,763,371	-	-	2,471,294	2,763,371
Public Works	2,585,429	1,341,049	-	-	2,585,429	1,341,049
Health & Welfare	86,261	85,431	-	-	86,261	85,431
Community and Economic Development	16,875	17,427	-	-	16,875	17,427
Recreation & Culture	597,003	315,434	-	-	597,003	315,434
Other	69,761	48,369	2,541,876	2,527,897	2,611,637	2,576,266
Total Expenses	<u>8,500,224</u>	<u>5,811,111</u>	<u>2,541,876</u>	<u>2,527,897</u>	<u>11,042,100</u>	<u>8,339,008</u>
Change in Net Position	<u>\$ (2,827,142)</u>	<u>\$ 635,405</u>	<u>\$ (535,506)</u>	<u>\$ (362,481)</u>	<u>\$ (3,362,648)</u>	<u>\$ 272,924</u>

Governmental Activities

Governmental activities decreased the City's net position by \$2,827,142 during fiscal year 2014. The main reason for the decrease was a decrease in revenue, in particular grants and contributions and an increase in expenses, in particular general government and public works. During the current fiscal year, the City entered into an installment purchase agreement for various improvements to lighting, heating, cooling, and other energy saving measures. These improvements were generally not capitalized; therefore the City recognized the expense for the improvements as well as the long-term liability for financing those improvements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2014

Business-type Activities

Business-type activities decreased the City's net position by \$535,506 during fiscal year 2014. 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 (94 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, 2014, 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 general government which incurred expenditures of \$2,537,274 for the fiscal year.

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 \$488,074 and (\$14,479) respectively. The decrease in net position for the Water and Sewer Water Fund for the fiscal year was \$304,361 and the decrease for the Marina Fund was \$231,145 in 2014. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

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 \$16,413,757 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 splash pad at the pool as well as two new police vehicles, and tractors. The splash pad was funded through the Improvement Foundation. Refer to Note E for further capital asset details.

Long-term Debt. The City made principal payments on existing obligations in the amount of \$2,780,228. The carrying amount of the City's obligation for compensated absences was \$552,756 at year end. During the year, the City refunded a portion of the 2004 Unlimited Tax Bonds (\$1,067,345) and entered into an agreement with Honeywell to purchase equipment (\$2,934,173). Refer to Note F for further details related to the City's long-term debt.

Current Economic Factors

Property tax revenue and revenue sharing are the most significant budgetary concerns at this time. The State of Michigan is experiencing significant budget problems and as they look for solutions revenue sharing continues to be under attack.

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, 2014

	Primary Government			Component Unit (Improvement Foundation)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,285,882	\$ 475,403	\$ 1,761,285	\$ 95,175
Investments	500,417	-	500,417	-
Receivables	70,618	353,714	424,332	-
Due from other governmental units	177,052	-	177,052	-
Internal balances	(198,964)	198,964	-0-	-
Inventory	33,658	2,800	36,458	-
Prepays	48,744	1,132	49,876	567
Total current assets	1,917,407	1,032,013	2,949,420	95,742
Noncurrent assets				
Investments	-	-	-0-	845,707
Investment in joint venture	13,897	-	13,897	-
Capital assets not being depreciated	910,608	5,053	915,661	-
Capital assets being depreciated, net	4,693,165	10,804,931	15,498,096	-
Total noncurrent assets	5,617,670	10,809,984	16,427,654	845,707
TOTAL ASSETS	7,535,077	11,841,997	19,377,074	941,449
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	62,743	69,804	132,547	-0-
LIABILITIES				
Current liabilities				
Accounts payable	356,970	-	356,970	76
Accrued wages	83,088	1,264	84,352	-
Accrued interest payable	14,044	70,376	84,420	-
Unearned revenue	-	471,091	471,091	2,750
Current portion of compensated absences	78,489	-	78,489	-
Current portion of long-term debt	260,562	366,028	626,590	-
Total current liabilities	793,153	908,759	1,701,912	2,826
Noncurrent liabilities				
Other post-employment benefits obligation	1,802,637	-	1,802,637	-
Noncurrent portion of compensated absences	458,580	15,687	474,267	-
Noncurrent portion of long-term debt	3,836,654	5,215,640	9,052,294	-
Total noncurrent liabilities	6,097,871	5,231,327	11,329,198	-0-
TOTAL LIABILITIES	6,891,024	6,140,086	13,031,110	2,826
NET POSITION				
Net investment in capital assets	1,569,300	5,298,120	6,867,420	-
Restricted				
Streets and highways	199,630	-	199,630	-
Public safety	60,551	-	60,551	-
Debt service	24,743	-	24,743	-
Expendable endowment	-	-	-0-	11,395
Nonexpendable endowment	-	-	-0-	605,000
Unrestricted	(1,147,428)	473,595	(673,833)	322,228
TOTAL NET POSITION	\$ 706,796	\$ 5,771,715	\$ 6,478,511	\$ 938,623

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF ACTIVITIES

Year Ended June 30, 2014

Functions/Programs	Net (Expense) Revenue and Changes in Net Position						Component Unit (Improvement Foundation)
	Expenses	Program Revenues		Primary Government		Total	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-type Activities		
Primary government							
Governmental activities							
General government	\$ 2,673,601	\$ 473,442	\$ 899	\$ (2,199,260)	\$ -	\$ (2,199,260)	\$ -
Public safety	2,471,294	-	27,375	(2,443,919)	-	(2,443,919)	-
Public works	2,585,429	138,416	193,739	(2,253,274)	-	(2,253,274)	-
Health and welfare	86,261	45,576	-	(40,685)	-	(40,685)	-
Community and economic development	16,875	-	-	(16,875)	-	(16,875)	-
Recreation and culture	597,003	-	-	(597,003)	-	(597,003)	-
Interest and fees on long-term debt	69,761	-	-	(69,761)	-	(69,761)	-
Total governmental activities	8,500,224	657,434	222,013	(7,620,777)	-0-	(7,620,777)	-0-
Business-type activities							
Water and sewer	2,135,070	1,662,322	-	-	(472,748)	(472,748)	-
Marina	406,806	224,711	-	-	(182,095)	(182,095)	-
Total business-type activities	2,541,876	1,887,033	-0-	-0-	(654,843)	(654,843)	-0-
Total primary government	<u>\$ 11,042,100</u>	<u>\$ 2,544,467</u>	<u>\$ 222,013</u>	(7,620,777)	(654,843)	(8,275,620)	-0-
Component unit							
Grosse Pointe Shores Improvement Foundation	<u>\$ 109,814</u>	<u>\$ -</u>	<u>\$ 62,379</u>	-	-	-0-	(47,435)
General revenues							
Property taxes				4,524,197	-	4,524,197	-
State shared revenue				238,397	-	238,397	-
Investment earnings				2,614	950	3,564	138,724
Miscellaneous				146,814	-	146,814	17,778
Transfers				(118,387)	118,387	-0-	-
Total general revenues and transfers				<u>4,793,635</u>	<u>119,337</u>	<u>4,912,972</u>	<u>156,502</u>
Change in net position				(2,827,142)	(535,506)	(3,362,648)	109,067
Net position, beginning of the year				<u>3,533,938</u>	<u>6,307,221</u>	<u>9,841,159</u>	<u>829,556</u>
Net position, end of the year				<u>\$ 706,796</u>	<u>\$ 5,771,715</u>	<u>\$ 6,478,511</u>	<u>\$ 938,623</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

