

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

**FINANCIAL STATEMENTS**

**June 30, 2017**

Village of Grosse Pointe Shores, A Michigan City

Wayne and Macomb Counties, Michigan

June 30, 2017

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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, 2017, 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, 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, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Change in Accounting Principles***

As discussed in Note N to the financial statements, the City implemented GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during the year. This statement improves the usefulness of information about other post-employment benefits (OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability. 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 statement, 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.

*Stevens Kirinovic & Tucker, P.C.*

STEVENS, KIRINOVIC & TUCKER, P.C.  
Certified Public Accountants

November 21, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

**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, 2017. 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, 2017:

- Property tax revenues, the City's largest source of revenue, increased \$258,912 from 2016.
- General Fund balance increased \$336,300 as a result of current year activity.
- Net pension liability decreased \$1,093,361 due to changes in assumptions and experience.

Standard and Poor's has the City rated at 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, 2017

**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 13-40 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, 2017, and June 30, 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
Current and Other Assets	\$ 3,092,454	\$ 2,571,979	\$ 2,000,565	\$ 1,535,728	\$ 5,093,019	\$ 4,107,707
Capital Assets	5,466,885	5,303,543	9,421,967	9,675,318	14,888,852	14,978,861
<b>Total Assets</b>	<b>\$ 8,559,339</b>	<b>\$ 7,875,522</b>	<b>\$ 11,422,532</b>	<b>\$ 11,211,046</b>	<b>\$ 19,981,871</b>	<b>\$ 19,086,568</b>
Deferred Outflows of Resources	\$ 2,262,854	\$ 5,245,762	\$ 267,841	\$ 375,226	\$ 2,530,695	\$ 5,620,988
Current Liabilities	\$ 976,322	\$ 800,775	\$ 669,493	\$ 641,159	\$ 1,645,815	\$ 1,441,934
Noncurrent Liabilities	13,540,261	14,265,012	4,812,289	5,092,159	18,352,550	19,357,171
<b>Total Liabilities</b>	<b>\$ 14,516,583</b>	<b>\$ 15,065,787</b>	<b>\$ 5,481,782</b>	<b>\$ 5,733,318</b>	<b>\$ 19,998,365</b>	<b>\$ 20,799,105</b>
Deferred Inflows of Resources	\$ 654,366	\$ -	\$ 22,022	\$ -	\$ 676,388	\$ -0-
<b>Net Position</b>						
Net Investment in Capital Assets	\$ 2,268,319	\$ 1,817,305	\$ 4,792,833	\$ 4,878,419	\$ 7,061,152	\$ 6,695,724
Restricted	555,668	542,378	-	-	555,668	542,378
Unrestricted	(7,172,743)	(4,304,186)	1,393,736	974,535	(5,779,007)	(3,329,651)
<b>Total Net Position</b>	<b>\$ (4,348,756)</b>	<b>\$ (1,944,503)</b>	<b>\$ 6,186,569</b>	<b>\$ 5,852,954</b>	<b>\$ 1,837,813</b>	<b>\$ 3,908,451</b>

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

**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 of resources exceeded liabilities and deferred inflows of resources by \$1,837,813 as of June 30, 2017. A portion of the City's net position, (\$5,779,007), reflects its negative 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 \$7,061,152 at June 30, 2017. 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, \$555,668 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 \$2,176,770 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, 2017 and 2016.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2017	2016	2017	2016	2017	2016
<b>Revenues</b>						
Program Revenues						
Charges for services	\$ 797,152	\$ 782,248	\$ 2,544,184	\$ 2,445,580	\$ 3,341,336	\$ 3,227,828
Operating grants and contributions	281,866	282,129	-	-	281,866	282,129
Capital grants and contributions	-	-	232,363	-	232,363	-0-
General Revenues						
Property Taxes	4,952,823	4,693,911	-	-	4,952,823	4,693,911
State Shared Revenue	252,023	234,867	-	-	252,023	234,867
Investment Earnings	11,880	4,633	1,193	811	13,073	5,444
Miscellaneous	216,549	290,513	-	-	216,549	290,513
Transfers	(59,113)	(271,120)	59,113	271,120	-0-	-0-
<b>Total Revenues</b>	<b>6,453,180</b>	<b>6,017,181</b>	<b>2,836,853</b>	<b>2,717,511</b>	<b>9,290,033</b>	<b>8,734,692</b>
<b>Expenses</b>						
General Government	1,979,614	1,311,055	-	-	1,979,614	1,311,055
Public Safety	4,335,186	4,906,955	-	-	4,335,186	4,906,955
Public Works	1,656,922	2,203,908	-	-	1,656,922	2,203,908
Health & Welfare	171,532	61,134	-	-	171,532	61,134
Community and Economic Development	71,950	17,869	-	-	71,950	17,869
Recreation & Culture	670,267	264,912	-	-	670,267	264,912
Other	78,094	85,126	2,503,238	2,403,387	2,581,332	2,488,513
<b>Total Expenses</b>	<b>8,963,565</b>	<b>8,850,959</b>	<b>2,503,238</b>	<b>2,403,387</b>	<b>11,466,803</b>	<b>11,254,346</b>
<b>Change in Net Position</b>	<b>\$ (2,510,385)</b>	<b>\$ (2,833,778)</b>	<b>\$ 333,615</b>	<b>\$ 314,124</b>	<b>\$ (2,176,770)</b>	<b>\$ (2,519,654)</b>

**Governmental Activities**

Governmental activities decreased the City's net position by \$2,510,385 during fiscal year 2017. The main reason for the decrease was a decrease in the deferred outflows of resources related to pension due to changes in assumptions, experience, and investment returns.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2017

**Business-type Activities**

Business-type activities increased the City's net position by \$333,615 during fiscal year 2017. The main reasons for the increase are the City's General Fund transfer to the Marina Fund, increased customer billings, and a one-time donation related to the expansion of the Ford House.

**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, 2017, 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 \$2,449,781 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 \$1,056,876 and \$336,860 respectively. The increase in net position for the Water and Sewer Water Fund for the fiscal year was \$227,283 and the increase for the Marina Fund was \$106,332 in 2017. 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 7.4 percent under budget mainly due to acquiring equipment through competitive vendors and thorough research of needs.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the City had approximately \$14,888,852 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. During the year new asset additions included a new police vehicle, new dump trucks and a utility vehicle along with updated public safety equipment. Refer to Note E for further capital asset details.

**Long-term Debt.** The City made principal payments on existing obligations in the amount of \$468,692. The carrying amount of the City's obligation for compensated absences was \$527,554 at year end. During the current year, the City acquired no new debt. 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. Several new construction projects are in the planning stages which will also increase the City's tax base.

