

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

FINANCIAL STATEMENTS

June 30, 2016

Village of Grosse Pointe Shores, A Michigan City

Wayne and Macomb Counties, Michigan

June 30, 2016

CITY COUNCIL

Thaddeus Kedzierski	Mayor
Robert Gesell	Mayor Pro-Tem
Alexander Ajlouni, M.D.	Council Member
Robert Barrette, Jr.	Council Member
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Tina Ellis	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, 2016, 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 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 the 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, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Changes in Accounting Principles

As discussed in Note M to the financial statements, the City implemented GASB Statement No. 72, *Fair Value Measurement and Application*, during the year. As a result, the City has applied fair value to certain investments and disclosures related to all fair value measurement. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

November 15, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

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, 2016. 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, 2016:

- Property tax revenues, the City's largest source of revenue, increased \$44,777 from 2015.
- General Fund fund balance increased \$191,449 as a result of current year activity.
- Net pension liability increased \$4,783,098 due to changes in assumptions and experience.

Standard and Poor's Rating Service upgraded the general obligation bonds rating for the Village of Grosse Pointe Shores from AA+ to AAA. This is Standard and Poor's highest rating grade available. The rating was based on many factors but overall strong budget management with good financial policies in place make the City a low risk bond investment. This results in lower borrowing costs for the City.

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.

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Using this Annual Report - continued

The City maintains six (6) 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, Drug Law Enforcement, and Debt Service Funds are nonmajor governmental funds and are detailed in the combining financial statements in the Other Supplementary Information section of the audit report.

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 13-39 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 position as of June 30, 2016, and June 30, 2015.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Current and Other Assets	\$ 2,571,979	\$ 2,158,345	\$ 1,535,728	\$ 996,349	\$ 4,107,707	\$ 3,154,694
Capital Assets	5,303,543	5,480,180	9,675,318	10,229,797	14,978,861	15,709,977
Total Assets	<u>\$ 7,875,522</u>	<u>\$ 7,638,525</u>	<u>\$ 11,211,046</u>	<u>\$ 11,226,146</u>	<u>\$ 19,086,568</u>	<u>\$ 18,864,671</u>
Deferred Outflows of Resources	<u>\$ 5,245,762</u>	<u>\$ 3,337,700</u>	<u>\$ 375,226</u>	<u>\$ 236,810</u>	<u>\$ 5,620,988</u>	<u>\$ 3,574,510</u>
Current Liabilities	\$ 800,775	\$ 727,875	\$ 641,159	\$ 943,407	\$ 1,441,934	\$ 1,671,282
Noncurrent Liabilities	14,265,012	9,307,168	5,092,159	4,978,072	19,357,171	14,285,240
Total Liabilities	<u>\$ 15,065,787</u>	<u>\$ 10,035,043</u>	<u>\$ 5,733,318</u>	<u>\$ 5,921,479</u>	<u>\$ 20,799,105</u>	<u>\$ 15,956,522</u>
Deferred Inflows of Resources	<u>\$ -</u>	<u>\$ 51,907</u>	<u>\$ -</u>	<u>\$ 2,647</u>	<u>\$ -0-</u>	<u>\$ 54,554</u>
Net Position						
Net Investment in Capital Assets	\$ 1,817,305	\$ 1,706,269	\$ 4,878,419	\$ 5,083,961	\$ 6,695,724	\$ 6,790,230
Restricted	542,378	355,941	-	-	542,378	355,941
Unrestricted	(4,304,186)	(1,172,935)	974,535	454,869	(3,329,651)	(718,066)
Total Net Position	<u>\$ (1,944,503)</u>	<u>\$ 889,275</u>	<u>\$ 5,852,954</u>	<u>\$ 5,538,830</u>	<u>\$ 3,908,451</u>	<u>\$ 6,428,105</u>

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

The City as a Whole - continued

Net position may serve over time as a useful indicator of a government's financial position. The City's assets and deferred outflows or resources exceeded liabilities and deferred inflows of resources by \$3,908,451 as of June 30, 2016. A portion of the City's net position, (\$3,329,651), reflects its balance of unrestricted net position.

The City's net position invested in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding were \$6,695,724 at June 30, 2016. 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, \$542,378 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 \$2,519,654 during the current year as indicated below.

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2016 and 2015.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2016	2015	2016	2015	2016	2015
Revenues						
Program Revenues						
Charges for services	\$ 782,248	\$ 712,183	\$ 2,445,580	\$ 1,782,571	\$ 3,227,828	\$ 2,494,754
Grants and contributions	282,129	280,083	-	-	282,129	280,083
General Revenues						
Property Taxes	4,693,911	4,596,795	-	-	4,693,911	4,596,795
State Shared Revenue	234,867	241,781	-	-	234,867	241,781
Investment Earnings	4,633	2,186	811	952	5,444	3,138
Miscellaneous	290,513	182,636	-	-	290,513	182,636
Transfers	(271,120)	(248,491)	271,120	248,491	-0-	-0-
Total Revenues	6,017,181	5,767,173	2,717,511	2,032,014	8,734,692	7,799,187
Expenses						
General Government	1,311,055	854,067	-	-	1,311,055	854,067
Public Safety	4,906,955	4,084,305	-	-	4,906,955	4,084,305
Public Works	2,203,908	1,778,101	-	-	2,203,908	1,778,101
Health & Welfare	61,134	31,688	-	-	61,134	31,688
Community and Economic Development	17,869	7,464	-	-	17,869	7,464
Recreation & Culture	264,912	134,546	-	-	264,912	134,546
Other	85,126	95,658	2,403,387	2,336,350	2,488,513	2,432,008
Total Expenses	8,850,959	6,985,829	2,403,387	2,336,350	11,254,346	9,322,179
Change in Net Position	\$ (2,833,778)	\$ (1,218,656)	\$ 314,124	\$ (304,336)	\$ (2,519,654)	\$ (1,522,992)

Governmental Activities

Governmental activities decreased the City's net position by \$2,833,778 during fiscal year 2016. The main reason for the decrease was an increase in the net pension liability due to changes in assumption and experience.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2016

Business-type Activities

Business-type activities increased the City's net position by \$314,124 during fiscal year 2016. The main reasons for the increase are the City's General Fund transfer to the Marina Fund and increased charges for services for the business-type activities.

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, 2016, was the General Fund. The General Fund pays for most of the City's governmental services. The most significant service provided during the fiscal year was for public safety which incurred expenditures of \$2,246,048 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 \$755,416 and \$119,119 respectively. The increase in net position for the Water and Sewer Water Fund for the fiscal year was \$239,005 and the increase for the Marina Fund was \$75,069 in 2016. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities on the previous page.

General Fund Budgetary Highlights

Over the course of the fiscal year, the City Council made amendments to the budget as originally adopted. Actual revenues were about equal to what was budgeted. Actual expenditures were approximately 3 percent under budget mainly due to acquiring equipment through competitive vendors and a reduction of overtime compensation.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the City had approximately \$14,978,861 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. During the year new asset additions include a concession stand as well as two new police vehicles, a tractor, a dump truck, and two utility vehicles. Refer to Note E for further capital asset details.

Long-term Debt. The City made principal payments on existing obligations in the amount of \$4,195,612. The carrying amount of the City's obligation for compensated absences was \$512,446 at year end. During the current year, the City acquired new debt of \$3,310,000. Refer to Note F for further details related to the City's long-term debt.

Current Economic Factors

The City continues to see property values increase as local economic conditions improve and prospective residential purchasers observe the many benefits and outstanding services available to them within the City.

Contacting the City's Management

This financial report is intended to provide our citizens, taxpayers, customers, and investors with a general overview of the City's finances and demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the City Manager or Treasurer at the City Hall.