BALANCE SHEET

June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,110,092	\$ 175,790	\$ 1,285,882
Investments	500,417	-	500,417
Accounts Receivable	70,618	-	70,618
Due from other governmental units	147,009	30,043	177,052
Due from other funds	320,476	113,954	434,430
Inventory	33,658	-	33,658
Prepays	48,744	-	48,744
	<u>1,110,092</u>	<u>175,790</u>	<u>1,285,882</u>
TOTAL ASSETS	<u>\$ 2,231,014</u>	<u>\$ 319,787</u>	<u>\$ 2,550,801</u>
LIABILITIES			
Accounts payable	\$ 356,970	\$ -	\$ 356,970
Accrued wages	83,088	-	83,088
Due to other funds	598,531	34,863	633,394
	<u>598,531</u>	<u>34,863</u>	<u>633,394</u>
TOTAL LIABILITIES	1,038,589	34,863	1,073,452
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	20,523	-	20,523
FUND BALANCES			
Nonspendable			
Inventory	33,658	-	33,658
Prepays	48,744	-	48,744
Restricted			
Streets and highways	-	199,630	199,630
Public safety	-	60,551	60,551
Debt service	-	24,743	24,743
Assigned			
Capital outlay	65,000	-	65,000
Unassigned	1,024,500	-	1,024,500
	<u>1,110,092</u>	<u>175,790</u>	<u>1,285,882</u>
TOTAL FUND BALANCES	<u>1,171,902</u>	<u>284,924</u>	<u>1,456,826</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 2,231,014</u>	<u>\$ 319,787</u>	<u>\$ 2,550,801</u>

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, 2014

Total fund balances - governmental funds \$ 1,456,826

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. 13,897

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	\$ 14,712,037	
Accumulated depreciation is	<u>(9,108,264)</u>	
Capital assets, net		5,603,773

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

Unavailable revenue	20,523
---------------------	--------

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	(4,097,216)	
Deferred charges on refunding	62,743	
Other post-employment benefits obligation	(1,802,637)	
Accrued interest payable	(14,044)	
Compensated absences	<u>(537,069)</u>	
		<u>(6,388,223)</u>

Net position of governmental activities \$ 706,796

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2014

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 4,120,965	\$ 533,599	\$ 4,654,564
Intergovernmental	238,397	193,739	432,136
Licenses and permits	69,091	-	69,091
Charges for services	233,117	-	233,117
Fines and forfeits	221,372	-	221,372
Interest	2,258	356	2,614
Other	147,714	27,375	175,089
TOTAL REVENUES	5,032,914	755,069	5,787,983
EXPENDITURES			
Current			
General government	2,537,274	-	2,537,274
Public safety	2,154,349	5,574	2,159,923
Public works	2,170,793	177,203	2,347,996
Health and welfare	85,238	-	85,238
Community and economic development	15,623	-	15,623
Recreation and culture	534,891	-	534,891
Other	347,714	-	347,714
Capital outlay	140,205	41,503	181,708
Debt service	-	132,025	132,025
TOTAL EXPENDITURES	7,986,087	356,305	8,342,392
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,953,173)	398,764	(2,554,409)
OTHER FINANCING SOURCES (USES)			
Bond proceeds	-	1,067,345	1,067,345
Bond premium	-	30,748	30,748
Installment purchase agreement	2,934,173	-	2,934,173
Transfers in	275,000	95,000	370,000
Transfers out	(75,000)	(413,387)	(488,387)
Transfers to escrow	-	(1,081,537)	(1,081,537)
TOTAL OTHER FINANCING SOURCES (USES)	3,134,173	(301,831)	2,832,342
NET CHANGE IN FUND BALANCES	181,000	96,933	277,933
Fund balances, beginning of year	990,902	187,991	1,178,893
Fund balances, end of year	<u>\$ 1,171,902</u>	<u>\$ 284,924</u>	<u>\$ 1,456,826</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, 2014

Net change in fund balances - total governmental funds **\$ 277,933**

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. (548)

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	\$	302,505
Depreciation expense		(304,063)
Loss on disposal of capital assets		<u>(7,535)</u>

Excess of depreciation expense and loss on disposal over capital outlay (9,093)

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 3,486

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 proceeds and installment purchase agreement	(4,001,518)	
Premium on bonds	(30,748)	
Debt principal retirement	1,083,744	
Change in deferred charges on refunding	<u>62,743</u>	

(2,885,779)

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 other post-employment benefits obligation	(301,192)	
(Increase) in accrued interest payable	(2,686)	
Decrease in accrued compensated absences	<u>90,737</u>	

(213,141)