**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, 2017

	Primary Government			Component Unit (Improvement Foundation)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,910,291	\$ 478,358	\$ 2,388,649	\$ 130,665
Investments	1,512,054	-	1,512,054	-
Receivables	349,246	578,346	927,592	-
Due from other governmental units	160,844	-	160,844	-
Internal balances	(937,234)	937,234	-0-	-
Inventory	7,247	5,650	12,897	-
Prepays	54,404	977	55,381	616
Total current assets	3,056,852	2,000,565	5,057,417	131,281
Noncurrent assets				
Investments	-	-	-0-	1,059,911
Investment in joint venture	35,602	-	35,602	-
Capital assets not being depreciated	1,040,856	237,417	1,278,273	-
Capital assets being depreciated, net	4,426,029	9,184,550	13,610,579	-
Total noncurrent assets	5,502,487	9,421,967	14,924,454	1,059,911
<b>TOTAL ASSETS</b>	<b>8,559,339</b>	<b>11,422,532</b>	<b>19,981,871</b>	<b>1,191,192</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on refunding	50,194	193,376	243,570	-
Deferred outflows of resources related to pensions	2,212,660	74,465	2,287,125	-
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>2,262,854</b>	<b>267,841</b>	<b>2,530,695</b>	<b>-0-</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	605,880	-	605,880	-
Accrued wages	19,444	323	19,767	-
Accrued interest payable	18,354	38,978	57,332	-
Unearned revenue	-	387,655	387,655	100
Current portion of compensated absences	40,862	-	40,862	-
Current portion of long-term debt	291,782	242,537	534,319	-
Total current liabilities	976,322	669,493	1,645,815	100
Noncurrent liabilities				
Other post-employment benefits obligation	3,509,344	-	3,509,344	-
Noncurrent portion of compensated absences	476,411	10,281	486,692	-
Noncurrent portion of long-term debt	2,956,978	4,579,973	7,536,951	-
Net pension liability	6,597,528	222,035	6,819,563	-
Total noncurrent liabilities	13,540,261	4,812,289	18,352,550	-0-
<b>TOTAL LIABILITIES</b>	<b>14,516,583</b>	<b>5,481,782</b>	<b>19,998,365</b>	<b>100</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Deferred inflows of resources related to pensions	654,366	22,022	676,388	-
<b>NET POSITION</b>				
Net investment in capital assets	2,268,319	4,792,833	7,061,152	-
Restricted				
Streets and highways	442,538	-	442,538	-
Sanitation	28,288	-	28,288	-
Public safety	80,853	-	80,853	-
Debt service	3,989	-	3,989	-
Expendable endowment	-	-	-0-	10,400
Nonexpendable endowment	-	-	-0-	655,000
Unrestricted	(7,172,743)	1,393,736	(5,779,007)	525,692
<b>TOTAL NET POSITION</b>	<b>\$ (4,348,756)</b>	<b>\$ 6,186,569</b>	<b>\$ 1,837,813</b>	<b>\$ 1,191,092</b>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit (Improvement Foundation)
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,979,614	\$ 525,677	\$ 34,200	\$ -	\$ (1,419,737)	\$ -	\$ (1,419,737)	\$ -
Public safety	4,335,186	26,408	21,842	-	(4,286,936)	-	(4,286,936)	-
Public works	1,656,922	179,462	225,824	-	(1,251,636)	-	(1,251,636)	-
Health and welfare	171,532	65,605	-	-	(105,927)	-	(105,927)	-
Community and economic development	71,950	-	-	-	(71,950)	-	(71,950)	-
Recreation and culture	670,267	-	-	-	(670,267)	-	(670,267)	-
Interest and fees on long-term debt	78,094	-	-	-	(78,094)	-	(78,094)	-
Total governmental activities	8,963,565	797,152	281,866	-0-	(7,884,547)	-0-	(7,884,547)	-0-
Business-type activities								
Water and sewer	2,254,317	2,315,124	-	232,363	-	293,170	293,170	-
Marina	248,921	229,060	-	-	-	(19,861)	(19,861)	-
Total business-type activities	2,503,238	2,544,184	-0-	232,363	-0-	273,309	273,309	-0-
Total primary government	<u>\$ 11,466,803</u>	<u>\$ 3,341,336</u>	<u>\$ 281,866</u>	<u>\$ 232,363</u>	(7,884,547)	273,309	(7,611,238)	-0-
Component unit								
Grosse Pointe Shores Improvement Foundation	<u>\$ 42,485</u>	<u>\$ -</u>	<u>\$ 89,797</u>	<u>\$ -</u>	-	-	-0-	47,312
General revenues								
Property taxes					4,952,823	-	4,952,823	-
State shared revenue					252,023	-	252,023	-
Investment earnings					11,880	1,193	13,073	83,952
Miscellaneous					216,549	-	216,549	69
Transfers					(59,113)	59,113	-0-	-
Total general revenues and transfers					5,374,162	60,306	5,434,468	84,021
Change in net position					(2,510,385)	333,615	(2,176,770)	131,333
Restated net position, beginning of the year					(1,838,371)	5,852,954	4,014,583	1,059,759
Net position, end of the year					<u>\$ (4,348,756)</u>	<u>\$ 6,186,569</u>	<u>\$ 1,837,813</u>	<u>\$ 1,191,092</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

BALANCE SHEET

June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,498,821	\$ 411,470	\$ 1,910,291
Investments	1,512,054	-	1,512,054
Accounts receivable	349,246	-	349,246
Due from other governmental units	117,161	43,683	160,844
Due from other funds	19,468	110,049	129,517
Inventory	7,247	-	7,247
Prepays	54,404	-	54,404
	<u>3,558,401</u>	<u>565,202</u>	<u>4,123,603</u>
<b>TOTAL ASSETS</b>	<b>\$ 3,558,401</b>	<b>\$ 565,202</b>	<b>\$ 4,123,603</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 605,880	\$ -	\$ 605,880
Accrued wages	19,444	-	19,444
Due to other funds	1,047,283	19,468	1,066,751
	<u>1,672,607</u>	<u>19,468</u>	<u>1,692,075</u>
<b>TOTAL LIABILITIES</b>	<b>1,672,607</b>	<b>19,468</b>	<b>1,692,075</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	30,700	-	30,700
<b>FUND BALANCES</b>			
Nonspendable			
Inventory	7,247	-	7,247
Prepays	54,404	-	54,404
Restricted			
Streets and highways	-	442,538	442,538
Sanitation	28,288	-	28,288
Public safety	-	80,853	80,853
Debt service	-	22,343	22,343
Assigned			
Capital outlay	597,163	-	597,163
Subsequent year's expenditures	200,000	-	200,000
Unassigned	967,992	-	967,992
	<u>1,855,094</u>	<u>545,734</u>	<u>2,400,828</u>
<b>TOTAL FUND BALANCES</b>	<b>1,855,094</b>	<b>545,734</b>	<b>2,400,828</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 3,558,401</b>	<b>\$ 565,202</b>	<b>\$ 4,123,603</b>

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, 2017

**Total fund balances - governmental funds** \$ 2,400,828

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. 35,602

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	\$ 15,183,834	
Accumulated depreciation is	<u>(9,716,949)</u>	
Capital assets, net		5,466,885

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

Unavailable revenue		30,700
---------------------	--	--------

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	2,212,660	
Deferred inflows of resources related to pensions	<u>(654,366)</u>	
		1,558,294

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	(3,248,760)	
Deferred charges on refunding	50,194	
Other post-employment benefits obligation	(3,509,344)	
Accrued interest payable	(18,354)	
Compensated absences	(517,273)	
Net pension liability	<u>(6,597,528)</u>	
		<u>(13,841,065)</u>

**Net position of governmental activities** \$ (4,348,756)

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2017

	General Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 4,816,223	\$ 278,222	\$ 5,094,445
Intergovernmental	252,023	225,824	477,847
Licenses and permits	111,103	-	111,103
Charges for services	259,554	-	259,554
Fines and forfeits	258,383	26,408	284,791
Interest	11,398	482	11,880
Other	250,749	21,842	272,591
<b>TOTAL REVENUES</b>	<b>5,959,433</b>	<b>552,778</b>	<b>6,512,211</b>
<b>EXPENDITURES</b>			
Current			
General government	1,134,257	-	1,134,257
Public safety	2,449,781	20,728	2,470,509
Public works	806,683	172,075	978,758
Health and welfare	99,078	-	99,078
Community and economic development	41,321	-	41,321
Recreation and culture	367,389	-	367,389
Other	286,170	-	286,170
Capital outlay	222,717	113,455	336,172
Debt service	245,737	121,509	367,246
<b>TOTAL EXPENDITURES</b>	<b>5,653,133</b>	<b>427,767</b>	<b>6,080,900</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>	<b>306,300</b>	<b>125,011</b>	<b>431,311</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	225,000	80,000	305,000
Transfers out	(195,000)	(169,113)	(364,113)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>30,000</b>	<b>(89,113)</b>	<b>(59,113)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>336,300</b>	<b>35,898</b>	<b>372,198</b>
Fund balances, beginning of year	1,518,794	509,836	2,028,630
Fund balances, end of year	<u>\$ 1,855,094</u>	<u>\$ 545,734</u>	<u>\$ 2,400,828</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, 2017

**Net change in fund balances - total governmental funds** \$ 372,198

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. (22,648)

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	\$	351,948
Depreciation expense		(280,063)
Loss on disposal of capital assets		<u>(14,675)</u>

Excess of capital outlay over depreciation expense and loss on disposal 57,210

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 82

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>(6,275)</u>

287,672

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:

Decrease in net pension liability		1,057,435
(Decrease) in deferred outflows of resources related to pensions		(2,976,633)
(Increase) in deferred inflows of resources related to pensions		(654,366)
(Increase) in other post-employment benefits obligation		(616,300)
Decrease in accrued interest payable		1,480
(Increase) in accrued compensated absences		<u>(16,515)</u>

