

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

**FINANCIAL STATEMENTS**

**June 30, 2013**

Village of Grosse Pointe Shores, A Michigan City

Wayne and Macomb Counties, Michigan

June 30, 2013

CITY COUNCIL

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Council Member

Robert Barrette, Jr.

Council Member

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Council Member

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Council Member

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Village of Grosse Pointe Shores, A Michigan City

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INDEPENDENT AUDITOR'S REPORT

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

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grosse Pointe Shores, a Michigan City (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

***Management's Responsibility for the Financial Statements***

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

***Auditor's Responsibility***

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

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

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

### ***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 primary government of Village of Grosse Pointe Shores, a Michigan City, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Changes in Accounting Principles***

As discussed in Note N, during the year the City implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. As a result of this implementation, the format and reporting of the financial statements has changed to reflect the new presentation as required by GASB Statements No. 63 and 65, as applicable. Our opinions are not modified with respect to these matters.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Information***

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

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

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

*Abraham & Gaffney, P.C.*

ABRAHAM & GAFFNEY, P.C.  
Certified Public Accountants

November 15, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**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, 2013. 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, 2013:

- Property tax revenues, the City's largest source of revenue, decreased \$258,128 from 2012.
- General Fund fund balance increased \$116,274 as a result of current year activity.

**Using this Annual Report**

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

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

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

**Fund Financial Statements.** The fund financial statements present a short-term view; they tell us how the taxpayers' resources were spent during the year, as well as how much is available for future spending. Fund financial statements also report the operations of the City in more detail than the government-wide financial statements by providing information about the City's most significant funds. The fiduciary fund statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government.

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

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

Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**Using this Annual Report - continued**

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

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

**Proprietary Funds.** The City maintains two (2) proprietary funds. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its sewer and water system 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 13-32 of this report.

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

**The City as a Whole**

The following table shows, in a condensed format, a comparative analysis of the net assets as of June 30, 2013, and June 30, 2012.

	Governmental Activities		Business-type Activities		Total Primary Government	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and Other Assets	\$ 1,814,956	\$ 1,571,747	\$ 1,250,257	\$ 942,091	\$ 3,065,213	\$ 2,513,838
Capital Assets	5,612,866	4,576,133	11,467,292	12,126,686	17,080,158	16,702,819
<b>Total Assets</b>	<b>\$ 7,427,822</b>	<b>\$ 6,147,880</b>	<b>\$ 12,717,549</b>	<b>\$ 13,068,777</b>	<b>\$ 20,145,371</b>	<b>\$ 19,216,657</b>
Current Liabilities	\$ 1,308,695	\$ 477,649	\$ 920,145	\$ 545,059	\$ 2,228,840	\$ 1,022,708
Noncurrent Liabilities	2,585,189	2,771,698	5,490,183	5,854,016	8,075,372	8,625,714
<b>Total Liabilities</b>	<b>\$ 3,893,884</b>	<b>\$ 3,249,347</b>	<b>\$ 6,410,328</b>	<b>\$ 6,399,075</b>	<b>\$ 10,304,212</b>	<b>\$ 9,648,422</b>
<b>Net Assets</b>						
Invested in Capital Assets (net of related debt)	\$ 4,464,172	\$ 3,362,489	\$ 5,631,080	\$ 5,944,445	\$ 10,095,252	\$ 9,306,934
Restricted	277,426	533,354	-	-	277,426	533,354
Unrestricted	(1,207,660)	(997,310)	676,141	725,257	(531,519)	(272,053)
<b>Total Net Assets</b>	<b>\$ 3,533,938</b>	<b>\$ 2,898,533</b>	<b>\$ 6,307,221</b>	<b>\$ 6,669,702</b>	<b>\$ 9,841,159</b>	<b>\$ 9,568,235</b>



Village of Grosse Pointe Shores, A Michigan City

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**The City as a Whole - continued**

Net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$9,841,159 as of June 30, 2013. A portion of the City's net assets, \$(531,519), reflects its balance of unrestricted net assets.