Change in net position of governmental activities **\$ (2,827,142)**

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2014

	<u>Water and Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 475,403	\$ 475,403
Accounts receivable	353,490	224	353,714
Due from other funds	513,237	-	513,237
Inventory	2,800	-	2,800
Prepays	1,132	-	1,132
	<u>870,659</u>	<u>475,627</u>	<u>1,346,286</u>
Total current assets			
Noncurrent assets			
Capital assets not being depreciated	5,053	-	5,053
Capital assets being depreciated, net	7,393,380	3,411,551	10,804,931
	<u>7,398,433</u>	<u>3,411,551</u>	<u>10,809,984</u>
Total noncurrent assets			
	<u>7,398,433</u>	<u>3,411,551</u>	<u>10,809,984</u>
TOTAL ASSETS	8,269,092	3,887,178	12,156,270
DEFERRED OUTFLOW OF RESOURCES			
Deferred charges on refunding	69,804	-	69,804
LIABILITIES			
Current liabilities			
Accrued wages payable	1,264	-	1,264
Accrued interest payable	30,391	39,985	70,376
Due to other funds	-	314,273	314,273
Unearned revenue	335,243	135,848	471,091
Current portion of long-term debt	320,050	45,978	366,028
	<u>686,948</u>	<u>536,084</u>	<u>1,223,032</u>
Total current liabilities			
	<u>686,948</u>	<u>536,084</u>	<u>1,223,032</u>
Noncurrent liabilities			
Compensated absences	15,687	-	15,687
Noncurrent portion of long-term debt	1,667,918	3,547,722	5,215,640
	<u>1,683,605</u>	<u>3,547,722</u>	<u>5,231,327</u>
Total noncurrent liabilities			
	<u>1,683,605</u>	<u>3,547,722</u>	<u>5,231,327</u>
TOTAL LIABILITIES	2,370,553	4,083,806	6,454,359
NET POSITION			
Net investment in capital assets	5,480,269	(182,149)	5,298,120
Unrestricted	488,074	(14,479)	473,595
	<u>5,968,343</u>	<u>(196,628)</u>	<u>5,771,715</u>
TOTAL NET POSITION	<u>\$ 5,968,343</u>	<u>\$ (196,628)</u>	<u>\$ 5,771,715</u>

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, 2014

	Water and Sewer Fund	Marina Fund	Total
OPERATING REVENUES			
Customer billings	\$ 1,662,322	\$ -	\$ 1,662,322
Other charges for services	-	224,711	224,711
TOTAL OPERATING REVENUES	1,662,322	224,711	1,887,033
OPERATING EXPENSES			
Water supply and sewage disposal	1,086,164	-	1,086,164
Repairs and maintenance	363,366	40,856	404,222
General and administrative	89,815	19,204	109,019
Utilities	-	7,245	7,245
Depreciation and amortization	477,091	184,238	661,329
TOTAL OPERATING EXPENSES	2,016,436	251,543	2,267,979
OPERATING (LOSS)	(354,114)	(26,832)	(380,946)
NONOPERATING REVENUES (EXPENSES)			
Interest expenses and fees	(118,634)	(155,263)	(273,897)
Interest revenue	-	950	950
TOTAL NONOPERATING REVENUES (EXPENSES)	(118,634)	(154,313)	(272,947)
(LOSS) BEFORE TRANSFERS	(472,748)	(181,145)	(653,893)
TRANSFERS IN	393,387	-	393,387
TRANSFERS OUT	(225,000)	(50,000)	(275,000)
TOTAL TRANSFERS	168,387	(50,000)	118,387
CHANGE IN NET POSITION	(304,361)	(231,145)	(535,506)
Net position, beginning of year	6,272,704	34,517	6,307,221
Net position, end of year	<u>\$ 5,968,343</u>	<u>\$ (196,628)</u>	<u>\$ 5,771,715</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF CASH FLOWS

Year Ended June 30, 2014

	Water and Sewer Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,588,027	\$ 227,581	\$ 1,815,608
Cash receipts from other funds	-	94,986	94,986
Cash paid to suppliers	(1,449,783)	(48,101)	(1,497,884)
Cash paid to employees	(89,949)	(19,204)	(109,153)
NET CASH PROVIDED BY OPERATING ACTIVITIES	48,295	255,262	303,557
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(225,000)	(50,000)	(275,000)
Transfers in	566,128	-	566,128
NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES	341,128	(50,000)	291,128
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Bond proceeds	1,437,918	-	1,437,918
Principal payments on long-term debt	(1,716,288)	(50,000)	(1,766,288)
Interest payments on long-term debt	(111,053)	(155,262)	(266,315)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(389,423)	(205,262)	(594,685)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	950	950
NET INCREASE IN CASH AND CASH EQUIVALENTS	-0-	950	950
Cash and cash equivalents, beginning of year	-	474,453	474,453
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ 475,403</u>	<u>\$ 475,403</u>

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2014

	<u>Water and Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
Reconciliation of operating (loss) to net cash provided by operating activities			
Operating (loss)	\$ (354,114)	\$ (26,832)	\$ (380,946)
Adjustments to reconcile operating (loss) to net cash provided by operating activities			
Depreciation	477,091	184,238	661,329
(Increase) decrease in:			
Accounts receivable	(48,454)	174	(48,280)
Inventory	(525)	-	(525)
Prepays	272	-	272
Increase (decrease) in:			
Accrued wages	(38)	-	(38)
Compensated absences	(96)	-	(96)
Due to other funds	-	94,986	94,986
Unearned revenue	(25,841)	2,696	(23,145)
	<u>(25,841)</u>	<u>2,696</u>	<u>(23,145)</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 48,295</u>	 <u>\$ 255,262</u>	 <u>\$ 303,557</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	<u>Fiduciary Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 16,085,593	\$ 69,590
Investments		
U.S. government securities	378,610	-
Foreign bonds	756,113	-
Corporate bonds	5,662,022	-
Interest receivable	78,378	-
Prepays	7,033	-
	<u>22,967,749</u>	<u>\$ 69,590</u>
TOTAL ASSETS		
	22,967,749	<u>\$ 69,590</u>
LIABILITIES		
Due to individuals and agencies	-	<u>\$ 69,590</u>
	<u>-</u>	<u>\$ 69,590</u>
NET POSITION		
Held in trust for pension and other employee benefits	<u>\$ 22,967,749</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, 2014

	<u>Fiduciary Trust Funds</u>
ADDITIONS	
Investment income	
Interest, dividends, and net realized income on investments	\$ 1,044,773
Net change in fair value of investments	2,243,750
Less investment expenses	<u>(96,312)</u>
Net investment income	3,192,211
Contributions	
Employer	518,599
Employee	<u>108,579</u>
Total contributions	<u>627,178</u>
TOTAL ADDITIONS	3,819,389
DEDUCTIONS	
Pension benefit payments	1,193,360
Healthcare benefit payments	302,520
Contribution refund	16,521
Administrative expenses	<u>67,078</u>
TOTAL DEDUCTIONS	<u>1,579,479</u>
CHANGE IN NET POSITION	2,239,910
Net position, beginning of year	<u>20,727,839</u>
Net position, end of year	<u><u>\$ 22,967,749</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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 have not been audited, however compiled financial statements 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, 2014

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 \$13,897 at June 30, 2014, 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, 2014

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, 2014

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, 2014

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 mills (\$20 per \$1,000 of taxable valuation) for general governmental services and 2.7514 mills (\$2.75 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, 2014, the City levied 12.2954 mills for general governmental services, 1.7100 mills for refuse services, 1.5440 mills for the retirement system, 2.1300 mills for debt service, and 0.2000 mills for Public Act 359 activities. The total taxable value for the 2013 levy for the property within the City was \$252,421,678.