(3,204,899)

**Change in net position of governmental activities** \$ (2,510,385)

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2017

	Water and Sewer Fund	Marina Fund	Total
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 478,358	\$ 478,358
Accounts receivable	577,969	377	578,346
Due from other funds	916,854	20,380	937,234
Inventory	5,650	-	5,650
Prepays	977	-	977
Total current assets	1,501,450	499,115	2,000,565
Noncurrent assets			
Capital assets not being depreciated	237,417	-	237,417
Capital assets being depreciated, net	6,030,868	3,153,682	9,184,550
Total noncurrent assets	6,268,285	3,153,682	9,421,967
<b>TOTAL ASSETS</b>	<b>7,769,735</b>	<b>3,652,797</b>	<b>11,422,532</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred charges on refunding	55,844	137,532	193,376
Deferred outflows of resources related to pensions	74,465	-	74,465
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>130,309</b>	<b>137,532</b>	<b>267,841</b>
<b>LIABILITIES</b>			
Current liabilities			
Accrued wages payable	323	-	323
Accrued interest payable	9,590	29,388	38,978
Unearned revenue	254,788	132,867	387,655
Current portion of long-term debt	125,931	116,606	242,537
Total current liabilities	390,632	278,861	669,493
Noncurrent liabilities			
Compensated absences	10,281	-	10,281
Noncurrent portion of long-term debt	1,054,455	3,525,518	4,579,973
Net pension liability	222,035	-	222,035
Total noncurrent liabilities	1,286,771	3,525,518	4,812,289
<b>TOTAL LIABILITIES</b>	<b>1,677,403</b>	<b>3,804,379</b>	<b>5,481,782</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	22,022	-	22,022
<b>NET POSITION</b>			
Net investment in capital assets	5,143,743	(350,910)	4,792,833
Unrestricted	1,056,876	336,860	1,393,736
<b>TOTAL NET POSITION</b>	<b>\$ 6,200,619</b>	<b>\$ (14,050)</b>	<b>\$ 6,186,569</b>

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, 2017

	Water and Sewer Fund	Marina Fund	Total
OPERATING REVENUES			
Customer billings	\$ 2,315,124	\$ -	\$ 2,315,124
Other charges for services	-	229,060	229,060
	<u>2,315,124</u>	<u>229,060</u>	<u>2,544,184</u>
TOTAL OPERATING REVENUES	2,315,124	229,060	2,544,184
OPERATING EXPENSES			
Water supply and sewage disposal	1,259,597	-	1,259,597
Repairs and maintenance	309,466	23,565	333,031
General and administrative	170,835	10,550	181,385
Utilities	-	8,076	8,076
Depreciation and amortization	480,046	81,409	561,455
	<u>2,219,944</u>	<u>123,600</u>	<u>2,343,544</u>
TOTAL OPERATING EXPENSES	2,219,944	123,600	2,343,544
OPERATING INCOME	95,180	105,460	200,640
NONOPERATING REVENUES (EXPENSES)			
Interest expenses and fees	(34,373)	(125,321)	(159,694)
Interest revenue	-	1,193	1,193
	<u>(34,373)</u>	<u>(124,128)</u>	<u>(158,501)</u>
TOTAL NONOPERATING REVENUES (EXPENSES)	(34,373)	(124,128)	(158,501)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	60,807	(18,668)	42,139
CAPITAL CONTRIBUTIONS	232,363	-	232,363
TRANSFERS			
Transfers in	159,113	125,000	284,113
Transfers out	(225,000)	-	(225,000)
	<u>(65,887)</u>	<u>125,000</u>	<u>59,113</u>
TOTAL TRANSFERS	(65,887)	125,000	59,113
CHANGE IN NET POSITION	227,283	106,332	333,615
Net position, beginning of year	<u>5,973,336</u>	<u>(120,382)</u>	<u>5,852,954</u>
Net position, end of year	<u>\$ 6,200,619</u>	<u>\$ (14,050)</u>	<u>\$ 6,186,569</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, 2017

	Water and Sewer Fund	Marina Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 2,258,102	\$ 225,450	\$ 2,483,552
Cash paid to other funds	(305,683)	(124,343)	(430,026)
Cash paid to suppliers	(1,571,090)	(31,641)	(1,602,731)
Cash paid to employees	(87,563)	(10,550)	(98,113)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>293,766</b>	<b>58,916</b>	<b>352,682</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(225,000)	-	(225,000)
Transfers in	159,113	125,000	284,113
<b>NET CASH PROVIDED (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(65,887)</b>	<b>125,000</b>	<b>59,113</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Purchase of capital assets	(301,129)	-	(301,129)
Capital contributions	232,363	-	232,363
Principal payments on long-term debt	(124,740)	(50,000)	(174,740)
Interest payments on long-term debt	(34,373)	(133,917)	(168,290)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(227,879)</b>	<b>(183,917)</b>	<b>(411,796)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	1,193	1,193
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-0-</b>	<b>1,192</b>	<b>1,192</b>
Cash and cash equivalents, beginning of year	-	477,166	477,166
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ 478,358</u>	<u>\$ 478,358</u>

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2017

	Water and Sewer Fund	Marina Fund	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 95,180	\$ 105,460	\$ 200,640
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation and amortization	480,046	81,409	561,455
(Increase) decrease in:			
Accounts receivable	(31,496)	(96)	(31,592)
Due from other funds	(305,683)	(20,380)	(326,063)
Inventory	(2,050)	-	(2,050)
Prepays	23	-	23
Deferred outflows of resources related to pensions	122,427	-	122,427
Increase (decrease) in:			
Accrued wages	(1,822)	-	(1,822)
Compensated absences	(1,407)	-	(1,407)
Due to other funds	-	(103,963)	(103,963)
Unearned revenue	(25,526)	(3,514)	(29,040)
Net pension liability	(35,926)	-	(35,926)
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 293,766</u>	 <u>\$ 58,916</u>	 <u>\$ 352,682</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	<u>Fiduciary Trust Funds</u>	<u>Trust and Agency Fund</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 119,675	\$ 104,997
Investments		
Equity securities	17,777,749	-
U.S. government securities	117,710	-
Foreign bonds	252,108	-
Corporate bonds	4,289,783	-
Interest receivable	81,455	-
Prepays	17,076	-
	<u>22,655,556</u>	<u>\$ 104,997</u>
<b>TOTAL ASSETS</b>		
	22,655,556	\$ 104,997
<b>LIABILITIES</b>		
Due to individuals and agencies	<u>5,338</u>	<u>\$ 104,997</u>
<b>NET POSITION</b>		
Held in trust for pension and other employee benefits	<u>\$ 22,650,218</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, 2017

	<u>Fiduciary Trust Funds</u>
ADDITIONS	
Investment income	
Interest, dividends, and net realized income on investments	\$ 706,596
Net change in fair value of investments	1,160,408
Less investment expenses	<u>(53,375)</u>
Net investment income	1,813,629
Contributions	
Employer	439,565
Employee	<u>115,926</u>
Total contributions	<u>555,491</u>
TOTAL ADDITIONS	2,369,120
DEDUCTIONS	
Pension benefit payments	1,316,176
Healthcare benefit payments	393,770
Administrative expenses	<u>72,246</u>
TOTAL DEDUCTIONS	<u>1,782,192</u>
CHANGE IN NET POSITION	586,928
Net position, beginning of year	<u>22,063,290</u>
Net position, end of year	<u><u>\$ 22,650,218</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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, 2017

**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 \$35,602 at June 30, 2017, 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, 2017

**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, 2017

**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, 2017

**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, 2017, the City levied 14.5767 mills for general governmental services, 1.9625 mills for refuse services, 1.0759 mills for the retirement system, 1.0735 mills for debt service, and 0.1908 mills for Public Act 359 activities. The total taxable value for the 2016 levy for the property within the City was \$261,627,394.

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, 2017

**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 differences between expected and actual experience, 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 deferred inflows of resources related to pensions as the result of differences between expected and actual experience and changes in assumptions. The City also 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.

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, 2017, 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, 2017

**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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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, 2017, the carrying amount of the primary government's deposits was \$3,985,375 and the bank balance was \$4,110,411.