The City's net assets invested in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding were \$10,095,250 at June 30, 2013. 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 assets, \$277,426 represent 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 assets, however, the governmental activities net assets invested in capital assets net of related debt exceeded total net assets. Overall net assets were increased by \$272,924 during the current year as indicated below.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	\$ 613,842	\$ 579,497	\$ 1,971,608	\$ 1,542,292	\$ 2,585,450	\$ 2,121,789
Grants and contributions	1,025,860	201,831	-	-	1,025,860	201,831
General Revenues						
Property Taxes	4,592,832	4,850,960	-	-	4,592,832	4,850,960
State Shared Revenue	229,547	227,583	-	-	229,547	227,583
Investment Earnings	4,551	4,372	947	1,044	5,498	5,416
Miscellaneous	172,745	128,913	-	-	172,745	128,913
Transfers	(192,861)	(232,928)	192,861	232,928	-	-
Total Revenues	6,446,516	5,760,228	2,165,416	1,776,264	8,611,932	7,536,492
Expenses						
General Government	1,240,030	1,345,431	-	-	1,240,030	1,345,431
Public Safety	2,763,371	2,809,956	-	-	2,763,371	2,809,956
Public Works	1,341,049	1,351,961	-	-	1,341,049	1,351,961
Health & Welfare	85,431	74,425	-	-	85,431	74,425
Community and						
Economic Development	17,427	20,486	-	-	17,427	20,486
Recreation & Culture	315,434	331,367	-	-	315,434	331,367
Other	48,369	50,464	2,527,897	2,183,898	2,576,266	2,234,362
Total Expenses	5,811,111	5,984,090	2,527,897	2,183,898	8,339,008	8,167,988
Change in Net Assets	\$ 635,405	\$ (223,862)	\$ (362,481)	\$ (407,634)	\$ 272,924	\$ (631,496)

**Governmental Activities**

Governmental activities increased the City's net position by \$635,405 during fiscal year 2013. The main reason for the increase was an increase in revenue, in particular grants and contributions.

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2013

**Business-type Activities**

Business-type activities decreased the City's net assets by \$362,481 during fiscal year 2013. The main reason for the decline is that the cost of providing the utility services (including depreciation) is greater than what the City is currently charging. The majority (87%) of the revenue of the business-type activities is generated through user charges.

**The City's Funds**

**Governmental Funds.** The analysis of the City's major fund begins on page 3, following the government-wide financial statements. The fund financial statements provide detailed information about the governmental funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes. The City's major governmental fund for the fiscal year ended June 30, 2013, 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 \$2,281,108 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 Sewer and Water Fund and the Marina Fund at the end of the year amounted to \$593,714 and \$82,427 respectively. The decrease in net assets for the Sewer and Water Fund for the fiscal year was \$163,275 and the decrease for the Marina Fund was \$199,206 in 2013. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities.

**General Fund Budgetary Highlights**

Over the course of the fiscal year, the City Council made amendments to the budget as originally adopted. Actual revenues were approximately 1% more than budgeted mainly due to the tax levy generating more revenues than anticipated. Actual expenditures were approximately 4% under budget mainly due to sanitation department incurring less expenditures than anticipated.

**Capital Asset and Debt Administration**

**Capital Assets.** At the end of the fiscal year, the City had approximately \$17,080,158 invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. During the year new asset additions include reconstruction of Lake Shore Road, a new dump truck and a new police vehicle. The Lake Shore Road project was funded through a capital grant and the Michigan Department of Transportation.

**Long-term Debt.** The City made principal payments on existing obligations in the amount of \$415,000. The carrying amount of the City's obligation for compensated absences was \$627,806 at year end. Refer to Note F on pages 25 through 26 for further details related to the City's long-term debt.