BASIC FINANCIAL STATEMENTS

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF NET POSITION

June 30, 2016

	Primary Government			Component Unit (Improvement Foundation)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 1,764,660	\$ 477,166	\$ 2,241,826	\$ 123,350
Investments	1,004,210	-	1,004,210	-
Receivables	57,449	546,754	604,203	-
Due from other governmental units	125,446	-	125,446	-
Internal balances	(507,208)	507,208	-0-	-
Inventory	10,378	3,600	13,978	-
Prepays	58,794	1,000	59,794	-
Total current assets	2,513,729	1,535,728	4,049,457	123,350
Noncurrent assets				
Investments	-	-	-0-	937,848
Investment in joint venture	58,250	-	58,250	-
Capital assets not being depreciated	893,959	5,053	899,012	-
Capital assets being depreciated, net	4,409,584	9,670,265	14,079,849	-
Total noncurrent assets	5,361,793	9,675,318	15,037,111	937,848
TOTAL ASSETS	7,875,522	11,211,046	19,086,568	1,061,198
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	56,469	200,356	256,825	-
Deferred outflows of resources related to pensions	5,189,293	174,870	5,364,163	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,245,762	375,226	5,620,988	-0-
LIABILITIES				
Current liabilities				
Accounts payable	339,286	-	339,286	1,439
Accrued wages	115,195	2,145	117,340	-
Accrued interest payable	19,834	47,574	67,408	-
Unearned revenue	-	416,695	416,695	-
Current portion of compensated absences	32,513	-	32,513	-
Current portion of long-term debt	293,947	174,745	468,692	-
Total current liabilities	800,775	641,159	1,441,934	1,439
Noncurrent liabilities				
Other post-employment benefits obligation	2,893,044	-	2,893,044	-
Noncurrent portion of compensated absences	468,245	11,688	479,933	-
Noncurrent portion of long-term debt	3,248,760	4,822,510	8,071,270	-
Net pension liability	7,654,963	257,961	7,912,924	-
Total noncurrent liabilities	14,265,012	5,092,159	19,357,171	-0-
TOTAL LIABILITIES	15,065,787	5,733,318	20,799,105	1,439
NET POSITION				
Net investment in capital assets	1,817,305	4,878,419	6,695,724	-
Restricted				
Streets and highways	431,762	-	431,762	-
Sanitation	52,376	-	52,376	-
Public safety	53,331	-	53,331	-
Debt service	4,909	-	4,909	-
Expendable endowment	-	-	-0-	4,000
Nonexpendable endowment	-	-	-0-	620,000
Unrestricted	(4,304,186)	974,535	(3,329,651)	435,759
TOTAL NET POSITION	\$ (1,944,503)	\$ 5,852,954	\$ 3,908,451	\$ 1,059,759

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			Component Unit (Improvement Foundation)
		Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
Primary government							
Governmental activities							
General government	\$ 1,311,055	\$ 533,352	\$ 33,600	\$ (744,103)	\$ -	\$ (744,103)	\$ -
Public safety	4,906,955	10,038	22,725	(4,874,192)	-	(4,874,192)	-
Public works	2,203,908	170,047	225,804	(1,808,057)	-	(1,808,057)	-
Health and welfare	61,134	68,811	-	7,677	-	7,677	-
Community and economic development	17,869	-	-	(17,869)	-	(17,869)	-
Recreation and culture	264,912	-	-	(264,912)	-	(264,912)	-
Interest and fees on long-term debt	85,126	-	-	(85,126)	-	(85,126)	-
Total governmental activities	8,850,959	782,248	282,129	(7,786,582)	-0-	(7,786,582)	-0-
Business-type activities							
Water and sewer	2,109,298	2,177,233	-	-	67,935	67,935	-
Marina	294,089	268,347	-	-	(25,742)	(25,742)	-
Total business-type activities	2,403,387	2,445,580	-0-	-0-	42,193	42,193	-0-
Total primary government	<u>\$ 11,254,346</u>	<u>\$ 3,227,828</u>	<u>\$ 282,129</u>	(7,786,582)	42,193	(7,744,389)	-0-
Component unit							
Grosse Pointe Shores Improvement Foundation	<u>\$ 58,821</u>	<u>\$ -</u>	<u>\$ 69,516</u>	-	-	-0-	10,695
General revenues							
Property taxes				4,693,911	-	4,693,911	-
State shared revenue				234,867	-	234,867	-
Investment earnings				4,633	811	5,444	15,783
Miscellaneous				290,513	-	290,513	266
Transfers				(271,120)	271,120	-0-	-
Total general revenues and transfers				<u>4,952,804</u>	<u>271,931</u>	<u>5,224,735</u>	<u>16,049</u>
Change in net position				(2,833,778)	314,124	(2,519,654)	26,744
Net position, beginning of the year				<u>889,275</u>	<u>5,538,830</u>	<u>6,428,105</u>	<u>1,033,015</u>
Net position, end of the year				<u>\$ (1,944,503)</u>	<u>\$ 5,852,954</u>	<u>\$ 3,908,451</u>	<u>\$ 1,059,759</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

BALANCE SHEET

June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,368,672	\$ 395,988	\$ 1,764,660
Investments	1,004,210	-	1,004,210
Accounts receivable	57,449	-	57,449
Due from other governmental units	85,793	39,653	125,446
Due from other funds	109,648	89,880	199,528
Inventory	10,378	-	10,378
Prepays	58,794	-	58,794
	<u>2,694,944</u>	<u>525,521</u>	<u>3,220,465</u>
TOTAL ASSETS	\$ 2,694,944	\$ 525,521	\$ 3,220,465
LIABILITIES			
Accounts payable	\$ 339,286	\$ -	\$ 339,286
Accrued wages	115,195	-	115,195
Due to other funds	691,051	15,685	706,736
	<u>1,145,532</u>	<u>15,685</u>	<u>1,161,217</u>
TOTAL LIABILITIES	1,145,532	15,685	1,161,217
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	30,618	-	30,618
FUND BALANCES			
Nonspendable			
Inventory	10,378	-	10,378
Prepays	58,794	-	58,794
Restricted			
Streets and highways	-	431,762	431,762
Sanitation	52,376	-	52,376
Public safety	-	53,331	53,331
Debt service	-	24,743	24,743
Assigned			
Capital outlay	122,633	-	122,633
Unassigned	1,274,613	-	1,274,613
	<u>1,518,794</u>	<u>509,836</u>	<u>2,028,630</u>
TOTAL FUND BALANCES	1,518,794	509,836	2,028,630
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 2,694,944	\$ 525,521	\$ 3,220,465

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, 2016

Total fund balances - governmental funds \$ 2,028,630

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. 58,250

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	\$ 14,809,464
Accumulated depreciation is	<u>(9,505,921)</u>

Capital assets, net 5,303,543

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

Unavailable revenue 30,618

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

Deferred outflows of resources related to pensions 5,189,293

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

Bonds payable and installment purchase agreement	(3,542,707)
Deferred charges on refunding	56,469
Other post-employment benefits obligation	(2,893,044)
Accrued interest payable	(19,834)
Compensated absences	(500,758)
Net pension liability	<u>(7,654,963)</u>

(14,554,837)

Net position of governmental activities \$ (1,944,503)

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2016

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 4,310,129	\$ 520,650	\$ 4,830,779
Intergovernmental	234,867	225,804	460,671
Licenses and permits	109,218	-	109,218
Charges for services	253,070	-	253,070
Fines and forfeits	266,355	10,038	276,393
Interest	4,493	140	4,633
Other	324,113	22,725	346,838
TOTAL REVENUES	5,502,245	779,357	6,281,602
EXPENDITURES			
Current			
General government	1,174,863	-	1,174,863
Public safety	2,246,048	41,209	2,287,257
Public works	861,478	154,915	1,016,393
Health and welfare	98,083	-	98,083
Community and economic development	28,066	-	28,066
Recreation and culture	370,076	-	370,076
Other	266,691	-	266,691
Capital outlay	70,744	-	70,744
Debt service	249,747	124,530	374,277
TOTAL EXPENDITURES	5,365,796	320,654	5,686,450
EXCESS OF REVENUES OVER EXPENDITURES	136,449	458,703	595,152
OTHER FINANCING SOURCES (USES)			
Transfers in	225,000	80,000	305,000
Transfers out	(170,000)	(406,120)	(576,120)
TOTAL OTHER FINANCING SOURCES (USES)	55,000	(326,120)	(271,120)
NET CHANGE IN FUND BALANCES	191,449	132,583	324,032
Fund balances, beginning of year	1,327,345	377,253	1,704,598
Fund balances, end of year	<u>\$ 1,518,794</u>	<u>\$ 509,836</u>	<u>\$ 2,028,630</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, 2016

Net change in fund balances - total governmental funds \$ 324,032

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. 36,750

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	\$	111,110
Depreciation expense		(265,232)
Loss on disposal of capital assets		<u>(22,515)</u>

Excess of depreciation expense and loss on disposal over capital outlay (176,637)

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 6,699

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

Debt principal retirement		293,947
Change in deferred charges on refunding		<u>(6,274)</u>

287,673

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

(Increase) in net pension liability		(4,676,998)
Increase in deferred outflows of resources related to pensions		1,914,336
Decrease in deferred inflows of resources related to pensions		51,907
(Increase) in other post-employment benefits obligation		(601,801)
Decrease in accrued interest payable		1,478
(Increase) in accrued compensated absences		<u>(1,217)</u>