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, 2017, \$1,250,000 of the primary government accounts were FDIC insured while \$2,860,411 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 \$130,665. 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, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate bonds	\$ 4,289,783	2.78 years
Foreign bonds	252,108	0.21 years
U.S. government obligations	117,710	1.55 years

The fair value of the component unit's investments as of December 31, 2016, was \$1,059,911. 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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, 2017:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate bonds	\$ 727,361	AA
Corporate bonds	1,630,743	A
Corporate bonds	1,931,679	BBB
Foreign bonds	252,108	BBB
U.S. government obligations	117,710	N/A

The ratings for investments held by the component unit as of December 31, 2016, 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, 2017, are as follows:

<u>Issuer Name</u>	<u>Fair Value</u>	<u>Percentage of Overall Investments</u>
Barings Core Property Fund	\$ 1,264,185	5.60%

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, 2017

**NOTE B: DEPOSITS AND INVESTMENTS - CONTINUED**

Fair Value Measurements - continued

The primary government had the following recurring fair value measurements as of June 30, 2017:

<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	\$ 4,289,783	\$ -	\$ 4,289,783	\$ -
Foreign bonds	252,108	-	252,108	-
U.S. governmental obligations	117,710	117,710	-	-
Total debt securities	4,659,601	117,710	4,541,891	-0-
Equity Securities				
Domestic equity	16,149,449	16,149,449	-	-
Foreign equity	1,055,566	1,055,566	-	-
Real estate	132,320	132,320	-	-
Mutual funds	440,414	440,414	-	-
Total equity securities	17,777,749	17,777,749	-0-	-0-
Total investments by fair value level	22,437,350	<u>\$ 17,895,459</u>	<u>\$ 4,541,891</u>	<u>\$ -0-</u>
Investments measured at the net asset value (NAV)				
Short-term investments	95,001			
Other investments	44,349			
Total investments measured at NAV	139,350			
Total investments measured at fair value	<u>\$ 22,576,700</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, 2017 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, 2017

**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	\$ 95,001	\$ -	None	N/A
Other investments	<u>44,349</u>	<u>-</u>	None	N/A
Total investments measured at the NAV	<u>\$ 139,350</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, 2017:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,388,649	\$ 224,672	\$ 130,665	\$ 2,743,986
Investments	<u>1,512,054</u>	<u>22,437,350</u>	<u>1,059,911</u>	<u>25,009,315</u>
	<u>\$ 3,900,703</u>	<u>\$ 22,662,022</u>	<u>\$ 1,190,576</u>	<u>\$ 27,753,301</u>

**NOTE C: INTERFUND PAYABLES AND RECEIVABLES**

The amount of interfund receivables and payables at June 30, 2017, are as follows:

Due to General Fund from: Nonmajor governmental funds	<u>\$ 19,468</u>
Due to nonmajor governmental funds from: General Fund	<u>\$ 110,049</u>
Due to Water and Sewer Fund from: General Fund	<u>\$ 916,854</u>
Due to Marina Fund from: General Fund	<u>\$ 20,380</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, 2017

**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>\$ 159,113</u>
Transfers to Marina Fund from:	
General Fund	<u>\$ 125,000</u>

The transfers from the Water and Sewer Fund to the General Fund were for operational costs. Transfers from the General Fund and nonmajor governmental funds to other nonmajor governmental funds (Major Street and Local Street Funds) were to 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, 2017, was as follows:

**Governmental Activities**

	Restated Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 893,959	\$ -	\$ -	\$ 893,959
Construction in progress	<u>-</u>	<u>146,897</u>	<u>-</u>	<u>146,897</u>
Capital assets not being depreciated	893,959	146,897	-0-	1,040,856
Capital assets being depreciated				
Land improvements	827,850	-	-	827,850
Machinery and equipment	661,572	53,606	(23,700)	691,478
Buildings	1,554,030	-	-	1,554,030
Vehicles	1,418,135	151,445	(86,544)	1,483,036
Infrastructure	<u>9,586,584</u>	<u>-</u>	<u>-</u>	<u>9,586,584</u>
Subtotal	14,048,171	205,051	(110,244)	14,142,978

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Governmental Activities - Continued**

	Restated Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Less accumulated depreciation for:				
Land improvements	\$ (655,419)	\$ (10,584)	\$ -	\$ (666,003)
Machinery and equipment	(421,971)	(22,793)	23,700	(421,064)
Buildings	(951,721)	(25,086)	-	(976,807)
Vehicles	(1,090,388)	(60,658)	71,869	(1,079,177)
Infrastructure	(6,412,956)	(160,942)	-	(6,573,898)
Subtotal	(9,532,455)	(280,063)	95,569	(9,716,949)
Net capital assets being depreciated	4,515,716	(75,012)	(14,675)	4,426,029
Capital assets, net	<u>\$ 5,409,675</u>	<u>\$ 71,885</u>	<u>\$ (14,675)</u>	<u>\$ 5,466,885</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 20,146
Public safety	31,313
Public works	207,695
Recreation and culture	20,909
	<u>\$ 280,063</u>

**Business-type Activities**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Capital assets not being depreciated				
Land	\$ 5,053	\$ -	\$ -	\$ 5,053
Construction in process	-	232,364	-	232,364
Capital assets not being depreciated	5,053	232,364	-0-	237,417
Capital assets being depreciated				
Vehicles	121,231	68,765	-	189,996
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	68,765	-0-	33,060,729

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Business-type Activities - Continued**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017
Less accumulated depreciation for:				
Vehicles	\$ (87,266)	\$ (6,175)	\$ -	\$ (93,441)
Machinery and equipment	(18,700)	-	-	(18,700)
Buildings	(234,500)	-	-	(234,500)
Infrastructure	(17,201,449)	(470,917)	-	(17,672,366)
Marina	(5,779,784)	(77,388)	-	(5,857,172)
Subtotal	<u>(23,321,699)</u>	<u>(554,480)</u>	<u>-0-</u>	<u>(23,876,179)</u>
Net capital assets being depreciated	<u>9,670,265</u>	<u>(485,715)</u>	<u>-0-</u>	<u>9,184,550</u>
Capital assets, net	<u>\$ 9,675,318</u>	<u>\$ (253,351)</u>	<u>\$ -0-</u>	<u>\$ 9,421,967</u>

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

Water and sewer	\$ 477,092
Marina	<u>77,388</u>
	<u>\$ 554,480</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, 2017:

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Governmental activities					
2013 General obligation refunding bonds	\$ 972,085	\$ -	\$ (95,260)	\$ 876,825	\$ 93,095
2013 General obligation refunding bonds premium	27,673	-	(3,075)	24,598	3,075
2013 Honeywell installment purchase agreement	2,542,949	-	(195,612)	2,347,337	195,612
Compensated absences	<u>500,758</u>	<u>68,877</u>	<u>(52,362)</u>	<u>517,273</u>	<u>40,862</u>
Total governmental activities	4,043,465	68,877	(346,309)	3,766,033	332,644

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE F: LONG-TERM DEBT - CONTINUED**

	Balance July 1, 2016	Additions	Deletions	Balance June 30, 2017	Amounts Due Within One Year
Business-type activities					
General obligation bonds					
2007 Limited tax bonds	\$ 50,000	\$ -	\$ (50,000)	\$ -0-	\$ -
2007 Limited tax bonds discount	(4,021)	-	4,021	-0-	-
2013 General obligation refunding bonds	1,272,915	-	(124,740)	1,148,175	121,905
2013 General obligation refunding bonds premium	36,237	-	(4,026)	32,211	4,026
2016 General obligation refunding bonds	3,310,000	-	-	3,310,000	100,000
2016 General obligation refunding bonds premium	332,124	-	-	332,124	16,606
Compensated absences	11,688	2,179	(3,586)	10,281	-
Total business-type activities	<u>5,008,943</u>	<u>2,179</u>	<u>(178,331)</u>	<u>4,832,791</u>	<u>242,537</u>
	<u>\$ 9,052,408</u>	<u>\$ 71,056</u>	<u>\$ (524,640)</u>	<u>\$ 8,598,824</u>	<u>\$ 575,181</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.

\$ 876,825

\$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.

2,347,337

\$ 3,224,162

Business-type Activities

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

\$ 1,148,175

\$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

\$ 4,458,175

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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
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	303,862	44,482	241,750	126,416
2023-2027	1,361,260	109,367	1,211,795	481,215
2028-2032	391,222	8,020	945,000	290,850
2033-2037	-	-	1,155,000	90,575
	<u>\$ 3,224,162</u>	<u>\$ 407,328</u>	<u>\$ 4,458,175</u>	<u>\$ 1,554,639</u>

Advance Refunding - Prior

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, 2017, 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.