12. Inventories and Prepaids

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, 2014

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 consist 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 only has one item that qualifies for reporting in this category. It is the deferred charge on refunding 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.

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 only one type of item, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, 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.

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, 2014, 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, 2014

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, 2014

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, 2014, the carrying amount of the City's deposits was \$2,366,839 and the bank balance was \$2,352,535.

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, 2014, \$896,234 of the City accounts were FDIC insured while \$1,456,301 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 \$95,175. 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, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate bonds	\$ 5,662,022	4.03 years
Foreign bonds	756,113	2.54 years
U.S. government obligations	378,610	2.53 years
Uncategorized pooled cash	16,049,396	N/A
	<u>\$ 22,846,141</u>	

The fair value of the component unit's investments as of June 30, 2013, was \$845,707. 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, 2014

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, 2014:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate bonds	\$ 438,540	AA
Corporate bonds	2,710,464	A
Corporate bonds	2,351,828	BBB
Corporate bonds	161,190	BB
Foreign bonds	285,828	AA
Foreign bonds	213,035	A
Foreign bonds	257,250	BBB
U.S. government obligations	126,680	AAA
U.S. government obligations	251,930	N/A

The ratings for investments held by the component unit as of June 30, 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, 2014, are as follows:

<u>Issuer Name</u>	<u>Fair Value</u>	<u>Percentage of Overall Investments</u>
First Eagle Ishares	\$ 1,485,039 10,461,049	6.50% 45.79%

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, 2014:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 1,761,285	\$ 16,155,183	\$ 95,175	\$ 18,011,643
Investments	500,417	6,796,745	845,707	8,142,869
	<u>\$ 2,261,702</u>	<u>\$ 22,951,928</u>	<u>\$ 940,882</u>	<u>\$ 26,154,512</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE C: INTERFUND PAYABLES AND RECEIVABLES

The amount of interfund receivables and payables at June 30, 2014, are as follows:

Due to General Fund from:		
Nonmajor governmental funds	\$	6,203
Marina Fund		<u>314,273</u>
	\$	<u>320,476</u>
Due to nonmajor governmental funds from:		
General Fund	\$	93,954
Nonmajor governmental funds		<u>20,000</u>
	\$	<u>113,954</u>
Due to Water and Sewer Fund from:		
General Fund	\$	504,577
Nonmajor governmental funds		<u>8,660</u>
	\$	<u>513,237</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	\$	225,000
Marina Fund		<u>50,000</u>
	\$	<u>275,000</u>
Transfers to nonmajor governmental funds from:		
General Fund	\$	75,000
Nonmajor governmental funds		<u>20,000</u>
	\$	<u>95,000</u>
Transfers to Water and Sewer Fund from:		
Nonmajor governmental funds	\$	<u>393,387</u>

The transfers from the Water and Sewer Fund and Marina Fund to the General Fund were 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 fund construction 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, 2014

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2014, was as follows:

Governmental Activities

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated				
Land	\$ 880,608	\$ -	\$ -	\$ 880,608
Construction in progress	-	30,000	-	30,000
Capital assets not being depreciated	880,608	30,000	-0-	910,608
Capital assets being depreciated				
Land improvements	648,970	178,880	-	827,850
Machinery and equipment	442,086	-	-	442,086
Buildings	1,501,448	-	-	1,501,448
Vehicles	1,411,587	93,625	(61,751)	1,443,461
Infrastructure	9,586,584	-	-	9,586,584
Subtotal	13,590,675	272,505	(61,751)	\$ 13,801,429
Less accumulated depreciation for:				
Land improvements	(627,763)	(9,098)	-	(636,861)
Machinery and equipment	(356,829)	(15,650)	-	(372,479)
Buildings	(873,047)	(25,699)	-	(898,746)
Vehicles	(1,110,773)	(60,575)	54,216	(1,117,132)
Infrastructure	(5,890,005)	(193,041)	-	(6,083,046)
Subtotal	(8,858,417)	(304,063)	54,216	(9,108,264)
Net capital assets being depreciated	4,732,258	(31,558)	(7,535)	4,693,165
Capital assets, net	<u>\$ 5,612,866</u>	<u>\$ (1,558)</u>	<u>\$ (7,535)</u>	<u>\$ 5,603,773</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 28,708
Public safety	30,337
Public works	230,870
Recreation and culture	14,148
	<u>\$ 304,063</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE E: CAPITAL ASSETS - CONTINUED

Business-type Activities

	Balance <u>July 1, 2013</u>	Additions	Deletions	Balance <u>June 30, 2014</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	(68,740)	(6,175)	-	(74,915)
Machinery and equipment	(18,700)	-	-	(18,700)
Buildings	(234,500)	-	-	(234,500)
Infrastructure	(15,788,700)	(470,916)	-	(16,259,616)
Marina	<u>(5,419,085)</u>	<u>(180,217)</u>	<u>-</u>	<u>(5,599,302)</u>
Subtotal	<u>(21,529,725)</u>	<u>(657,308)</u>	<u>-0-</u>	<u>(22,187,033)</u>
Net capital assets being depreciated	<u>11,462,239</u>	<u>(657,308)</u>	<u>-0-</u>	<u>10,804,931</u>
Capital assets, net	<u>\$ 11,467,292</u>	<u>\$ (657,308)</u>	<u>\$ -0-</u>	<u>\$ 10,809,984</u>

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

Water and sewer	\$ 477,091
Marina	<u>180,217</u>
	<u>\$ 657,308</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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, 2014:

	Balance July 1, 2013	Additions	Deletions	Balance June 30, 2014	Amounts Due Within One Year
Governmental activities					
2004 Unlimited tax bonds	\$ 1,148,694	\$ -	\$(1,083,744)	\$ 64,950	\$ 64,950
2013 General obligation refunding bonds	-	1,067,345	-	1,067,345	-
2013 General obligation refunding bonds premium	-	30,748	-	30,748	-
2013 Honeywell installment purchase agreement	-	2,934,173	-	2,934,173	195,612
Compensated absences	627,806	76,869	(167,606)	537,069	78,489
Total governmental activities	1,776,500	4,109,135	(1,251,350)	4,634,285	339,051
Business-type activities					
General obligation bonds					
2003 Unlimited tax bonds	680,000	-	(215,000)	465,000	235,000
2004 Unlimited tax bonds	1,516,534	-	(1,431,484)	85,050	85,050
2007 Limited tax bonds	3,700,000	-	(50,000)	3,650,000	50,000
2007 Limited tax bonds discount	(60,322)	-	4,022	(56,300)	(4,022)
2013 General obligation refunding bonds	-	1,397,655	-	1,397,655	-
2013 General obligation refunding bonds premium	-	40,263	-	40,263	-
Compensated absences	15,783	2,682	(2,778)	15,687	-
Total business-type activities	5,851,995	1,440,600	(1,695,240)	5,597,355	366,028
	<u>\$ 7,628,495</u>	<u>\$ 5,549,735</u>	<u>\$(2,946,590)</u>	<u>\$10,231,640</u>	<u>\$ 705,079</u>

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

Governmental Activities

\$3,500,000 2004 General Obligation Bonds, dated October 1, 2004, due in an annual installment of \$150,000 on October 1, 2014, with interest of 3.500 percent. These bonds are allocated between governmental and business-type activities. The allocation is roughly 43 percent governmental activities and 57 percent business-type activities.

\$ 64,950

\$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.

2,934,173

\$ 4,066,468

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

Business-type Activities

\$2,450,000 2003 General Obligation Bonds, dated February 27, 2003, due in annual installments ranging from \$230,000 to \$235,000 through October 1, 2015, with interest ranging from 3.700 to 3.800 percent, payable semiannually.	\$ 465,000
\$3,500,000 2004 General Obligation Bonds, dated October 1, 2004, due in an annual installment of \$150,000 on October 1, 2014, with interest of 3.500 percent. These bonds are allocated between governmental and business-type activities. The allocation is roughly 43 percent governmental activities and 57 percent business-type activities.	85,050
\$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.	3,650,000
\$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>\$ 5,597,705</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>
2015	\$ 260,562	\$ 108,833	\$ 370,050	\$ 232,398
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
2020-2024	1,534,463	219,943	1,328,595	733,533
2025-2029	1,114,450	52,274	1,028,605	497,157
2030-2034	-	-	1,100,000	288,719
2035-2037	-	-	750,000	49,219
	<u>\$ 4,066,468</u>	<u>\$ 674,827</u>	<u>\$ 5,597,705</u>	<u>\$ 2,525,664</u>

Advance Refunding - Current

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE F: LONG-TERM DEBT - CONTINUED

Advance Refunding - Current - continued

Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2014, 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.

Defeased Debt - Prior Years

During prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2014, \$500,000 of bonds outstanding are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$146,464, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$129,775.

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, 2014, the dollar amount of these vested rights, including related payroll taxes, amounted to \$537,069 and \$15,687 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.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE G: RISK MANAGEMENT - CONTINUED

The following summarizes the changes in the estimated liability for the year ended June 30, 2014:

Estimated liability - July 1, 2013	\$ -
Estimated claims incurred including changes in estimates	337,477
Claim payments	<u>(337,477)</u>
Estimated liability - June 30, 2014	<u><u>\$ -0-</u></u>

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.

Plan Membership

At June 30, 2014, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	33
Active members	<u>25</u>
	<u><u>58</u></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, 2014

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.

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, 2014, were 26.99 percent for general employees and 17.95 percent for public safety employees. Administrative costs associated with the plan are financed through investment earnings. For the year ended June 30, 2014, the City contributed \$358,599 to the Plan.

Investment Policy

The Pension Commission may invest and reinvest the assets of the Plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. It is the policy of the Plan to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Rate of Return

For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 12.09 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

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, 2014, the balance of amounts held by the Plan pursuant to the DROP is \$0.

Annual Required Contribution

The annual required contribution (ARC) for the year ended June 30, 2014, was \$358,599. The ARC was made by the City. There was no net pension obligation at the beginning or end of the fiscal year. The ARC was determined as part of an actuarial valuation as of June 30, 2013, using the individual entry-age cost method.

Three-Year Trend Information

	Year Ended June 30,		
	2012	2013	2014
Annual pension cost (APC)	\$ 505,463	\$ 513,066	\$ 358,599
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

Funded Status

The funded status of the Plan as of June 30, 2014, the date of the most recent actuarial valuation, was as follows:

Actuarial value of assets	\$ 19,477,830
Actuarial accrued liability (AAL) (entry age)	19,514,182
Unfunded AAL (UAAL)	36,352
Funded ratio	99.8%
Covered payroll	1,670,564
UAAL as a percentage of covered payroll	2.2%

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 and mortality. Actuarially determined amounts 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, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. For purposes of the schedule of funding progress, the actuarial accrued liability value as shown is determined using the entry age actuarial cost method.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Annual Required Contribution - Continued

The accompanying schedule of employer contributions presents trend information about the amounts contributed to the Plan by the employer in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 25. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan understood by the employer and 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. Additional information as of June 30, 2014, the date of the latest actuarial valuation using the entry age actuarial cost method, includes:

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	4.00%
Projected salary increases	7.30% - 4.00% (includes inflation)
Cost of living assumption adjustments	2.50% compound, beginning 3 years after retirement
Investment rate of return	7.50%, net of pension plan investment expense, including inflation

Net Pension Asset of the City

The components of the net pension asset of the City at June 30, 2014, were as follows:

TOTAL PENSION LIABILITY	
Service cost	\$ 364,859
Interest	1,458,099
Changes of benefit terms	(690,273)
Differences between expected and actual experience	(272,458)
Benefit payments, including refunds of member contributions	<u>(1,209,880)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(349,653)
TOTAL PENSION LIABILITY, BEGINNING	<u>19,863,835</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u><u>\$ 19,514,182</u></u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Asset of the City - Continued

PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 358,599
Contributions - member	100,495
Net investment income	3,081,808
Benefit payments, including refunds of member contributions	(1,209,880)
Administrative expense	<u>(67,078)</u>
 NET CHANGE IN PLAN FIDUCIARY NET POSITION	 2,263,944
 PLAN FIDUCIARY NET POSITION, BEGINNING	 <u>18,722,824</u>
 PLAN FIDUCIARY NET POSITION, ENDING (B)	 <u>\$ 20,986,768</u>
 CITY'S NET PENSION ASSET, ENDING (A)-(B)	 <u>\$ (1,472,586)</u>
 Plan fiduciary net position as a percentage of the total pension liability	 107.55%
 Covered-employee payroll	 \$ 1,670,564
 City's net pension asset as a percentage of covered-employee payroll	 (88.15)%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	4.00%
Projected salary increases	7.30% - 4.00% (includes inflation)
Cost of living assumption adjustments	2.50% compound, beginning 3 years after retirement
Investment rate of return	7.50%, net of pension plan investment expense, including inflation
Mortality rates	RP-2000 Combined Health Mortality Table

The actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2014.