(3,312,295)

Change in net position of governmental activities \$ (2,833,778)

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2016

	Water and Sewer Fund	Marina Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 477,166	\$ 477,166
Accounts receivable	546,473	281	546,754
Due from other funds	611,171	-	611,171
Inventory	3,600	-	3,600
Prepays	1,000	-	1,000
Total current assets	1,162,244	477,447	1,639,691
Noncurrent assets			
Capital assets not being depreciated	5,053	-	5,053
Capital assets being depreciated, net	6,439,195	3,231,070	9,670,265
Total noncurrent assets	6,444,248	3,231,070	9,675,318
TOTAL ASSETS	7,606,492	3,708,517	11,315,009
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	62,824	137,532	200,356
Deferred outflows of resources related to pensions	174,870	-	174,870
TOTAL DEFERRED OUTFLOWS OF RESOURCES	237,694	137,532	375,226
LIABILITIES			
Current liabilities			
Accrued wages payable	2,145	-	2,145
Accrued interest payable	9,590	37,984	47,574
Due to other funds	-	103,963	103,963
Unearned revenue	280,314	136,381	416,695
Current portion of long-term debt	128,766	45,979	174,745
Total current liabilities	420,815	324,307	745,122
Noncurrent liabilities			
Compensated absences	11,688	-	11,688
Noncurrent portion of long-term debt	1,180,386	3,642,124	4,822,510
Net pension liability	257,961	-	257,961
Total noncurrent liabilities	1,450,035	3,642,124	5,092,159
TOTAL LIABILITIES	1,870,850	3,966,431	5,837,281
NET POSITION			
Net investment in capital assets	5,197,920	(319,501)	4,878,419
Unrestricted	775,416	199,119	974,535
TOTAL NET POSITION	\$ 5,973,336	\$ (120,382)	\$ 5,852,954

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, 2016

	Water and Sewer Fund	Marina Fund	Total
OPERATING REVENUES			
Customer billings	\$ 2,177,233	\$ -	\$ 2,177,233
Other charges for services	-	268,347	268,347
TOTAL OPERATING REVENUES	2,177,233	268,347	2,445,580
OPERATING EXPENSES			
Water supply and sewage disposal	1,259,749	-	1,259,749
Repairs and maintenance	156,734	-	156,734
General and administrative	173,560	56,216	229,776
Utilities	-	8,799	8,799
Depreciation and amortization	480,046	77,387	557,433
TOTAL OPERATING EXPENSES	2,070,089	142,402	2,212,491
OPERATING INCOME	107,144	125,945	233,089
NONOPERATING REVENUES (EXPENSES)			
Interest expenses and fees	(39,209)	(151,687)	(190,896)
Interest revenue	-	811	811
TOTAL NONOPERATING REVENUES (EXPENSES)	(39,209)	(150,876)	(190,085)
INCOME (LOSS) BEFORE TRANSFERS	67,935	(24,931)	43,004
TRANSFERS			
Transfers in	396,120	100,000	496,120
Transfers out	(225,000)	-	(225,000)
TOTAL TRANSFERS	171,120	100,000	271,120
CHANGE IN NET POSITION	239,055	75,069	314,124
Net position, beginning of year	5,734,281	(195,451)	5,538,830
Net position, end of year	<u>\$ 5,973,336</u>	<u>\$ (120,382)</u>	<u>\$ 5,852,954</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, 2016

	Water and Sewer Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 1,886,800	\$ 226,987	\$ 2,113,787
Cash paid to other funds	-	(113,133)	(113,133)
Cash paid to suppliers	(1,417,129)	(61,648)	(1,478,777)
Cash paid to employees	(80,821)	(3,367)	(84,188)
NET CASH PROVIDED BY OPERATING ACTIVITIES	388,850	48,839	437,689
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers out	(225,000)	-	(225,000)
Transfers in	232,273	100,000	332,273
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	7,273	100,000	107,273
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on long-term debt	(354,740)	(50,000)	(404,740)
Interest payments on long-term debt	(41,383)	(98,838)	(140,221)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(396,123)	(148,838)	(544,961)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	811	811
NET INCREASE IN CASH AND CASH EQUIVALENTS	-0-	812	812
Cash and cash equivalents, beginning of year	-	476,354	476,354
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ 477,166</u>	<u>\$ 477,166</u>

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2016

	Water and Sewer Fund	Marina Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 107,144	\$ 125,945	\$ 233,089
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	480,046	77,387	557,433
(Increase) decrease in:			
Accounts receivable	(261,099)	158	(260,941)
Inventory	(625)	-	(625)
Prepays	(21)	-	(21)
Deferred outflows of resources related to pensions	(7,864)	-	(7,864)
Increase (decrease) in:			
Accrued wages	778	-	778
Compensated absences	(3,628)	-	(3,628)
Due to other funds	-	(113,133)	(113,133)
Unearned revenue	(29,334)	(41,518)	(70,852)
Net pension liability	106,100	-	106,100
Deferred inflows of resources related to pensions	(2,647)	-	(2,647)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 388,850</u>	 <u>\$ 48,839</u>	 <u>\$ 437,689</u>
 NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Refunding bond proceeds	\$ -	\$ 3,310,000	\$ 3,310,000
Refunding bond premium	-	332,124	332,124
Payment to bondholders - retired debt	-	(3,500,000)	(3,500,000)
 TOTAL NON-CASH CAPITAL AND RELATED FINANCING ACTIVITIES	 <u>\$ -0-</u>	 <u>\$ 142,124</u>	 <u>\$ 142,124</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	<u>Fiduciary Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 251,468	\$ 93,921
Investments		
Equity securities	16,389,211	-
U.S. government securities	238,510	-
Foreign bonds	264,163	-
Corporate bonds	4,811,849	-
Due from other governmental units	-	71
Interest receivable	89,704	-
Prepays	18,385	-
	<u>22,063,290</u>	<u>\$ 93,992</u>
TOTAL ASSETS		
	22,063,290	\$ 93,992
LIABILITIES		
Due to individuals and agencies	-	\$ 93,992
	<u>-</u>	<u>\$ 93,992</u>
NET POSITION		
Held in trust for pension and other employee benefits	<u>\$ 22,063,290</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, 2016

	<u>Fiduciary Trust Funds</u>
ADDITIONS	
Investment income	
Interest, dividends, and net realized income on investments	\$ 1,855,195
Net change in fair value of investments	(845,430)
Less investment expenses	<u>(55,198)</u>
Net investment income	954,567
Contributions	
Employer	422,262
Employee	<u>108,463</u>
Total contributions	<u>530,725</u>
TOTAL ADDITIONS	1,485,292
DEDUCTIONS	
Pension benefit payments	1,290,641
Healthcare benefit payments	448,858
Contribution refund	180,252
Administrative expenses	<u>73,250</u>
TOTAL DEDUCTIONS	<u>1,993,001</u>
CHANGE IN NET POSITION	(507,709)
Net position, beginning of year	<u>22,570,999</u>
Net position, end of year	<u><u>\$ 22,063,290</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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, 2016

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 \$58,250 at June 30, 2016, 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, 2016

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, 2016

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.

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, 2016

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

11. Property Tax

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

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

The City is permitted to levy up to 20.0000 mills (\$20 per \$1,000 of taxable valuation) for general governmental services and 3.0000 mills (\$3.00 per \$1,000 of taxable valuation) for refuse services. Additional levies for debt service, the retirement system, and Public Act 359 activities are also authorized. For the year ended June 30, 2016, the City levied 12.5787 mills for general governmental services, 2.1091 mills for refuse services, 1.0138 mills for the retirement system, 1.9870 mills for debt service, and 0.1908 mills for Public Act 359 activities. The total taxable value for the 2015 levy for the property within the City was \$262,529,646.

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, 2016

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

14. Unearned Revenue

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

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

15. Deferred Outflows/Inflows of Resources

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

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

16. Compensated Absences

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

Vested sick leave earned as of June 30, 2016, 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, 2016

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: DEPOSITS 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, 2016

NOTE B: DEPOSITS 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, 2016, the carrying amount of the primary government's deposits was \$3,293,061 and the bank balance was \$3,229,226.