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, 2017, bonds due and payable October 1, 2017 through October 1, 2024 for the 2004 Unlimited Tax General Obligation Bonds in the amount of \$2,000,000 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, 2017, the dollar amount of these vested rights, including related payroll taxes, amounted to \$517,273 and \$10,281 for sick leave in government activities and business-type activities, respectively.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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, 2017:

Estimated liability - July 1, 2016	\$ -
Estimated claims incurred including changes in estimates	418,068
Claim payments	<u>(418,068)</u>
Estimated liability - June 30, 2017	<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, 2017

**NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Plan Membership

At June 30, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	31
Inactive plan members entitled to but not yet receiving benefits	7
Active members	<u>23</u>
	<u><u>61</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, 2017

**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 37<sup>th</sup> 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, 2017, 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 3.00 percent of the first \$4,200 of annual salary plus 5.00 percent of annual salary in excess of \$4,200. Public safety participants are required to contribute 7.00 percent of their annual salary. All members contribute 0.50 percent for medical. Employer contributions are determined by actuarially determined rates. Computed employer contribution rates for the year ended June 30, 2017, were 19.27 percent for general employees and 19.27 percent for public safety employees. Administrative costs associated with the plan are financed through investment earnings. For the year ended June 30, 2017, the City contributed \$309,565 to the Plan.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE H: DEFINED BENEFIT PENSION PLAN - CONTINUED**

Net Pension Liability

The net pension liability reported at June 30, 2017 was determined using a measure of the total pension liability and the pension net position as of June 30, 2017. The June 30, 2017 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:

	Increase (Decrease)		Net Pension (Asset) Liability (a)-(b)
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	
<u>Changes in Net Pension Liability</u>			
Balances at June 30, 2016	\$ 27,890,528	\$ 19,977,604	\$ 7,912,924
Service cost	519,938	-	519,938
Interest on total pension liability	1,457,098	-	1,457,098
Differences between expected and actual experience	21,894	-	21,894
Changes in assumptions	(998,215)	-	(998,215)
Employer contributions	-	309,565	(309,565)
Employee contributions	-	107,273	(107,273)
Net investment income	-	1,749,484	(1,749,484)
Benefit payments, including employee refunds	(1,316,176)	(1,316,176)	-0-
Administrative expense	-	(72,246)	72,246
Net changes	<u>(315,461)</u>	<u>777,900</u>	<u>(1,093,361)</u>
Balances at June 30, 2017	<u>\$ 27,575,067</u>	<u>\$ 20,755,504</u>	<u>\$ 6,819,563</u>

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

For the year ended June 30, 2017, the City recognized pension expense of \$5,208,826. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 186,246	\$ 10,911
Changes in assumptions	1,905,996	665,477
Difference between expected and actual investment experience	194,883	-
	<u>\$ 2,287,125</u>	<u>\$ 676,388</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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>
2018	\$ 1,567,720
2019	227,339
2020	(41,039)
2021	(143,283)

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2017, 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

Discount Rate

The discount rate used to measure the total pension liability was 5.60 percent. The discount rate used to measure the total pension liability as of the previous measurement date was 5.30 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 5.60 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	20.00%	7.00%
Equity Securities	80.00%	7.00%

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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 5.60 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 (4.60 percent) or 1 percent higher (6.60 percent) than the current rate:

	1% Decrease Rate 4.60%	Current Discount Rate 5.60%	1% Increase Rate 6.60%
City's net pension liability	\$ 10,375,561	\$ 6,819,563	\$ 3,844,768

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS**

Plan Description

The Village of Grosse Pointe Shores Retiree Health Care Plan is a single employer defined benefit plan administered by the City. The benefits are provided in accordance with labor contracts. Plan benefit provisions were established and may be amended under the authority of City Council. The plan does not issue a separate stand-alone financial statement.

Plan Membership

At June 30, 2017, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	31
Active members	<u>21</u>
	<u><u>52</u></u>

Benefits Provided

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).

Contributions

The Plan was established and is being funded under the authority of the City Council. The Plan's funding policy is that the employer will contribute amounts as able using the results of the actuarial valuation. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves.

Four retirees receiving health care benefits currently contribute \$250 per year toward the premium cost. Active eligible employees contribute 0.50 percent of their annual salary.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Investment Policy

The City may invest and reinvest the assets of the Plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. It is the policy of the Plan to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security. 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	20.00%	7.00%
Equity Securities	80.00%	7.00%

Summary of Significant Accounting Policies

For purposes of measuring the net other post-employment benefits (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the City's fiduciary net position have been determined on the same basis as they are reported for the City. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Funding Progress

For the year ended June 30, 2017, 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	202,513
Adjustment to annual required contribution	<u>(92,952)</u>
Annual OPEB cost (expense)	754,953
Contributions made	<u>(138,653)</u>
Increase in net OPEB obligation	616,300
Net OPEB obligation, beginning of year	<u>2,893,044</u>
Net OPEB obligation, end of year	<u><u>\$ 3,509,344</u></u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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,		
	2015	2016	2017
Annual OPEB cost	\$ 596,425	\$ 739,873	\$ 754,953
Percentage contributed	18%	19%	18%
Net OPEB obligation	\$ 2,291,243	\$ 2,893,044	\$ 3,509,344

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
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%

Net OPEB Liability

The components of the net OPEB liability of the City at June 30, 2017, were as follows:

Total OPEB liability	\$ 12,279,748
Plan fiduciary net position	<u>1,900,052</u>
City's net OPEB liability	<u>\$ 10,379,696</u>
Plan fiduciary net position as a percentage of the total OPEB liability	15.47%

Actuarial Methods and Assumptions

The total OPEB liability was determined based on the annual actuarial valuation as of June 30, 2017. The following actuarial assumptions were applied to compute the total pension liability:

Actuarial cost method	Entry age
Pre-Retirement Medical Inflation	6.00% for the year of valuation, graded down to 5.00% in 0.10% increments
Projected salary increases	3.00%
Mortality rates	RP-2014 Healthy Annuitant Mortality Table

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE I: OTHER POST-EMPLOYMENT BENEFITS - CONTINUED**

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the 7.00 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 GASB Statement No. 74.

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

The following presents the City's net OPEB liability, calculated using the discount rate of 7.00 percent, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1 percent lower (6.00 percent) or 1 percent higher (8.00 percent) than the current rate:

	<u>1.00% Decrease Rate 6.00%</u>	<u>Current Discount Rate 7.00%</u>	<u>1.00% Increase Rate 8.00%</u>
City's net OPEB liability	\$ 12,275,376	\$ 10,379,696	\$ 8,837,075

Medical Inflation Rate

The medical inflation rate used to measure the total OPEB liability was 6.00 percent in the first year, decreasing in 0.10 percent increments over the following 10 years to an ultimate assumed rate of 5.00 percent.

Sensitivity of the Net OPEB Liability to Changes in the Medical Inflation Rate

The following presents the City's net OPEB liability, calculated using the assumed medical inflation rate, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1.00 percent lower (5.00 percent, decreasing to 4.00 percent) or 1.00 percent higher (7.00 percent, decreasing to 6.00 percent) than the current rate:

	<u>1.00% Decrease Rate 5.00%-4.00%</u>	<u>Current Discount Rate 6.00%-5.00%</u>	<u>1.00% Increase Rate 7.00%-6.00%</u>
City's net OPEB liability	\$ 11,511,640	\$ 10,379,696	\$ 12,358,583

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**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, 2017:

REVENUES		
Permits	\$	109,455
EXPENDITURES		
Salaries and wages		40,356
Supplies and other		28,253
		<hr/>
TOTAL EXPENDITURES		68,609
		<hr/>
EXCESS OF REVENUES OVER EXPENDITURES		40,846
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES		(251,651)
		<hr/>
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	\$	(210,805)
		<hr/> <hr/>

**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, 2017

**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: RESTATEMENT OF BEGINNING NET POSITION**

Beginning net position has been restated for governmental activities to correct an error in financial reporting as follows:

	<u>Governmental Activities</u>
Beginning net position	\$ (1,944,503)
Understated capital assets, net of accumulated depreciation	<u>106,132</u>
Restated beginning net position	<u><u>\$ (1,838,371)</u></u>

**NOTE M: 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 N: CHANGE IN ACCOUNTING PRINCIPLES**

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The statement improves the usefulness of information about other postemployment benefits (OPEB) included in the general purpose external financial reports of state and local government OPEB plans for making decisions and assessing accountability.

**NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS**

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE O: UPCOMING ACCOUNTING PRONOUNCEMENTS - CONTINUED**

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is current evaluating the impact this standard will have on the financial statements when adopted during the 2018-2019 fiscal year.

In June 2017, the GASB issued Statement No. 87, *Leases*. The statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

**NOTE P: DEFICIT NET POSITION**

The Marina Fund has a negative total net position at June 30, 2017. 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, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 4,855,734	\$ 4,809,886	\$ 4,816,223	\$ 6,337
Intergovernmental	237,500	252,020	252,023	3
Licenses and permits	81,700	114,613	111,103	(3,510)
Charges for services	250,000	252,022	259,554	7,532
Fines and forfeits	245,000	257,300	258,383	1,083
Interest	2,500	9,350	11,398	2,048
Other	42,642	235,780	250,749	14,969
<b>TOTAL REVENUES</b>	<b>5,715,076</b>	<b>5,930,971</b>	<b>5,959,433</b>	<b>28,462</b>
<b>EXPENDITURES</b>				
Current				
General government				
City Council	18,800	21,300	21,227	73
Judicial	101,273	104,515	99,316	5,199
City Manager	275,115	286,910	274,853	12,057
Elections	36,802	37,319	34,766	2,553
Financial administration	267,742	294,380	285,062	9,318
Clerk	17,757	16,194	15,933	261
Assessor	24,500	32,725	31,012	1,713
City hall and grounds	416,051	385,616	372,088	13,528
Total general government	1,158,040	1,178,959	1,134,257	44,702
Public safety	2,934,413	2,819,270	2,646,189	173,081
Public works				
Sanitation	514,289	520,994	523,482	(2,488)
Building department	76,325	67,703	68,609	(906)
Other	304,771	333,652	339,979	(6,327)
Total public works	895,385	922,349	932,070	(9,721)
Community and economic development				
Planning and zoning	25,808	46,545	41,321	5,224

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2017

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture	\$ 575,009	\$ 607,015	\$ 367,389	\$ 239,626
Other				
Fringe benefits and insurance	267,042	286,188	286,170	18
Debt service	245,737	245,737	245,737	-0-
TOTAL EXPENDITURES	<u>6,101,434</u>	<u>6,106,063</u>	<u>5,653,133</u>	<u>452,930</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(386,358)	(175,092)	306,300	481,392
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	225,000	225,000	-0-
Transfers out	<u>(170,000)</u>	<u>(195,000)</u>	<u>(195,000)</u>	<u>-0-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>55,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-0-</u>
NET CHANGE IN FUND BALANCE	(331,358)	(145,092)	336,300	481,392
Fund balance, beginning of year	<u>1,518,794</u>	<u>1,518,794</u>	<u>1,518,794</u>	<u>-0-</u>
Fund balance, end of year	<u>\$ 1,187,436</u>	<u>\$ 1,373,702</u>	<u>\$ 1,855,094</u>	<u>\$ 481,392</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 Four Fiscal Years (ultimately ten fiscal years will be displayed)

	2017	2016	2015	2014
<b>CHANGE IN TOTAL PENSION LIABILITY</b>				
Service cost	\$ 519,938	\$ 391,500	\$ 344,632	\$ 364,859
Interest	1,457,098	1,484,890	1,429,644	1,458,099
Changes of benefit terms	-	-	-	(690,273)
Differences between expected and actual experience	21,894	435,726	(76,376)	(272,458)
Changes in assumptions	(998,215)	3,559,220	3,527,154	-
Benefit payments, including refunds of member contributions	<u>(1,316,176)</u>	<u>(1,470,893)</u>	<u>(1,249,151)</u>	<u>(1,209,880)</u>
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	<b>(315,461)</b>	<b>4,400,443</b>	<b>3,975,903</b>	<b>(349,653)</b>
<b>TOTAL PENSION LIABILITY, BEGINNING</b>	<b><u>27,890,528</u></b>	<b><u>23,490,085</u></b>	<b><u>19,514,182</u></b>	<b><u>19,863,835</u></b>
<b>TOTAL PENSION LIABILITY, ENDING (A)</b>	<b><u>\$ 27,575,067</u></b>	<b><u>\$ 27,890,528</u></b>	<b><u>\$ 23,490,085</u></b>	<b><u>\$ 19,514,182</u></b>
<b>CHANGE IN PLAN FIDUCIARY NET POSITION</b>				
Contributions - employer	\$ 309,565	\$ 292,262	\$ 223,369	\$ 358,599
Contributions - member	107,273	100,391	97,112	100,495
Net investment income	1,749,484	768,835	382,944	3,081,808
Benefit payments, including refunds of member contributions	(1,316,176)	(1,470,893)	(1,249,151)	(1,209,880)
Administrative expenses	(72,246)	(73,250)	(51,325)	(67,078)
Other	<u>-</u>	<u>-</u>	<u>(29,458)</u>	<u>-</u>
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	<b>777,900</b>	<b>(382,655)</b>	<b>(626,509)</b>	<b>2,263,944</b>
<b>PLAN FIDUCIARY NET POSITION, BEGINNING</b>	<b><u>19,977,604</u></b>	<b><u>20,360,259</u></b>	<b><u>20,986,768</u></b>	<b><u>18,722,824</u></b>
<b>PLAN FIDUCIARY NET POSITION, ENDING (B)</b>	<b><u>\$ 20,755,504</u></b>	<b><u>\$ 19,977,604</u></b>	<b><u>\$ 20,360,259</u></b>	<b><u>\$ 20,986,768</u></b>
<b>CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)</b>	<b><u>\$ 6,819,563</u></b>	<b><u>\$ 7,912,924</u></b>	<b><u>\$ 3,129,826</u></b>	<b><u>\$ (1,472,586)</u></b>
Plan fiduciary net position as a percentage of the total pension liability	75.27%	71.63%	86.68%	107.55%
Covered-employee payroll	\$ 1,730,705	\$ 1,606,430	\$ 1,563,622	\$ 1,670,564
City's net pension liability (asset) as a percentage of covered-employee payroll	394.03%	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>2017</u>	<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>
Actuarially determined contribution	\$ 309,565	\$ 292,262	\$ 223,369	\$ 358,599	\$ 513,066	\$ 505,463	\$ 545,753	\$ 579,300	\$ 447,258	\$ 397,613
Contributions in relation to the actuarially determined contribution	<u>309,565</u>	<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>
Contribution deficiency (excess)	<u>\$ -0-</u>									
Covered-employee payroll	\$ 1,730,705	\$ 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
Contributions as a percentage of covered-employee payroll	17.89%	18.19%	14.29%	21.47%	30.41%	27.44%	23.41%	23.01%	16.88%	15.80%

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF INVESTMENT RETURNS

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

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	7.71%	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, 2017

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>
2017	\$ 754,953	\$ 138,653	18.4%
2016	739,873	138,072	18.7%
2015	596,425	107,819	18.1%

Village of Grosse Pointe Shores, A Michigan City

Retired Employees' Health Care Benefits

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

Year Ended June 30, 2017

(Ultimately ten fiscal years will be displayed)

	<u>2017</u>
CHANGE IN TOTAL OPEB LIABILITY	
Service cost	\$ 259,780
Interest	823,042
Differences between expected and actual experience	(234,045)
Benefit payments, including refunds of member contributions	<u>(393,770)</u>
NET CHANGE IN TOTAL OPEB LIABILITY	455,007
TOTAL OPEB LIABILITY, BEGINNING	<u>11,824,741</u>
TOTAL OPEB LIABILITY, ENDING (A)	<u><u>\$ 12,279,748</u></u>
CHANGE IN PLAN FIDUCIARY NET POSITION	
Contributions - employer	\$ 130,000
Contributions - member	8,653
Net investment income	64,145
Benefit payments, including refunds of member contributions	<u>(393,770)</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(190,972)
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>2,091,024</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u><u>\$ 1,900,052</u></u>
CITY'S NET OPEB LIABILITY, ENDING (A)-(B)	<u><u>\$ 10,379,696</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	15.47%
Covered-employee payroll	\$ 1,811,884
City's net OPEB liability as a percentage of covered-employee payroll	572.87%