**Current Economic Factors**

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

**Contacting the City's Management**

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

## **BASIC FINANCIAL STATEMENTS**

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF NET POSITION

June 30, 2013

	Primary Government			Component Unit (Improvement Foundation)
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 1,950,678	\$ 474,453	\$ 2,425,131	\$ 165,635
Receivables	88,997	305,434	394,431	-
Due from other governmental units	117,660	-	117,660	-
Internal balances	(466,691)	466,691	-0-	-
Inventory	17,317	2,275	19,592	-
Prepays	92,550	1,404	93,954	551
<b>Total current assets</b>	<b>1,800,511</b>	<b>1,250,257</b>	<b>3,050,768</b>	<b>166,186</b>
Noncurrent assets				
Investments	-	-	-0-	672,717
Investment in joint venture	14,445	-	14,445	-
Capital assets not being depreciated	880,608	5,053	885,661	-
Capital assets being depreciated, net	4,732,258	11,462,239	16,194,497	-
<b>Total noncurrent assets</b>	<b>5,627,311</b>	<b>11,467,292</b>	<b>17,094,603</b>	<b>672,717</b>
<b>TOTAL ASSETS</b>	<b>7,427,822</b>	<b>12,717,549</b>	<b>20,145,371</b>	<b>838,903</b>
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	548,178	-	548,178	3,247
Accrued wages	56,403	1,302	57,705	-
Accrued interest payable	11,358	62,795	74,153	-
Unearned revenue	-	494,236	494,236	6,100
Current portion of compensated absences	627,806	15,783	643,589	-
Current portion of long-term debt	64,950	346,029	410,979	-
<b>Total current liabilities</b>	<b>1,308,695</b>	<b>920,145</b>	<b>2,228,840</b>	<b>9,347</b>
Noncurrent liabilities				
Other post-employment benefits obligation	1,501,445	-	1,501,445	-
Noncurrent portion of long-term debt	1,083,744	5,490,183	6,573,927	-
<b>Total noncurrent liabilities</b>	<b>2,585,189</b>	<b>5,490,183</b>	<b>8,075,372</b>	<b>-0-</b>
<b>TOTAL LIABILITIES</b>	<b>3,893,884</b>	<b>6,410,328</b>	<b>10,304,212</b>	<b>9,347</b>
<b>NET POSITION</b>				
Net investment in capital assets	4,464,172	5,631,080	10,095,252	-
Restricted				
Streets and highways	149,241	-	149,241	-
Sanitation	89,435	-	89,435	-
Public safety	38,750	-	38,750	-
Expendable endowment	-	-	-0-	11,395
Nonexpendable endowment	-	-	-0-	605,000
Unrestricted	(1,207,660)	676,141	(531,519)	213,161
<b>TOTAL NET POSITION</b>	<b>\$ 3,533,938</b>	<b>\$ 6,307,221</b>	<b>\$ 9,841,159</b>	<b>\$ 829,556</b>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

STATEMENT OF ACTIVITIES

Year Ended June 30, 2013

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	
<b>Primary government</b>								
Governmental activities								
General government	\$ 1,240,030	\$ 437,188	\$ 250	\$ -	\$ (802,592)	\$ -	\$ (802,592)	\$ -
Public safety	2,763,371	-	26,280	-	(2,737,091)	-	(2,737,091)	-
Public works	1,341,049	113,574	177,021	822,309	(228,145)	-	(228,145)	-
Health and welfare	85,431	63,080	-	-	(22,351)	-	(22,351)	-
Community and economic development	17,427	-	-	-	(17,427)	-	(17,427)	-
Recreation and culture	315,434	-	-	-	(315,434)	-	(315,434)	-
Interest and fees on long-term debt	48,369	-	-	-	(48,369)	-	(48,369)	-
Total governmental activities	5,811,111	613,842	203,551	822,309	(4,171,409)	-0-	(4,171,409)	-0-
Business-type activities								
Water and sewer	2,148,952	1,742,816	-	-	-	(406,136)	(406,136)	-
Marina	378,945	228,792	-	-	-	(150,153)	(150,153)	-
Total business-type activities	2,527,897	1,971,608	-0-	-0-	-0-	(556,289)	(556,289)	-0-
<b>Total primary government</b>	<b>\$ 8,339,008</b>	<b>\$ 2,585,450</b>	<b>\$ 203,551</b>	<b>\$ 822,309</b>	<b>(4,171,409)</b>	<b>(556,289)</b>	<b>(4,727,698)</b>	<b>-0-</b>
<b>Component unit</b>								
Grosse Pointe Shores Improvement Foundation								
	\$ 45,400	\$ -	\$ 60,996	\$ -	-	-	-0-	15,596
General revenues								
Property taxes					4,592,832	-	4,592,832	-
State shared revenue					229,547	-	229,547	-
Investment earnings					4,551	947	5,498	65,311
Miscellaneous					172,745	-	172,745	-
Transfers					(192,861)	192,861	-0-	-
Total general revenues and transfers					4,806,814	193,808	5,000,622	65,311
Change in net position					635,405	(362,481)	272,924	80,907
Net position, beginning of the year					2,898,533	6,669,702	9,568,235	748,649
Net position, end of the year					\$ 3,533,938	\$ 6,307,221	\$ 9,841,159	\$ 829,556