Discount Rate

The discount rate used to measure the total pension liability was 7.5 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 determine contribution rates and the member rate. Based on these assumptions, the 7.5 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Asset of the City - Continued

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the City's net pension liability (asset), calculated using the discount rate of 7.5 percent, as well as what the City's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percent lower (6.5 percent) or 1 percent higher (8.5 percent) than the current rate:

	<u>1% Decrease Rate 6.5%</u>	<u>Current Discount Rate 7.5%</u>	<u>1% Increase Rate 8.5%</u>
City's net pension liability (asset)	\$ 730,237	\$ (1,472,586)	\$ (3,341,352)

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, 2014, 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	112,608
Adjustment to annual required contribution	<u>(173,393)</u>
Annual OPEB cost (expense)	469,276
Contributions made	<u>(168,084)</u>
Increase in net OPEB obligation	301,192
Net OPEB obligation, beginning of year	<u>1,501,445</u>
Net OPEB obligation, end of year	<u><u>\$ 1,802,637</u></u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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,		
	2012	2013	2014
Annual OPEB cost	\$ 620,073	\$ 554,071	\$ 469,276
Percentage contributed	41%	13%	36%
Net OPEB obligation	\$ 966,808	\$ 1,501,445	\$ 1,802,637

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, 2014

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, 2014:

REVENUES		
Permits	\$	67,546
EXPENDITURES		
Salaries and wages		44,255
Supplies and other		<u>20,144</u>
TOTAL EXPENDITURES		<u>64,399</u>
EXCESS OF REVENUES OVER EXPENDITURES		3,147
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES		<u>(300,633)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	\$	<u><u>(297,486)</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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2014

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: CHANGE IN ACCOUNTING PRINCIPLES

During the current year, the City adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*. This statement required changes to the actuarial valuations resulting in a different measurement of the liability of the employer to plan members for benefits provided through the pension plan. As a result, the disclosures within the pension footnote have changed considerably along with the related schedules in the required supplementary information.

NOTE N: UPCOMING PRONOUNCEMENTS

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement will be effective for the City's 2014-2015 fiscal year. The statement will require 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). The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68*. The statement addresses an issue regarding the application of the transition provisions of GASB Statement No. 68 and amends paragraph 137 of GASB Statement No. 68 and requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of this statement are required to be applied simultaneously with the provisions of GASB Statement No. 68. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2014-2015 fiscal year.

NOTE O: DEFICIT

The Marina Fund has a negative unrestricted net position at June 30, 2014. In addition, its current assets were less than its current liabilities. As a result, a deficit elimination plan is required to be developed and 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, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 4,104,317	\$ 4,121,200	\$ 4,120,965	\$ (235)
Intergovernmental - State	224,000	232,500	238,397	5,897
Licenses and permits	51,300	69,425	69,091	(334)
Charges for services	230,000	236,500	233,117	(3,383)
Fines and forfeits	200,000	211,000	221,372	10,372
Interest	4,500	1,850	2,258	408
Other	105,000	145,300	147,714	2,414
TOTAL REVENUES	4,919,117	5,017,775	5,032,914	15,139
EXPENDITURES				
Current				
General government				
City Council	14,120	19,160	19,731	(571)
Judicial	111,420	100,450	95,808	4,642
City Manager	246,418	250,870	251,517	(647)
Elections	18,497	14,049	13,574	475
Financial administration	271,121	293,231	290,429	2,802
Clerk	22,891	21,608	22,135	(527)
Assessor	16,000	36,900	35,636	1,264
City hall and grounds	1,603,011	1,838,810	1,808,444	30,366
Total general government	2,303,478	2,575,078	2,537,274	37,804
Public safety	2,576,161	2,350,200	2,332,162	18,038
Public works				
Sanitation	584,802	576,388	571,797	4,591
Building department	61,755	63,544	64,399	(855)
Other	1,719,605	1,581,760	1,582,227	(467)
Total public works	2,366,162	2,221,692	2,218,423	3,269
Community and economic development				
Planning and zoning	16,165	14,439	15,623	(1,184)

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2014

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture	\$ 422,499	\$ 537,849	\$ 534,891	\$ 2,958
Other				
Fringe benefits and insurance	214,825	287,854	347,714	(59,860)
TOTAL EXPENDITURES	7,899,290	7,987,112	7,986,087	1,025
EXCESS OF REVENUES (UNDER) EXPENDITURES	(2,980,173)	(2,969,337)	(2,953,173)	16,164
OTHER FINANCING SOURCES (USES)				
Installment purchase agreement	2,780,173	2,934,173	2,934,173	-0-
Transfers in	275,000	275,000	275,000	-0-
Transfers out	(75,000)	(75,000)	(75,000)	-0-
TOTAL OTHER FINANCING SOURCES (USES)	2,980,173	3,134,173	3,134,173	-0-
NET CHANGE IN FUND BALANCE	-0-	164,836	181,000	16,164
Fund balance, beginning of year	990,902	990,902	990,902	-0-
Fund balance, end of year	\$ 990,902	\$ 1,155,738	\$ 1,171,902	\$ 16,164

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2014

SCHEDULE OF FUNDING PROGRESS

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liabilities</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a % of Covered Payroll</u>
6/30/2014	\$ 19,477,830	\$ 19,514,182	\$ 36,352	99.8%	\$ 1,670,564	2.2%
6/30/2013	18,121,428	19,863,835	1,742,407	91.2%	1,686,952	103.3%
6/30/2012	16,770,946	20,038,036	3,267,090	83.7%	1,841,767	177.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Annual Actual Contribution</u>	<u>Percentage Contributed</u>
2014	\$ 358,599	\$ 358,599	100.0%
2013	513,066	513,066	100.0%
2012	505,463	505,463	100.0%