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, 2016, \$955,956 of the primary government accounts were FDIC insured while \$2,273,270 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 \$123,350. 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 primary government as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate bonds	\$ 4,811,849	3.48 years
Foreign bonds	264,163	1.21 years
U.S. government obligations	238,510	1.30 years

The fair value of the component unit's investments as of December 31, 2015, was \$937,848. 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, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Credit Risk - continued

The following table lists credit ratings as rated by Standard and Poor's for the primary government's debt securities as of June 30, 2016:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate bonds	\$ 907,968	AA
Corporate bonds	1,637,713	A
Corporate bonds	2,266,168	BBB
Foreign bonds	264,163	A
U.S. government obligations	238,510	N/A

The ratings for investments held by the component unit as of December 31, 2015, 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, 2016, are as follows:

<u>Issuer Name</u>	<u>Fair Value</u>	<u>Percentage of Overall Investments</u>
Cornerstone Patriot Fund	\$ 1,220,047	5.55%

Fair Value Measurements

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Fair Value Measurements - continued

The primary government had the following recurring fair value measurements as of June 30, 2016:

<u>Investment type</u>	<u>Fair Value</u>	<u>Fair Value Measurement</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Debt securities				
Corporate bonds	\$ 4,811,849	\$ -	\$ 4,811,849	\$ -
Foreign bonds	264,163	-	264,163	-
U.S. governmental objections	238,510	238,510	-	-
Total debt securities	5,314,522	238,510	5,076,012	-0-
Equity Securities				
Domestic equity	15,185,387	15,185,387	-	-
Foreign equity	859,177	859,177	-	-
Real estate	99,409	99,409	-	-
Mutual funds	245,238	245,238	-	-
Total equity securities	16,389,211	16,389,211	-0-	-0-
Total investments by fair value level	21,703,733	<u>\$ 16,627,721</u>	<u>\$ 5,076,012</u>	<u>\$ -0-</u>
Investments measured at the net asset value (NAV)				
Short-term investments	272,414			
Other investments	25,300			
Total investments measured at NAV	297,714			
Total investments measured at fair value	<u>\$ 22,001,447</u>			

The classification of fair value measurements was not readily available for the component unit's investments. The fair value of the corporate and foreign bonds at June 30, 2016 was determined primarily based on Level 2 inputs. The City estimates the fair value of these investments using other inputs such as a matrix pricing model.

The valuation method for investments measured at the NAV per share (or its equivalent) is presented in the following sections.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED

Investments in Entities that Calculate Net Asset Value per Share

The City holds shares or interests in investment companies where the fair value of the investments are measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient.

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Short-term investments	\$ 272,414	\$ -	None	N/A
Other investments	<u>25,300</u>	<u>-</u>	None	N/A
Total investments measured at the NAV	<u>\$ 297,714</u>	<u>\$ -0-</u>		

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, 2016:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,241,826	\$ 345,389	\$ 123,350	\$ 2,710,565
Investments	<u>1,004,210</u>	<u>21,703,733</u>	<u>937,848</u>	<u>23,645,791</u>
	<u>\$ 3,246,036</u>	<u>\$ 22,049,122</u>	<u>\$ 1,061,198</u>	<u>\$ 26,356,356</u>

NOTE C: INTERFUND PAYABLES AND RECEIVABLES

The amount of interfund receivables and payables at June 30, 2016, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 5,685
Marina Fund	<u>103,963</u>
	<u>\$ 109,648</u>
Due to nonmajor governmental funds from:	
General Fund	\$ 79,880
Nonmajor governmental funds	<u>10,000</u>
	<u>\$ 89,880</u>
Due to Water and Sewer Fund from:	
General Fund	<u>\$ 611,171</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.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE D: INTERFUND TRANSFERS

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

Transfers to General Fund from:	
Water and Sewer Fund	<u>\$ 225,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	\$ 70,000
Nonmajor governmental funds	<u>10,000</u>
	<u>\$ 80,000</u>
Transfers to Water and Sewer Fund from:	
Nonmajor governmental funds	<u>\$ 396,120</u>
Transfers to Marina Fund from:	
General Fund	<u>\$ 100,000</u>

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

NOTE E: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

Governmental Activities

	Balance <u>July 1, 2015</u>	Additions	Deletions	Balance <u>June 30, 2016</u>
Capital assets not being depreciated				
Land	\$ 880,608	\$ 13,351	\$ -	\$ 893,959
Capital assets being depreciated				
Land improvements	827,850	-	-	827,850
Machinery and equipment	471,597	72,068	(14,759)	528,906
Buildings	1,554,030	-	-	1,554,030
Vehicles	1,412,877	25,691	(20,433)	1,418,135
Infrastructure	<u>9,586,584</u>	<u>-</u>	<u>-</u>	<u>9,586,584</u>
Subtotal	13,852,938	97,759	(35,192)	13,915,505

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Governmental Activities - Continued

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Less accumulated depreciation for:				
Land improvements	\$ (644,836)	\$ (10,583)	\$ -	\$ (655,419)
Machinery and equipment	(385,733)	(12,164)	2,460	(395,437)
Buildings	(924,970)	(26,751)	-	(951,721)
Vehicles	(1,045,814)	(54,791)	10,217	(1,090,388)
Infrastructure	(6,252,013)	(160,943)	-	(6,412,956)
Subtotal	(9,253,366)	(265,232)	12,677	(9,505,921)
Net capital assets being depreciated	4,599,572	(167,473)	(22,515)	4,409,584
Capital assets, net	<u>\$ 5,480,180</u>	<u>\$ (154,122)</u>	<u>\$ (22,515)</u>	<u>\$ 5,303,543</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 20,227
Public safety	30,425
Public works	192,006
Recreation and culture	22,574
	<u>\$ 265,232</u>

Business-type Activities

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
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	9,010,854	-	-	9,010,854
Subtotal	32,991,964	-0-	-0-	32,991,964

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE E: CAPITAL ASSETS - CONTINUED

Business-type Activities - Continued

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016
Less accumulated depreciation for:				
Vehicles	\$ (81,090)	\$ (6,176)	\$ -	\$ (87,266)
Machinery and equipment	(18,700)	-	-	(18,700)
Buildings	(234,500)	-	-	(234,500)
Infrastructure	(16,730,533)	(470,916)	-	(17,201,449)
Marina	(5,702,397)	(77,387)	-	(5,779,784)
Subtotal	<u>(22,767,220)</u>	<u>(554,479)</u>	<u>-0-</u>	<u>(23,321,699)</u>
Net capital assets being depreciated	<u>10,224,744</u>	<u>(554,479)</u>	<u>-0-</u>	<u>9,670,265</u>
Capital assets, net	<u>\$ 10,229,797</u>	<u>\$ (554,479)</u>	<u>\$ -0-</u>	<u>\$ 9,675,318</u>

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

Water and sewer	\$ 477,092
Marina	<u>77,387</u>
	<u>\$ 554,479</u>

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, 2016:

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Governmental activities					
2013 General obligation refunding bonds	\$ 1,067,345	\$ -	\$ (95,260)	\$ 972,085	\$ 95,260
2013 General obligation refunding bonds premium	30,748	-	(3,075)	27,673	3,075
2013 Honeywell installment purchase agreement	2,738,561	-	(195,612)	2,542,949	195,612
Compensated absences	499,541	68,944	(67,727)	500,758	32,513
Total governmental activities	4,336,195	68,944	(361,674)	4,043,465	326,460

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

	Balance July 1, 2015	Additions	Deletions	Balance June 30, 2016	Amounts Due Within One Year
Business-type activities					
General obligation bonds					
2003 Unlimited tax bonds	\$ 230,000	\$ -	\$ (230,000)	\$ -0-	\$ -
2007 Limited tax bonds	3,600,000	-	(3,550,000)	50,000	50,000
2007 Limited tax bonds discount	(52,278)	-	48,257	(4,021)	(4,021)
2013 General obligation refunding bonds	1,397,655	-	(124,740)	1,272,915	124,740
2013 General obligation refunding bonds premium	40,263	-	(4,026)	36,237	4,026
2016 General obligation refunding bonds	-	3,310,000	-	3,310,000	-
2016 General obligation refunding bonds premium	-	332,124	-	332,124	-
Compensated absences	15,316	2,115	(5,743)	11,688	-
Total business-type activities	<u>5,230,956</u>	<u>3,644,239</u>	<u>(3,866,252)</u>	<u>5,008,943</u>	<u>174,745</u>
	<u>\$ 9,567,151</u>	<u>\$ 3,713,183</u>	<u>\$ (4,227,926)</u>	<u>\$ 9,052,408</u>	<u>\$ 501,205</u>

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

Governmental Activities

\$2,465,000 2013 General Obligation Refunding Bonds, dated December 23, 2013, due in annual installments ranging from \$210,000 to \$320,000 through October 1, 2024, with interest ranging from 2.000 to 4.000 percent, payable semiannually. These bonds are allocated between governmental and business-type activities. The allocation is roughly 43 percent governmental activities and 57 percent business-type activities. \$ 972,085