Village of Grosse Pointe Shores, A Michigan City

Retired Employees' Health Care Benefits

SCHEDULE OF CITY CONTRIBUTIONS

Year Ended June 30, 2017

(Ultimately ten years will be displayed)

	<u>2017</u>
Actuarially determined contribution	N/A
Employer contributions	<u>\$ 130,000</u>
Contribution deficiency (excess)	<u>N/A</u>
Covered-employee payroll	\$ 1,811,884
Contributions as a percentage of covered-employee payroll	7.17%

Actuarial valuation information relative to the determination of contributions:

Valuation date June 30, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Market
Pre-retirement medical inflation	6.00% for the year of valuation, graded down to 5.00% in 0.10% increments
Salary increases	3.00%
Investment rate of return	7.00%, net of plan investment expense
Mortality table	RP 2014

Village of Grosse Pointe Shores, A Michigan City

Retired Employees' Health Care Benefits

SCHEDULE OF INVESTMENT RETURNS

Year Ended June 30, 2017

(Ultimately ten years will be displayed)

	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	7.71%

Village of Grosse Pointe Shores, A Michigan City

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2017

**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, 2017, the City incurred expenditures in the General Fund and 911 Service Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Public works			
Sanitation	\$ 520,994	\$ 523,482	\$ 2,488
Building Department	67,703	68,609	906
Other	333,652	339,979	6,327
911 Service Fund	16,175	17,038	863

**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, 2017. The recognized rate of return on the smoothed funding value of assets of 7.71 percent versus the 7.0 percent long-term assumed rate was more than assumed and was the primary source of the favorable experience.

Changes in benefits - No changes during the year ended June 30, 2017.

Changes of assumptions - The discount rate used to measure the total pension liability was changed from 5.30 percent to 5.60 percent for the current measurement date.

## **OTHER SUPPLEMENTARY INFORMATION**

Village of Grosse Pointe Shores, A Michigan City

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2017

	Special		
	Major Street	Local Street	911 Service
<b>ASSETS</b>			
Cash and cash equivalents	\$ 200,877	\$ 210,593	\$ -
Due from other governmental units	30,447	13,236	-
Due from other funds	-	6,853	48,167
<b>TOTAL ASSETS</b>	<b>\$ 231,324</b>	<b>\$ 230,682</b>	<b>\$ 48,167</b>
<b>LIABILITIES</b>			
Due to other funds	\$ 19,468	\$ -	\$ -
<b>FUND BALANCES</b>			
Restricted			
Streets and highways	211,856	230,682	-
Public safety	-	-	48,167
Debt service	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>211,856</b>	<b>230,682</b>	<b>48,167</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 231,324</b>	<b>\$ 230,682</b>	<b>\$ 48,167</b>

<u>Revenue</u>		
<u>Drug Law Enforcement</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ -	\$ 411,470
-	-	43,683
<u>32,686</u>	<u>22,343</u>	<u>110,049</u>
<u>\$ 32,686</u>	<u>\$ 22,343</u>	<u>\$ 565,202</u>
\$ -	\$ -	\$ 19,468
-	-	442,538
32,686	-	80,853
<u>-</u>	<u>22,343</u>	<u>22,343</u>
<u>32,686</u>	<u>22,343</u>	<u>545,734</u>
<u>\$ 32,686</u>	<u>\$ 22,343</u>	<u>\$ 565,202</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, 2017

	Special		
	Major Street	Local Street	911 Service
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Intergovernmental - State	157,397	68,427	-
Fines and forfeits	-	-	-
Interest	264	218	-
Other	-	-	21,842
<b>TOTAL REVENUES</b>	<b>157,661</b>	<b>68,645</b>	<b>21,842</b>
<b>EXPENDITURES</b>			
Current			
Public safety	-	-	17,038
Public works	104,788	67,287	-
Capital outlay	113,455	-	-
Debt service	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>218,243</b>	<b>67,287</b>	<b>17,038</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(60,582)</b>	<b>1,358</b>	<b>4,804</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	50,000	30,000	-
Transfers out	(10,000)	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>40,000</b>	<b>30,000</b>	<b>-0-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(20,582)</b>	<b>31,358</b>	<b>4,804</b>
Fund balances, beginning of year	232,438	199,324	43,363
Fund balances, end of year	<u>\$ 211,856</u>	<u>\$ 230,682</u>	<u>\$ 48,167</u>

<u>Revenue</u>		
<u>Drug Law Enforcement</u>	<u>Debt Service</u>	<u>Total</u>
\$ -	\$ 278,222	\$ 278,222
-	-	225,824
26,408	-	26,408
-	-	482
-	-	21,842
<u>26,408</u>	<u>278,222</u>	<u>552,778</u>
3,690	-	20,728
-	-	172,075
-	-	113,455
-	121,509	121,509
<u>3,690</u>	<u>121,509</u>	<u>427,767</u>
22,718	156,713	125,011
-	-	80,000
-	(159,113)	(169,113)
<u>-0-</u>	<u>(159,113)</u>	<u>(89,113)</u>
22,718	(2,400)	35,898
<u>9,968</u>	<u>24,743</u>	<u>509,836</u>
<u>\$ 32,686</u>	<u>\$ 22,343</u>	<u>\$ 545,734</u>

Village of Grosse Pointe Shores, A Michigan City

Pension and Employee Benefits Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2017

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 119,675	\$ -	\$ 119,675
Investments			
Equity securities	17,777,749	-	17,777,749
U.S. government securities	117,710	-	117,710
Foreign bonds	252,108	-	252,108
Corporate bonds	4,289,783	-	4,289,783
Due from other funds	-	1,882,976	1,882,976
Interest receivable	81,455	-	81,455
Prepays	-	17,076	17,076
	<u>22,638,480</u>	<u>1,900,052</u>	<u>24,538,532</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Due to individuals and agencies	-	5,338	5,338
Due to other funds	1,882,976	-	1,882,976
	<u>1,882,976</u>	<u>5,338</u>	<u>1,888,314</u>
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Held in trust for pension and other employee benefits	<u>\$ 20,755,504</u>	<u>\$ 1,894,714</u>	<u>\$ 22,650,218</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, 2017

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
<b>ADDITIONS</b>			
Investment income			
Interest, dividends, and net realized income on investments	\$ 642,451	\$ 64,145	\$ 706,596
Net change in fair value of investments	1,160,408	-	1,160,408
Less investment expenses	<u>(53,375)</u>	<u>-</u>	<u>(53,375)</u>
Net investment income	1,749,484	64,145	1,813,629
Contributions			
Employer	309,565	130,000	439,565
Employee	<u>107,273</u>	<u>8,653</u>	<u>115,926</u>
Total contributions	<u>416,838</u>	<u>138,653</u>	<u>555,491</u>
<b>TOTAL ADDITIONS</b>	<b>2,166,322</b>	<b>202,798</b>	<b>2,369,120</b>
<b>DEDUCTIONS</b>			
Pension benefit payments	1,316,176	-	1,316,176
Healthcare benefit payments	-	393,770	393,770
Administrative expenses	<u>72,246</u>	<u>-</u>	<u>72,246</u>
<b>TOTAL DEDUCTIONS</b>	<u><b>1,388,422</b></u>	<u><b>393,770</b></u>	<u><b>1,782,192</b></u>
<b>CHANGE IN PLAN NET POSITION</b>	<b>777,900</b>	<b>(190,972)</b>	<b>586,928</b>
Net position, beginning of year	<u>19,977,604</u>	<u>2,085,686</u>	<u>22,063,290</u>
Net position, end of year	<u><u><b>\$ 20,755,504</b></u></u>	<u><u><b>\$ 1,894,714</b></u></u>	<u><u><b>\$ 22,650,218</b></u></u>

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

June 30, 2017

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 14.5767 mills for operating purposes, and 4.3027 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 2016/2017 fiscal year has not been rolled back by the Headlee Amendment.