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 Fiscal Year (ultimately ten fiscal years will be displayed)

	<u>2014</u>
CHANGE IN TOTAL PENSION LIABILITY	
Service cost	\$ 364,859
Interest	1,458,099
Changes of benefit terms	(690,273)
Differences between expected and actual experience	(272,458)
Benefit payments, including refunds of member contributions	<u>(1,209,880)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	(349,653)
TOTAL PENSION LIABILITY, BEGINNING	<u>19,863,835</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u><u>\$ 19,514,182</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 358,599
Contributions - member	100,495
Net investment income	3,081,808
Benefit payments, including refunds of member contributions	(1,209,880)
Administrative expenses	<u>(67,078)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	2,263,944
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>18,722,824</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u><u>\$ 20,986,768</u></u>
CITY'S NET PENSION ASSET, ENDING (A)-(B)	<u><u>\$ (1,472,586)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	107.55%
Covered-employee payroll	\$ 1,670,564
City's net pension asset as a percentage of covered-employee payroll	(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>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>	<u>2005</u>
Actuarially determined contribution	\$ 358,599	\$ 513,066	\$ 505,463	\$ 545,753	\$ 579,300	\$ 447,258	\$ 397,613	\$ 384,402	\$ 305,767	\$ 198,111
Contributions in relation to the actuarially determined contribution	<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>	<u>198,111</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	\$ 1,670,564	\$ 1,686,952	\$ 1,841,767	\$ 2,330,936	\$ 2,517,597	\$ 2,649,837	\$ 2,516,931	\$ 2,483,532	\$ 2,481,921	\$ 2,359,314
Contributions as a percentage of covered-employee payroll	21.47%	30.41%	27.44%	23.41%	23.01%	16.88%	15.80%	15.48%	12.32%	8.40%

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF INVESTMENT RETURNS

Last Fiscal Year (ultimately ten years will be displayed)

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

Village of Grosse Pointe Shores, A Michigan City

Retired Employees' Health Care Benefits

SCHEDULE OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2014

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>
2014	\$ 635,446	\$ 160,000	25.2%
2013	599,637	65,000	10.8%
2012	620,073	256,534	41.4%

Village of Grosse Pointe Shores, A Michigan City

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2014

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, 2014, 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			
General government			
City Council	\$ 19,160	\$ 19,731	\$ 571
City Manager	250,870	251,517	647
Clerk	21,608	22,135	527
Public works			
Building department	63,544	64,399	855
Other	1,581,760	1,582,227	467
Community economic development			
Planning and zoning	14,439	15,623	1,184
Other			
Fringe benefits and insurance	287,854	347,714	59,860

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

Changes of benefit terms - In 2014, benefit terms were modified for command officers. Command officers hired before July 1, 2007 through June 30, 2012, shall receive a straight life pension equal to 2.5 percent of FAC as of July 19, 2012, times service accrued to July 19, 2012, plus 2.5 percent times service after July 19, 2012, up to 25 years and 2 percent times service after 25 years. The multipliers for service after July 19, 2012, will be multiplied by FAC at retirement.

OTHER SUPPLEMENTARY INFORMATION

Village of Grosse Pointe Shores, A Michigan City

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2014

	Special Revenue				Total
	Major Street	Local Street	911 Service	Debt Service	
ASSETS					
Cash and cash equivalents	\$ 150,486	\$ 25,304	\$ -	\$ -	\$ 175,790
Due from other governmental units	20,941	9,102	-	-	30,043
Due from other funds	-	20,000	60,551	33,403	113,954
TOTAL ASSETS	\$ 171,427	\$ 54,406	\$ 60,551	\$ 33,403	\$ 319,787
LIABILITIES					
Due to other funds	\$ 22,143	\$ 4,060	\$ -	\$ 8,660	\$ 34,863
FUND BALANCES					
Restricted					
Streets and highways	149,284	50,346	-	-	199,630
Public safety	-	-	60,551	-	60,551
Debt service	-	-	-	24,743	24,743
TOTAL FUND BALANCES	149,284	50,346	60,551	24,743	284,924
TOTAL LIABILITIES AND FUND BALANCES	\$ 171,427	\$ 54,406	\$ 60,551	\$ 33,403	\$ 319,787

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, 2014

	Special Revenue			Debt Service	Total
	Major Street	Local Street	911 Service		
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 533,599	\$ 533,599
Intergovernmental - State	127,245	66,494	-	-	193,739
Interest	335	21	-	-	356
Other	-	-	27,375	-	27,375
TOTAL REVENUES	127,580	66,515	27,375	533,599	755,069
EXPENDITURES					
Current					
Public safety	-	-	5,574	-	5,574
Public works	108,788	68,415	-	-	177,203
Capital outlay	41,503	-	-	-	41,503
Debt service	-	-	-	132,025	132,025
TOTAL EXPENDITURES	150,291	68,415	5,574	132,025	356,305
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(22,711)	(1,900)	21,801	401,574	398,764
OTHER FINANCING SOURCES (USES)					
Bond proceeds	-	-	-	1,067,345	1,067,345
Bond premium	-	-	-	30,748	30,748
Transfers in	50,000	45,000	-	-	95,000
Transfers out	(20,000)	-	-	(393,387)	(413,387)
Transfers to escrow	-	-	-	(1,081,537)	(1,081,537)
TOTAL OTHER FINANCING SOURCES (USES)	30,000	45,000	-0-	(376,831)	(301,831)
NET CHANGE IN FUND BALANCES	7,289	43,100	21,801	24,743	96,933
Fund balances, beginning of year	141,995	7,246	38,750	-	187,991
Fund balances, end of year	\$ 149,284	\$ 50,346	\$ 60,551	\$ 24,743	\$ 284,924

Village of Grosse Pointe Shores, A Michigan City

Pension and Employee Benefits Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2014