\$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. 2,542,949

\$ 3,515,034

Business-type Activities

\$3,800,000 2007 Limited Tax Bonds, dated October 1, 2007, due in an annual installment of \$50,000 through October 1, 2016, with interest of 4.000 percent, payable semiannually. \$ 50,000

\$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. 1,272,915

\$3,310,000 2016 General Obligation Refunding Bonds, dated February 17, 2016, due in annual installments ranging from \$100,000 to \$235,000 through October 1, 2036, with interest ranging from 2.000 to 4.000 percent, payable semiannually. 3,310,000

\$ 4,632,915

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE F: LONG-TERM DEBT - CONTINUED

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2017	\$ 290,872	\$ 76,375	\$ 174,740	\$ 241,259
2018	288,707	70,481	221,905	148,457
2019	286,542	64,631	219,070	144,047
2020	286,542	58,575	219,070	139,368
2021	306,027	51,772	244,585	133,711
2022-2026	1,469,511	143,824	1,313,545	527,681
2027-2031	586,833	18,045	900,000	327,750
2032-2036	-	-	1,115,000	130,250
2037	-	-	225,000	3,375
	<u>\$ 3,515,034</u>	<u>\$ 483,703</u>	<u>\$ 4,632,915</u>	<u>\$ 1,795,898</u>

Advance Refunding - Current

On February 17, 2016, the City defeased the portion of the 2007 Limited Tax General Obligation Bonds which are due and payable October 1, 2017 through October 1, 2023. 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 2016 Limited Tax General Obligation Refunding Bonds in the amount of \$3,310,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2016, bonds due and payable October 1, 2017 through October 1, 2023 for the 2007 Limited Tax General Obligation Bonds in the amount of \$3,500,000 are considered defeased.

As a result of the advance refunding, the City decreased its total debt service requirements by \$495,196, which resulted in an economic gain (difference between present value of the debt service payments on the old and new debt) of \$441,249.

Advance Refunding - Prior

On December 23, 2013, the City defeased the portion of the 2004 Unlimited Tax General Obligation Bonds which are due and payable October 1, 2016 through October 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2013 Unlimited Tax General Obligation Refunding Bonds in the amount of \$2,465,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2016, bonds due and payable October 1, 2016 through October 1, 2024 for the 2004 Unlimited Tax General Obligation Bonds in the amount of \$2,200,000 are considered defeased.

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, 2016, the dollar amount of these vested rights, including related payroll taxes, amounted to \$500,758 and \$11,688 for sick leave in government activities and business-type activities, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE G: RISK MANAGEMENT

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

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

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

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

The following summarizes the changes in the estimated liability for the year ended June 30, 2016:

Estimated liability - July 1, 2015	\$ -
Estimated claims incurred including changes in estimates	402,287
Claim payments	<u>(402,287)</u>
Estimated liability - June 30, 2016	<u>\$ -0-</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.

Summary of Significant Accounting Policies

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Plan Membership

At June 30, 2016, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	32
Inactive plan members entitled to but not yet receiving benefits	7
Active members	<u>23</u>
	<u><u>62</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. 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Benefits Provided - continued

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

Deferred Retirement Option Program

Participants are eligible for the deferred retirement option program (DROP) if he or she has 10 or more years of service, regardless of age. The benefit begins at regular retirement age. For public safety clerks, if dispatch operations are subcontracted all full-time employees hired prior to July 1, 2010 shall be vested after 7 years. The annual benefit is computed as regular retirement but based on service and final average salary at time of termination. For the year ended June 30, 2016, the balance of amounts held by the Plan pursuant to the DROP is \$0.

Duty Disability

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

Non-Duty Disability

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

Duty Death

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

Non-Duty Death Before Retirement

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

Contributions

The obligation to contribute to and maintain the system for these employees was established by the City charter. All full-time general and public safety employees are eligible to participate in the system. General participants in the system are required to contribute 3 percent of the first \$4,200 of annual salary plus 5 percent of annual salary in excess of \$4,200. Public safety participants are required to contribute 7 percent of their annual salary. All members contribute .5 percent for medical. Employer contributions are determined by actuarially determined rates. Computed employer contribution rates for the year ended June 30, 2016, were 18.69 percent for general employees and 18.69 percent for public safety employees. Administrative costs associated with the plan are financed through investment earnings. For the year ended June 30, 2016, the City contributed \$292,262 to the Plan.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

Net Pension Liability

The net pension liability reported at June 30, 2016 was determined using a measure of the total pension liability and the pension net position as of June 30, 2016. The June 30, 2016 total pension liability was determined by an actuarial valuation performed as of that date.

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

<u>Changes in Net Pension Liability</u>	<u>Increase (Decrease)</u>		<u>Net Pension (Asset) Liability (a)-(b)</u>
	<u>Total Pension Liability (a)</u>	<u>Plan Fiduciary Net Position (b)</u>	
Balances at June 30, 2015	\$ 23,490,085	\$ 20,360,259	\$ 3,129,826
Service cost	391,500	-	391,500
Interest on total pension liability	1,484,890	-	1,484,890
Differences between expected and actual experience	435,726	-	435,726
Changes in assumptions	3,559,220	-	3,559,220
Employer contributions	-	292,262	(292,262)
Employee contributions	-	100,391	(100,391)
Net investment income	-	768,835	(768,835)
Benefit payments, including employee refunds	(1,470,893)	(1,470,893)	-0-
Administrative expense	-	(73,250)	73,250
Net changes	<u>4,400,443</u>	<u>(382,655)</u>	<u>4,783,098</u>
Balances at June 30, 2016	<u>\$ 27,890,528</u>	<u>\$ 19,977,604</u>	<u>\$ 7,912,924</u>

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

For the year ended June 30, 2016, the City recognized pension expense of \$2,856,441. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 270,954	\$ -
Changes in assumptions	3,992,306	-
Difference between expected and actual investment experience	1,100,903	-
	<u>\$ 5,364,163</u>	<u>\$ -0-</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2017	\$ 2,529,413
2018	2,036,444
2019	696,063
2020	102,245

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, using the following actuarial assumptions, applied to all periods included in the measurement:

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

The actuarial assumptions used in the June 30, 2016, valuation were based on the results of an actuarial experience study for the period July 1, 2013 through June 30, 2016.

Discount Rate

The discount rate used to measure the total pension liability was 5.30 percent. The discount rate used to measure the total pension liability as of the previous measurement date was 6.47 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determine contribution rates and the member rate. Based on these assumptions, the 5.30 percent discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with generally accepted accounting principles.

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

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

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED

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

The following presents the City's net pension liability, calculated using the discount rate of 5.30 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1 percent lower (4.30 percent) or 1 percent higher (6.30 percent) than the current rate:

	1% Decrease Rate 4.30%	Current Discount Rate 5.30%	1% Increase Rate 6.30%
City's net pension liability	\$ 11,638,401	\$ 7,912,924	\$ 4,825,124

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, 2016, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2015. 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	\$ 645,392
Interest on net OPEB obligation	160,387
Adjustment to annual required contribution	<u>(65,906)</u>
Annual OPEB cost (expense)	739,873
Contributions made	<u>(138,072)</u>
Increase in net OPEB obligation	601,801
Net OPEB obligation, beginning of year	<u>2,291,243</u>
Net OPEB obligation, end of year	<u><u>\$ 2,893,044</u></u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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,		
	2014	2015	2016
Annual OPEB cost	\$ 469,276	\$ 596,425	\$ 739,873
Percentage contributed	36%	18%	19%
Net OPEB obligation	\$ 1,802,637	\$ 2,291,243	\$ 2,893,044

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

	Mar. 31, 2009	As of	
		June 30, 2012	June 30, 2015
Actuarial value of assets	\$ 1,583,578	\$ 2,151,952	\$ 2,210,740
Actuarial accrued liability (AAL) (entry age)	8,758,484	8,669,148	10,324,502
Unfunded AAL (UAAL)	7,174,906	6,517,196	8,113,762
Funded ratio	18.1%	24.8%	21.4%
Covered payroll	\$ 2,649,837	\$ 1,841,767	\$ 1,563,622
UAAL as a percentage of covered payroll	271%	354%	519%

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, 2015, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.0 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 3.0 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, 2016

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, 2016:

REVENUES		
Permits	\$	107,391
EXPENDITURES		
Salaries and wages		39,329
Supplies and other		<u>30,742</u>
TOTAL EXPENDITURES		<u>70,071</u>
EXCESS OF REVENUES OVER EXPENDITURES		37,320
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES		<u>(288,971)</u>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	\$	<u><u>(251,651)</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, 2016

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

GASB issued Statement No. 72, *Fair Value Measurement and Application*. This statement addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement provides guidance for determining a fair value measurement for financial reporting purposes. This statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

NOTE N: UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

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

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE O: DEFICIT NET POSITION

The Marina Fund has a negative total net position at June 30, 2016. However, its current assets were greater than its current liabilities, therefore a deficit elimination plan is not required to be filed with the Michigan Department of Treasury.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2016

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 4,308,737	\$ 4,301,637	\$ 4,310,129	\$ 8,492
Intergovernmental	237,500	230,000	234,867	4,867
Licenses and permits	91,500	106,756	109,218	2,462
Charges for services	255,000	251,950	253,070	1,120
Fines and forfeits	250,000	263,635	266,355	2,720
Interest	2,500	2,850	4,493	1,643
Other	280,385	318,172	324,113	5,941
TOTAL REVENUES	5,425,622	5,475,000	5,502,245	27,245
EXPENDITURES				
Current				
General government				
City Council	14,731	19,350	19,334	16
Judicial	102,520	96,006	89,283	6,723
City Manager	206,203	289,630	288,110	1,520
Elections	33,585	33,756	35,476	(1,720)
Financial administration	507,030	330,143	320,484	9,659
Clerk	18,274	16,599	15,794	805
Assessor	24,500	17,800	16,822	978
City hall and grounds	360,849	397,003	389,560	7,443
Total general government	1,267,692	1,200,287	1,174,863	25,424
Public safety	2,465,742	2,540,875	2,414,875	126,000
Public works				
Sanitation	552,792	489,927	499,336	(9,409)
Building department	65,256	70,891	70,071	820
Other	363,913	307,279	292,071	15,208
Total public works	981,961	868,097	861,478	6,619
Community and economic development				
Planning and zoning	24,260	28,475	28,066	409

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture	\$ 318,278	\$ 375,419	\$ 370,076	\$ 5,343
Other				
Fringe benefits and insurance	242,942	267,100	266,691	409
Debt service	249,747	249,747	249,747	-0-
TOTAL EXPENDITURES	<u>5,480,622</u>	<u>5,530,000</u>	<u>5,365,796</u>	<u>164,204</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(55,000)	(55,000)	136,449	191,449
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	225,000	225,000	-0-
Transfers out	<u>(170,000)</u>	<u>(170,000)</u>	<u>(170,000)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,000</u>	<u>55,000</u>	<u>55,000</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	-0-	-0-	191,449	191,449
Fund balance, beginning of year	<u>1,327,345</u>	<u>1,327,345</u>	<u>1,327,345</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,327,345</u>	<u>\$ 1,327,345</u>	<u>\$ 1,518,794</u>	<u>\$ 191,449</u>

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

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

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
CHANGE IN TOTAL PENSION LIABILITY			
Service cost	\$ 391,500	\$ 344,632	\$ 364,859
Interest	1,484,890	1,429,644	1,458,099
Changes of benefit terms	-	-	(690,273)
Differences between expected and actual experience	435,726	(76,376)	(272,458)
Changes in assumptions	3,559,220	3,527,154	-
Benefit payments, including refunds of member contributions	<u>(1,470,893)</u>	<u>(1,249,151)</u>	<u>(1,209,880)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	4,400,443	3,975,903	(349,653)
TOTAL PENSION LIABILITY, BEGINNING	<u>23,490,085</u>	<u>19,514,182</u>	<u>19,863,835</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u><u>\$ 27,890,528</u></u>	<u><u>\$ 23,490,085</u></u>	<u><u>\$ 19,514,182</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 292,262	\$ 223,369	\$ 358,599
Contributions - member	100,391	97,112	100,495
Net investment income	768,835	382,944	3,081,808
Benefit payments, including refunds of member contributions	(1,470,893)	(1,249,151)	(1,209,880)
Administrative expenses	(73,250)	(51,325)	(67,078)
Other	<u>-</u>	<u>(29,458)</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(382,655)	(626,509)	2,263,944
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>20,360,259</u>	<u>20,986,768</u>	<u>18,722,824</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u><u>\$ 19,977,604</u></u>	<u><u>\$ 20,360,259</u></u>	<u><u>\$ 20,986,768</u></u>
CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)	<u><u>\$ 7,912,924</u></u>	<u><u>\$ 3,129,826</u></u>	<u><u>\$ (1,472,586)</u></u>
Plan fiduciary net position as a percentage of the total pension liability	71.63%	86.68%	107.55%
Covered-employee payroll	\$ 1,606,430	\$ 1,563,622	\$ 1,670,564
City's net pension liability (asset) as a percentage of covered-employee payroll	492.58%	200.17%	(88.15)%

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF CITY CONTRIBUTIONS

Last 10 Fiscal Years

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 292,262	\$ 223,369	\$ 358,599	\$ 513,066	\$ 505,463	\$ 545,753	\$ 579,300	\$ 447,258	\$ 397,613	\$ 384,402
Contributions in relation to the actuarially determined contribution	<u>292,262</u>	<u>223,369</u>	<u>358,599</u>	<u>513,066</u>	<u>505,463</u>	<u>545,753</u>	<u>579,300</u>	<u>447,258</u>	<u>397,613</u>	<u>384,402</u>
Contribution deficiency (excess)	<u>\$ -0-</u>									
Covered-employee payroll	\$ 1,606,430	\$ 1,563,622	\$ 1,670,564	\$ 1,686,952	\$ 1,841,767	\$ 2,330,936	\$ 2,517,597	\$ 2,649,837	\$ 2,516,931	\$ 2,483,532
Contributions as a percentage of covered-employee payroll	18.19%	14.29%	21.47%	30.41%	27.44%	23.41%	23.01%	16.88%	15.80%	15.48%

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF INVESTMENT RETURNS

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	8.38%	7.97%	12.09%

Village of Grosse Pointe Shores, A Michigan City

Retired Employees' Health Care Benefits

SCHEDULES OF FUNDING PROGRESS AND EMPLOYER CONTRIBUTIONS

Year Ended June 30, 2016

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>
6/30/2015	\$ 2,210,740	\$ 10,324,502	\$ (8,113,762)	21%	\$ 1,563,622	518.9%
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>
2016	\$ 739,873	\$ 138,072	18.7%
2015	596,425	107,819	18.1%
2014	469,276	168,084	35.8%

Village of Grosse Pointe Shores, A Michigan City

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2016

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, 2016, 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			
Elections	\$ 33,756	\$ 35,476	\$ 1,720
Public works			
Sanitation	489,927	499,336	9,409

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

Changes in experience - Overall experience of the Plan was slightly more favorable than assumed during the year ended June 30, 2016. The recognized rate of return on the smoothed funding value of assets of 8.38 percent versus the 7.5 percent long-term assumed rate was more than assumed and was the primary source of the favorable experience.

Changes in benefits - Benefits for general non-union employees and department heads retiring after September 30, 2010 were restored to 2.5 percent for each year of service.

OTHER SUPPLEMENTARY INFORMATION

Village of Grosse Pointe Shores, A Michigan City

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2016

	Special		
	Major Street	Local Street	911 Service
ASSETS			
Cash and cash equivalents	\$ 225,614	\$ 170,374	\$ -
Due from other governmental units	22,509	17,144	-
Due from other funds	-	11,806	43,363
TOTAL ASSETS	\$ 248,123	\$ 199,324	\$ 43,363
LIABILITIES			
Due to other funds	\$ 15,685	\$ -	\$ -
FUND BALANCES			
Restricted			
Streets and highways	232,438	199,324	-
Public safety	-	-	43,363
Debt service	-	-	-
TOTAL FUND BALANCES	232,438	199,324	43,363
TOTAL LIABILITIES AND FUND BALANCES	\$ 248,123	\$ 199,324	\$ 43,363

<u>Revenue</u>		
<u>Drug Law Enforcement</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ 395,988
-	-	39,653
<u>9,968</u>	<u>24,743</u>	<u>89,880</u>
<u>\$ 9,968</u>	<u>\$ 24,743</u>	<u>\$ 525,521</u>
\$ -	\$ -	\$ 15,685
-	-	431,762
9,968	-	53,331
<u>-</u>	<u>24,743</u>	<u>24,743</u>
<u>9,968</u>	<u>24,743</u>	<u>509,836</u>
<u>\$ 9,968</u>	<u>\$ 24,743</u>	<u>\$ 525,521</u>