**Tax Rates - Five Year History (1)**

<u>Levied July 1,</u>	<u>City Operating (2)</u>	<u>Refuse (3)</u>	<u>Pension (4)</u>	<u>Debt</u>	<u>PA 359 (7)</u>	<u>Total</u>
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
2016	14.5767	1.9625	1.0759	1.0735 (6)	0.1908	18.8794

- (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 5.4233 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 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

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**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 2016/2017 fiscal year.

**Fiscal Year 2016/2017 (1)**

	<b>Homestead Properties (2)</b>	<b>Non-Homestead Properties</b>
State Education Tax	6.0000	6.0000
Grosse Pointe Public Schools - Local	0.0000	18.0000
Sinking Fund	0.9936	0.9936
Debt	1.6222	1.6222
Supplement	6.6692	0.0000
South Lake Schools - Local	0.0000	17.7538
Debt	6.6500	6.6500
Supplement	4.8465	0.0000
Grosse Pointe Library	2.0613	2.0613
Wayne County	7.8220	7.8220
Macomb County	4.6014	4.6014
SMART	0.9974	0.9974
Wayne County Transit Authority	1.0000	1.0000
Wayne County Intermediate Schools	5.4643	5.4643
Macomb County Intermediate Schools	2.9355	2.9355
Wayne County Community College	3.2408	3.2408
Macomb Community College	1.4212	1.4212
Huron Clinton Metropolitan Authority	0.2146	0.2146
Detroit Zoological Authority - Wayne	0.1000	0.1000
Detroit Zoological Authority - Macomb	0.0997	0.0997
Detroit Institute of Arts - Wayne	0.2000	0.2000
Detroit Institute of Arts - Macomb	0.1994	0.1994
<b>Total Village of Grosse Pointe Shores - Wayne</b>	<b>\$ 54.2674</b>	<b>\$ 65.5982</b>
<b>Total Village of Grosse Pointe Shores - Macomb</b>	<b>\$ 46.8451</b>	<b>\$ 59.7524</b>

**Approximately 96% of the City's SEV is contained in the Grosse Pointe School District, which levies 20.6158 mills for non-principal mills and 9.285 mills for principal. South Lake Schools overlaps into the geographical boundary of the City with the millage rates of 24.4038 mills for non-principal and 11.4965 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

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**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 \$12,212,374 or 4.89% between 2012 and 2016. 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.)

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>Fiscal Year Ended June 30</u>	<u>State Equalized Valuation (1)</u>	<u>Ad Valorem Taxable Valuation (1)</u>
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
2015	2016	2017	316,954,035	261,637,691

Per Capita 2016 State Equalized Valuation is \$105,370 and Per Capita 2016 Ad Valorem Taxable Valuation is \$86,980 based on the 2010 U.S. Census population of 3,008.

(1) See "Property Tax" herein.

**Breakdown of 2016 Taxable Value:**

**By Use:**

Residential	98.2%
Personal	1.8%
Total	<u>100.0%</u>

**By Class:**

Residential	98.2%
Personal	1.8%
Total	<u>100.0%</u>

SOURCE: Village of Grosse Pointe Shores, A Michigan City

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**Property Tax Collections**

The City's fiscal year begins July 1<sup>st</sup>. Real and personal property taxes are due July 1<sup>st</sup> and payable through September 14<sup>th</sup> without penalty and/or interest. All property taxes unpaid as of March 1<sup>st</sup> 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 (1)	Collections to March 1, Year Following Levy	Percent Collected	Collections Plus Funding to to June 30, Year Following Levy (2)	% Collections Plus Funding to June 30, Year Following Levy
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	99.18%	4,595,769	100.00%
2016	4,684,927	4,620,437	98.62%	4,684,927	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 June 30,	Constitutional Component	Statutory/EVIP Component	Total
2013	\$ 220,227	\$ 9,320	\$ 229,547
2014	227,075	11,322	238,397
2015	231,713	10,068	241,781
2016	224,799	10,068	234,867
2017	240,677	10,068	250,745

SOURCE: Village of Grosse Pointe Shores, A Michigan City

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**General Fund Balance**

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

Fiscal Year Ended	Total Fund Balance	Undesignated/ Unassigned
2012	\$ 874,629	\$ 603,878
2013	990,902	791,600
2014	1,171,902	1,024,500
2015	1,327,345	1,064,636
2016	1,518,794	1,274,613

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 June 30, 2017.

2016 State Equalized Value (SEV)		\$ 316,954,035
Legal Debt Limit (10% of 2016 SEV)		31,695,404
Outstanding debt subject to limitation	\$ 6,857,967	
Less: Exempt obligations	-0-	6,857,967
Additional debt which can be legally incurred		\$ 24,837,437
Non-exempt debt outstanding as percentage of SEV		2.16%

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

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**Debt Statement**

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2017.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net Debt</u>	<u>Net Debt (1)</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
Limited Tax General Obligation Bonds (2)	\$ 3,310,000	\$ 3,310,000	\$ -0-		
2013 General Obligation Unlimited Tax Refunding Bonds (3)	2,025,000	-	2,025,000		
Installment Purchase Contract (Limited Tax General Obligation)	2,347,337	-	2,347,337		
<b>Total Direct Debt</b>	<b>\$ 7,682,337</b>	<b>\$ 3,310,000</b>	<b>\$ 4,372,337</b>	<b>\$ 1,454</b>	<b>1.67%</b>

  

<u>City Overlapping (4)</u>	<u>Gross</u>	<u>City Share as % of Gross</u>	<u>Net City Share</u>	<u>Net Debt (1)</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
Grosse Pointe School District	\$ 33,165,000	9.61%	\$ 3,187,157		
South Lake School District	26,000,000	2.24%	582,400		
Macomb - County at Large	319,931,085	0.04%	127,972		
Wayne - County at Large	284,016,436	0.66%	1,874,508		
Grosse Pointe Public Library	11,300,000	9.61%	1,085,930		
<b>Total Overlapping Debt</b>	<b>\$ 674,412,521</b>		<b>\$ 6,857,967</b>	<b>\$ 2,280</b>	<b>2.62%</b>
<b>Total City Direct and Overlapping Debt</b>	<b>\$ 682,094,858</b>		<b>\$ 11,230,304</b>	<b>\$ 3,733</b>	<b>4.29%</b>

(1) Based upon the City's 2010 Estimated U.S. Census population of 3,008 and 2016 Ad Valorem Taxable Valuation of \$261,637,691.

(2) Includes the bonds 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

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**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, 2017, the City's annual pension cost and required contribution was equal to the City's actual contribution of \$309,565. The annual required contribution was determined by an actuarial valuation of June 30, 2016.

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 31 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, 2017, this amounted to \$393,770.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

**Labor Contracts**

Approximately 75% 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, 2017 and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
A.F.S.C.M.E.	10	6/30/2018
P.O.L.C. - Grosse Pointe Shores Command Officers Association	7	6/30/2018
P.O.A.M. - Grosse Pointe Shores Public Safety Officers Association	10	6/30/2018
Non-Union Employees	9	-
<b>Total</b>	<b>36</b>	

SOURCE: Village of Grosse Pointe Shores, A Michigan City

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**Ten Largest Ad-Valorem Taxpayers**

The Taxable Value of each of the City's major taxpayers for the year 2017 is as follows:

<u>Name of Taxpayer</u>	<u>Entity</u>	<u>2017 Taxable Value</u>	<u>% of 2017 Taxable Valuation</u>
Grosse Pointe Yacht Club	County Club	\$ 2,940,711	1.09%
Ford, Martha F.	Resident	2,273,811	0.85%
Wilson, Mary McLean	Resident	2,150,388	0.80%
Anderson, James A.	Resident	2,131,000	0.79%
Alandt, Paul D.	Resident	1,736,840	0.64%
DTE Gas Company	Utility Company	1,645,300	0.61%
Stackpole, Stephen M.	Resident	1,528,875	0.57%
Policherla, Haranath	Resident	1,364,110	0.50%
Booth II, John L.	Resident	1,297,200	0.48%
Rahaim, James	Resident	1,227,882	0.45%
<b>Total</b>		<b><u><u>\$ 18,296,117</u></u></b>	<b><u><u>6.78%</u></u></b>

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	125
Edsel & Eleanor Ford House	Entertainment/Banquet Facilities	104
Village of Grosse Pointe Shores	Government	57
<b>Total</b>		<b><u><u>286</u></u></b>

(1) As of December 1, 2016

SOURCE: Village of Grosse Pointe Shores, A Michigan City