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
ASSETS			
Cash and cash equivalents	\$ 16,085,593	\$ -	\$ 16,085,593
Investments			
U.S. government securities	378,610	-	378,610
Foreign bonds	756,113	-	756,113
Corporate bonds	5,662,022	-	5,662,022
Due from other funds	-	1,973,948	1,973,948
Interest receivable	78,378	-	78,378
Prepays	-	7,033	7,033
	<u>22,960,716</u>	<u>1,980,981</u>	<u>24,941,697</u>
TOTAL ASSETS	22,960,716	1,980,981	24,941,697
LIABILITIES			
Due to other funds	<u>1,973,948</u>	<u>-</u>	<u>1,973,948</u>
NET POSITION			
Held in trust for pension and other employee benefits	<u>\$ 20,986,768</u>	<u>\$ 1,980,981</u>	<u>\$ 22,967,749</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, 2014

	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	\$ 934,371	\$ 110,402	\$ 1,044,773
Net change in fair value investments	2,243,750	-	2,243,750
Less investment expenses	(96,312)	-	(96,312)
Net investment income	3,081,809	110,402	3,192,211
Contributions			
Employer	358,599	160,000	518,599
Employee	100,495	8,084	108,579
Total contributions	459,094	168,084	627,178
TOTAL ADDITIONS	3,540,903	278,486	3,819,389
DEDUCTIONS			
Pension benefit payments	1,193,360	-	1,193,360
Healthcare benefit payments	-	302,520	302,520
Contribution refund	16,521	-	16,521
Administrative expenses	67,078	-	67,078
TOTAL DEDUCTIONS	1,276,959	302,520	1,579,479
CHANGE IN PLAN NET POSITION	2,263,944	(24,034)	2,239,910
Net position, beginning of year	18,722,824	2,005,015	20,727,839
Net position, end of year	<u>\$ 20,986,768</u>	<u>\$ 1,980,981</u>	<u>\$ 22,967,749</u>

Village of Grosse Pointe Shores, A Michigan City

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2014

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	<u>\$ 66,002</u>	<u>\$ 3,588</u>	<u>\$ 69,590</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 66,002</u>	<u>\$ 3,588</u>	<u>\$ 69,590</u>

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

June 30, 2014

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>
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
2005	454,358,947	329,097,092
2004	455,118,843	318,920,848

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, 2014

MAJOR TAXPAYERS

The State Equalized Value and the Taxable Value of each of the City's major taxpayers for the year 2013 is as follows:

Name of Taxpayer	2013 State Equalized Value	2013 Taxable Value
Grosse Pointe Yacht Club	\$ 4,813,100	\$ 2,773,031
Vanellander, Mary Ann	2,629,500	2,564,372
Ford, William Clay	2,231,900	2,176,583
Wilson Jr., Ralph C	2,084,400	2,058,443
Alandt, Paul D	1,700,000	1,700,000
Stackpole, Stephen M	1,463,500	1,463,500
Denton, Leet E and Patsy	1,316,150	1,293,414
Booth III, John Lord	1,273,300	1,241,733
Policherla, Haranath	1,268,200	1,236,838
Moroun, Manuel and Nora	1,187,500	1,158,062

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2014

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

		2013	
		Principal Residence	Non-Principal Residence
Village of Grosse Pointe Shores	Operating	12.2954	12.2950
	Refuse	1.7100	1.7100
	Pension	1.5440	1.5440
	Debt	2.1300	2.1300
	PA 359	0.2000	0.2000
State Education Tax		6.0000	6.0000
Grosse Pointe Public Schools -	Local	0.0000	18.0000
	Sinking Fund	1.0000	1.0000
	Debt	1.7582	1.7582
	Supplement	7.3038	0.0000
South Lake Schools -	Local	0.0000	17.8316
	Debt	6.6500	6.6500
	Supplement	4.8916	0.0000
Grosse Pointe Library		2.0412	2.0412
Wayne County		7.8220	7.8220
Macomb County		4.6135	4.6135
SMART		0.5900	0.5900
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		1.5312	1.5312
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		\$ 51.6413	\$ 62.3375
Total Village of Grosse Pointe Shores-Macomb		\$ 45.6133	\$ 58.5533

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, 2014

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, 2014

TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>Tax Levy</u>	<u>Collections to March 1 of Following Year</u>
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
2008	4,996,249	4,908,342

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>
2014	\$ 227,075	\$ 11,322	\$ 238,397
2013	220,227	9,320	229,547
2012	220,438	7,145	227,583
2011	199,136	613	199,749

GENERAL FUND - FUND BALANCE

<u>Fiscal Year Ended</u>	<u>Fund Balance</u>
2014	\$ 1,171,902
2013	990,902
2012	874,629
2011	669,513

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, 2014, the City's annual pension cost and required contribution was equal to the City's actual contribution of \$358,599. The annual required contribution was determined by an actuarial valuation of June 30, 2013.

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2014

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, 2014, this amounted to \$302,520.

DEBT STATEMENT

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2014 including the Bonds. Bonds designed UTGO have an unlimited tax pledge, and LTGO bonds are limited tax pledge bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>	<u>Net Debt ⁽¹⁾</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
General Obligation Bonds (UTGO)	\$ 3,080,000	\$ -	\$ 3,080,000		
General Obligation Bonds (LTGO) ⁽²⁾	<u>3,650,000</u>	<u>3,650,000</u>	<u>-</u>		
Total Direct Debt	<u>\$ 6,730,000</u>	<u>\$ 3,650,000</u>	<u>\$ 3,080,000</u>	<u>\$ 1,024</u>	<u>1.20%</u>

<u>City Overlapping ⁽³⁾</u>	<u>Gross</u>	<u>City Share as % of Gross</u>	<u>Net City Share</u>	<u>Net Debt ⁽¹⁾</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
Grosse Pointe School District	\$ 43,785,000	9.74%	\$ 4,264,659		
South Lake School District	18,080,000	2.19%	395,952		
Macomb - County at Large	48,585,528	0.04%	19,434		
Wayne - County at Large	341,632,130	0.61%	2,083,956		
Macomb Community College	15,625,000	0.04%	6,250		
Wayne Community College	-	0.98%	-		
Grosse Pointe Public Library	<u>13,365,000</u>	<u>9.74%</u>	<u>1,301,751</u>		
Total Overlapping Debt	<u>\$ 481,072,658</u>		<u>\$ 8,072,002</u>	<u>\$ 2,684</u>	<u>3.19%</u>
Total City Direct and Overlapping Debt	<u>\$ 487,802,658</u>		<u>\$ 11,152,002</u>	<u>\$ 3,708</u>	<u>4.39%</u>

(1) Based upon the 2010 US Census population of 3,008 and 2013 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.