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, 2016

	Special		
	Major Street	Local Street	911 Service
REVENUES			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - State	144,230	81,574	-
Fines and forfeits	-	-	-
Interest	82	58	-
Other	-	-	22,725
TOTAL REVENUES	144,312	81,632	22,725
EXPENDITURES			
Current			
Public safety	-	-	41,139
Public works	93,190	61,725	-
Debt service	-	-	-
TOTAL EXPENDITURES	93,190	61,725	41,139
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	51,122	19,907	(18,414)
OTHER FINANCING SOURCES (USES)			
Transfers in	50,000	30,000	-
Transfers out	(10,000)	-	-
TOTAL OTHER FINANCING SOURCES (USES)	40,000	30,000	-0-
NET CHANGE IN FUND BALANCES	91,122	49,907	(18,414)
Fund balances, beginning of year	141,316	149,417	61,777
Fund balances, end of year	<u>\$ 232,438</u>	<u>\$ 199,324</u>	<u>\$ 43,363</u>

<u>Revenue</u>		
<u>Drug Law Enforcement</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 520,650	\$ 520,650
-	-	225,804
10,038	-	10,038
-	-	140
-	-	22,725
10,038	520,650	779,357
70	-	41,209
-	-	154,915
-	124,530	124,530
70	124,530	320,654
9,968	396,120	458,703
-	-	80,000
-	(396,120)	(406,120)
-0-	(396,120)	(326,120)
9,968	-0-	132,583
-	24,743	377,253
<u>\$ 9,968</u>	<u>\$ 24,743</u>	<u>\$ 509,836</u>

Village of Grosse Pointe Shores, A Michigan City

Pension and Employee Benefits Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2016

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
ASSETS			
Cash and cash equivalents	\$ 251,468	\$ -	\$ 251,468
Investments			
Equity securities	16,389,211	-	16,389,211
U.S. government securities	238,510	-	238,510
Foreign bonds	264,163	-	264,163
Corporate bonds	4,811,849	-	4,811,849
Due from other funds	-	2,067,301	2,067,301
Interest receivable	89,704	-	89,704
Prepays	-	18,385	18,385
	<u>22,044,905</u>	<u>2,085,686</u>	<u>24,130,591</u>
TOTAL ASSETS	22,044,905	2,085,686	24,130,591
LIABILITIES			
Due to other funds	<u>2,067,301</u>	<u>-</u>	<u>2,067,301</u>
NET POSITION			
Held in trust for pension and other employee benefits	<u>\$ 19,977,604</u>	<u>\$ 2,085,686</u>	<u>\$ 22,063,290</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, 2016

	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	\$ 1,669,463	\$ 185,732	\$ 1,855,195
Net change in fair value of investments	(845,430)	-	(845,430)
Less investment expenses	(55,198)	-	(55,198)
Net investment income	768,835	185,732	954,567
Contributions			
Employer	292,262	130,000	422,262
Employee	100,391	8,072	108,463
Total contributions	392,653	138,072	530,725
TOTAL ADDITIONS	1,161,488	323,804	1,485,292
DEDUCTIONS			
Pension benefit payments	1,290,641	-	1,290,641
Healthcare benefit payments	-	448,858	448,858
Contribution refunds	180,252	-	180,252
Administrative expenses	73,250	-	73,250
TOTAL DEDUCTIONS	1,544,143	448,858	1,993,001
CHANGE IN PLAN NET POSITION	(382,655)	(125,054)	(507,709)
Net position, beginning of year	20,360,259	2,210,740	22,570,999
Net position, end of year	<u>\$ 19,977,604</u>	<u>\$ 2,085,686</u>	<u>\$ 22,063,290</u>

Village of Grosse Pointe Shores, A Michigan City

Fiduciary Funds

COMBINING STATEMENT OF ASSETS AND LIABILITIES

Year Ended June 30, 2016

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total</u>
ASSETS			
Cash and cash equivalents	\$ 93,921	\$ -	\$ 93,921
Due from other governmental units	-	71	71
TOTAL ASSETS	<u>\$ 93,921</u>	<u>\$ 71</u>	<u>\$ 93,992</u>
LIABILITIES			
Due to individuals and agencies	<u>\$ 93,921</u>	<u>\$ 71</u>	<u>\$ 93,992</u>

**ANNUAL INFORMATION STATEMENT (UNAUDITED)
FOR THE VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY**

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 issuance 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:

Property Tax

The City’s annual ad valorem tax levy is limited by both statute and City Charter. Home Rule cities are allowed by the Home Rule Act to authorize, by their charters, not to exceed 20.00 mills (1 mill is equal to \$1.00 per \$1,000 of Taxable Value) as an annual ad valorem tax levy for operating purposes. The City, by its charter, is limited to levying annually a maximum of 20.00 mills for municipal purposes exclusive of any levy required for the payment of principal and interest on outstanding bonds of the City and exclusive of any levy authorized by statute to be made beyond the charter tax limitations. Since the City changed from a General Law Village to a Home Rule City on April 1, 2009, the 20.00 mill limitation has not been rolled back due to the effect of the Headlee Amendment to the State Constitution. The City is currently levying 12.5787 mills for operating purposes, and 5.3007 for other permitted purposes. In addition, the electorate may authorize the issuance of general obligation bonds which pledge the full faith and credit and unlimited taxing power of the City.

The City’s maximum operating levy at its charter limit of 20.00 mills for the 2015/2016 fiscal year has not been rolled back by the Headlee Amendment.

Tax Rates – Five Year History (1)

Levied July 1	City Operating(2)	Refuse(3)	Pension(4)	Debt	PA 359(7)	Total
2011	11.6184	1.8772	1.7168	1.7519(5)	0.1757	17.1400
2012	11.8600	2.1900	2.0900	2.0400(5)	0.2000	18.3800
2013	12.2954	1.7100	1.5440	2.1300(5)(6)	0.2000	17.8794
2014	12.5403	2.1706	1.1500	1.8242(5)(6)	0.1943	17.8794
2015	12.5787	2.1091	1.0138	1.9870(6)	0.1908	17.8794

- (1) Per \$1,000 of Taxable Value. Excludes taxes levied by other units of government.
- (2) The City has the ability to levy an additional 7.4213 mills subject to a vote of the City Council.
- (3) Refuse millage is not subject to City’s 20.00 mills charter limitation but is limited to 3.00 mills and does not have an expiration date.
- (4) Pension millage is not subject to City’s 20.00 mills charter limitation and does not have an expiration date.
- (5) Debt levy on City’s General Obligation Unlimited Tax Refunding Bonds, Series 2003.

- (6) Debt levy on the City’s 2013 General Obligation Unlimited Tax Refunding Bonds.
- (7) Public Act 359 is not subject to City’s 20.00 mills charter limitation.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

City Wide Millages

In addition to the City’s tax rates, property owners in the City must pay taxes to other units of local government. City property owners are subject to the following millage tax rates on all taxable property from local units of government for the 2015/2016 fiscal year.

Fiscal Year 2015/2016 (1)

	Homestead Properties (2)	Non-Homestead Properties
State Education Tax	6.0000	6.0000
Grosse Pointe Public Schools – Local	0.0000	18.0000
Sinking Fund	1.0000	1.0000
Debt	1.6421	1.6421
Supplement	6.7535	0.0000
South Lake Schools - Local	0.0000	17.8316
Debt	7.1400	7.1400
Supplement	4.8916	0.0000
Grosse Pointe Library	2.0712	2.0712
Wayne County	7.5773	7.5773
Macomb County	4.5685	4.5685
SMART	1.0000	1.0000
Wayne County Intermediate Schools	3.4643	3.4643
Macomb County Intermediate Schools	2.9430	2.9430
Wayne County Community College	3.2408	3.2408
Macomb Community College	1.5302	1.5302
Huron Clinton Metropolitan Authority	0.2146	0.2146
Detroit Zoological Authority	0.1000	0.1000
Detroit Institute of Arts	<u>0.2000</u>	<u>0.2000</u>
Total Village of Grosse Pointe Shores-Wayne	\$52.3640	\$62.5635
Total Village of Grosse Pointe Shores-Macomb	\$46.5123	\$59.4523

Approximately 96% of the City’s SEV is contained in the Grosse Pointe School District, which levies 20.6421 mills for non-principal mills and 9.3956 mills for principal. South Lake Schools overlaps into the geographical boundary of the City with the millage rates of 24.5735 mills for non-principal and 12.0316 mills for principal.

(1) Per \$1,000 of Taxable Value.

(2) Homestead property includes principal residences, qualified agricultural property, qualified forest property and industrial personal property, which is excluded from taxes levied for school operating purposes. Moreover, commercial personal property is exempt from a portion of taxes levied for school operating purposes.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Industrial Facilities Tax Roll

The City is zoned single family residential. Thus, the City has not granted any tax abatements.

SEV/Taxable Valuation – Five Year History

The City’s Ad Valorem Taxable Valuation increased \$13,104,329 or 5.25% between 2011 and 2015. Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatements under Act 198. (See “**Industrial Facilities Tax Roll**” herein.)

Assessed Value as of December 31	Year of State Equalization and Tax Levy	Fiscal Year Ended June 30	State Equalized Valuation (1)	Ad Valorem Taxable Valuation (1)
2010	2011	2012	\$288,106,506	\$284,497,364
2011	2012	2013	252,278,420	249,425,317
2012	2013	2014	260,945,660	260,777,911
2013	2014	2015	274,484,980	257,181,759
2014	2015	2016	283,700,180	262,529,646

Per Capita 2015 State Equalized Valuation is \$94,315 and Per Capita 2015 Ad Valorem Taxable Valuation is \$87,277 based on the 2010 US Census population of 3,008.

(1) See “**Property Tax**” herein.

Breakdown of 2015 Taxable Value:

By Use:		By Class:	
Residential	98.2%	Real Property	99.2%
Personal	<u>1.8</u>	Personal Property	<u>0.8</u>
Total	100.00%	Total	100.00%

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Property Tax Collections

The City's fiscal year begins July 1st. Real and personal property taxes are due July 1st and payable through September 14th without penalty and/or interest. All property taxes unpaid as of March 1st are deemed delinquent. Delinquent property taxes within Wayne County are payable only to the Wayne County Treasurer. Delinquent real property taxes within Macomb County are payable to the Macomb County Treasurer; delinquent personal property taxes with Macomb County are payable to the City.

Property Tax Collection Record Five Year History

Fiscal Year Ending June 30,	Tax Levy	Collections to March 1, Year Following Levy	Percent Collected	Collections Plus Funding to June 30, Year Following Levy (2)	% Collections Plus Funding to June 30, Year Following Levy
2011	\$4,871,685	\$4,751,426	97.53%	\$4,871,685	100.00%
2012	4,840,319	4,759,314	98.33	4,840,319	100.00
2013	4,575,787	4,508,855	98.54	4,575,787	100.00
2014	4,512,343	4,479,091	99.26	4,512,343	100.00
2015	4,595,769	4,557,965	99.17	4,595,769	100.00

(1) Real and personal taxes combined.

(2) Includes collections from County Tax Payment Fund.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

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's general operating fund for its last five fiscal years.

Fiscal Year Ending	Constitutional Component	Statutory/EVIP Component	Total
June 30, 2012	\$220,438	\$ 7,145	\$227,583
June 30, 2013	220,227	9,320	229,547
June 30, 2014	227,075	11,322	238,397
June 30, 2015	231,713	10,068	241,781
June 30, 2016	224,799	10,068	234,867

SOURCE: Village of Grosse Pointe Shores, A Michigan City

General Fund Balance

The following table sets forth the City's undesignated general fund balance for the last five (5) fiscal years.

Fiscal Year Ended	Total Fund Balance	Undesignated/ Unassigned
2011	\$669,513	\$ 472,023
2012	874,629	603,878
2013	990,902	791,600
2014	1,171,902	1,024,500
2015	1,327,345	1,064,636

SOURCE: Village of Grosse Pointe Shores, A Michigan City

City Income Tax

The City does not levy a City Income Tax.

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions, the following table reflects the amount of additional debt the City may legally incur as of February 2, 2016.

2015 State Equalized Value (SEV)		\$283,700,180
Legal Debt Limit (10% of 2015 SEV)		28,370,018
Outstanding debt subject to limitation	\$8,147,949	
Less: Exempt Obligations	<u>-0-</u>	<u>\$8,147,949</u>
Additional Debt which can be legally incurred		\$20,222,069

Non-exempt debt outstanding as percentage of SEV		2.87%
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SOURCE: Village of Grosse Pointe Shores, A Michigan City and the Municipal Advisory Council of Michigan

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of February 2, 2016.

City Direct Debt	Gross	Self-Supporting	Net Debt	Net Debt (1)	
				Per Capita	% of Taxable Valuation
Limited Tax General Obligation Bonds (2)	\$3,360,000	\$3,360,000	\$ -0-		
2013 General Obligation Unlimited Tax Refunding Bonds (3)	2,245,000	-0-	2,245,000		
Installment Purchase Contract (Limited Tax General Obligation)	2,245,000	-0-	2,245,000		
	<u>2,542,949</u>	<u>-0-</u>	<u>2,542,949</u>		
Total Direct Debt	\$8,147,949	\$3,360,000	\$4,787,949	\$1,592	1.82%

City Overlapping (4)	Gross	City Share as % of Gross	Net City Share	Net Debt (1)	
				Per Capita	% of Taxable Valuation
Grosse Pointe School District	\$40,635,000	9.74%	\$3,957,849		
South Lake School District	20,725,000	2.28	472,530		
Macomb – County at Large	341,496,947	0.04	136,599		
Wayne – County at Large	306,321,740	0.64	1,960,459		
Macomb Community College	12,650,000	0.04	5,060		
Grosse Pointe Public Library	<u>12,705,000</u>	<u>9.74</u>	<u>1,237,467</u>		
Total Overlapping Debt	\$734,533,687		\$7,769,964	\$2,583	2.96%
Total City Direct and Overlapping Debt	\$742,681,636		\$12,557,913	\$4,175	4.78%

(1) Based upon the City's 2010 Estimated U.S. Census population of 3,008 and 2015 Ad Valorem Taxable Valuation of \$262,529,646.

(2) Includes the Bonds, and the Prior Bonds maturing on October 1, 2016 in the par amount of \$50,000 which are paid by City Marina revenues.

(3) 2013 General Obligation Unlimited Tax Refunding Bonds.

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

SOURCE: Village of Grosse Pointe Shores, A Michigan City and the Municipal Advisory Council of Michigan

Pension 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 hires after July 1, 2012. For fiscal year ended June 30, 2016, the City's annual pension cost and required contribution was equal to the City's actual contribution of \$292,262. The annual required contribution was determined by an actuarial valuation of June 30, 2015.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Other Post-Employment Benefits

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently 32 retirees are eligible. Four retirees do pay \$250 annually per labor agreement in place at the time of their retirement until medicare eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases 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, 2016, this amounted to \$448,858.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Labor Contracts

Approximately 72% of the City's 36 full time employees are represented by labor organizations. The following table illustrates the various organizations which represent City employees, the number of members as of June 30, 2016 and the expiration date of the present contracts.

Employee Group	Number of Employees	Contract Expiration Date
A.F.S.C.M.E.	10	06/30/2018
P.O.L.C. – Grosse Pointe Shores Command Officers Association	7	06/30/2018
P.O.A.M. – Grosse Pointe Shores Public Safety Officers Association	9	06/30/2018
Non-Union Employees	10	-----
Total	36	

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Ten Largest Ad-Valorem Taxpayers

The Taxable Value of each of the City's major taxpayers for the year 2016 is as follows:

<u>Name of Taxpayer</u>	<u>Entity</u>	<u>2016 Taxable Value</u>	<u>% of 2016 Taxable Valuation</u>
Grosse Pointe Yacht Club	Country Club	2,935,645	1.12%
Anderson, James A (1)	Resident	2,698,070	1.03
Ford, Martha F	Resident	2,253,530	0.86
Wilson, Mary McLean	Resident	2,131,209	0.81
Alandt, Paul D	Resident	1,721,348	0.65
Stackpole, Stephen M	Resident	1,515,238	0.58
Policherla, Haranath	Resident	1,351,943	0.52
Booth II, John L	Resident	1,285,630	0.49
Denton, Leet E	Resident	1,216,930	0.46
Oakwood Properties	Resident	1,209,617	0.46
Total		18,319,160	6.98%

(1) Currently appealing tax assessment

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Largest Employers

<u>Employer</u>	<u>Product or Service</u>	<u>Approximate Number of Employees (1)</u>
Grosse Pointe Yacht Club	Private Club	150
Edsel & Eleanor Ford House	Entertainment/Banquet Facilities	104
Village of Grosse Pointe Shores	Government	<u>59</u>
Total		313

(1) As of December 1, 2015

SOURCE: Village of Grosse Pointe Shores, A Michigan City