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

BALANCE SHEET

June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,535,762	\$ 414,916	\$ 1,950,678
Receivables			
Taxes	71,960	-	71,960
Accounts	17,037	-	17,037
Due from other governmental units	88,350	29,310	117,660
Due from other funds	514,272	38,750	553,022
Inventory	17,317	-	17,317
Prepays	92,550	-	92,550
	<u>2,337,248</u>	<u>482,976</u>	<u>2,820,224</u>
<b>TOTAL ASSETS</b>	<b>\$ 2,337,248</b>	<b>\$ 482,976</b>	<b>\$ 2,820,224</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 548,178	\$ -	\$ 548,178
Accrued wages	56,403	-	56,403
Due to other funds	724,728	294,985	1,019,713
	<u>1,329,309</u>	<u>294,985</u>	<u>1,624,294</u>
<b>TOTAL LIABILITIES</b>	<b>1,329,309</b>	<b>294,985</b>	<b>1,624,294</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	17,037	-	17,037
<b>FUND BALANCES</b>			
<b>Nonspendable</b>			
Inventory	17,317	-	17,317
Prepays	92,550	-	92,550
<b>Restricted</b>			
Streets and highways	-	149,241	149,241
Sanitation	89,435	-	89,435
Public safety	-	38,750	38,750
Unassigned	791,600	-	791,600
	<u>990,902</u>	<u>187,991</u>	<u>1,178,893</u>
<b>TOTAL FUND BALANCES</b>	<b>990,902</b>	<b>187,991</b>	<b>1,178,893</b>
	<u>\$ 2,337,248</u>	<u>\$ 482,976</u>	<u>\$ 2,820,224</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS     OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 2,337,248</b>	<b>\$ 482,976</b>	<b>\$ 2,820,224</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, 2013

**Total fund balances - governmental funds** \$ 1,178,893

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. 14,445

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

The cost of capital assets is	\$ 14,471,283	
Accumulated depreciation is	<u>(8,858,417)</u>	
Capital assets, net		5,612,866

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

Unavailable revenue	17,037
---------------------	--------

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 at year-end consist of:

Bonds payable	(1,148,694)	
Other post-employment benefits obligation	(1,501,445)	
Accrued interest payable	(11,358)	
Compensated absences	<u>(627,806)</u>	
		<u>(3,289,303)</u>

**Net position of governmental activities** \$ 3,533,938

Village of Grosse Pointe Shores, A Michigan City

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

Year Ended June 30, 2013

	General Fund	Nonmajor Governmental Funds	Total
<b>REVENUES</b>			
Taxes	\$ 4,218,210	\$ 501,214	\$ 4,719,424
Intergovernmental	364,547	177,022	541,569
Licenses and permits	54,223	-	54,223
Charges for services	228,083	-	228,083
Fines and forfeits	188,177	-	188,177
Interest	4,025	526	4,551
Other	172,994	26,280	199,274
<b>TOTAL REVENUES</b>	<b>5,230,259</b>	<b>705,042</b>	<b>5,935,301</b>
<b>EXPENDITURES</b>			
Current			
General government	1,069,709	-	1,069,709
Public safety	2,281,108	18,873	2,299,981
Public works	770,623	243,335	1,013,958
Health and welfare	83,798	-	83,798
Community and economic development	15,638	-	15,638
Recreation and culture	248,128	-	248,128
Other	271,980	-	271,980
Capital outlay	197,484	449,242	646,726
Debt service	-	113,871	113,871
<b>TOTAL EXPENDITURES</b>	<b>4,938,468</b>	<b>825,321</b>	<b>5,763,789</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>291,791</b>	<b>(120,279)</b>	<b>171,512</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	200,000	375,518	575,518
Transfers out	(375,518)	(392,861)	(768,379)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(175,518)</b>	<b>(17,343)</b>	<b>(192,861)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>116,273</b>	<b>(137,622)</b>	<b>(21,349)</b>
Fund balances, beginning of year	874,629	325,613	1,200,242
Fund balances, end of year	<u>\$ 990,902</u>	<u>\$ 187,991</u>	<u>\$ 1,178,893</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, 2013

**Net change in fund balances - total governmental funds** \$ (21,349)

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. (985)

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	\$ 636,601
Depreciation expense	(278,137)
Loss on disposal of capital assets	<u>(9,040)</u>

Excess of capital outlay over depreciation expense and loss on disposal 349,424

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	16,767
Capital contributions	<u>687,309</u>

704,076

Items resulting from the repayment of long-term debt is 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 64,950

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

(Increase) in other post-employment benefits obligation	(534,637)
Decrease in accrued interest payable	552
Decrease in accrued compensated absences	<u>73,374</u>

(460,711)

**Change in net position of governmental activities** \$ 635,405

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF NET POSITION

June 30, 2013

	<u>Water and Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ -	\$ 474,453	\$ 474,453
Accounts receivable	305,036	398	305,434
Due from other funds	685,978	-	685,978
Inventory	2,275	-	2,275
Prepays	1,404	-	1,404
	<u>994,693</u>	<u>474,851</u>	<u>1,469,544</u>
Total current assets			
Noncurrent assets			
Capital assets not being depreciated	5,053	-	5,053
Capital assets being depreciated, net	7,870,471	3,591,768	11,462,239
	<u>7,875,524</u>	<u>3,591,768</u>	<u>11,467,292</u>
Total noncurrent assets			
<b>TOTAL ASSETS</b>			
	8,870,217	4,066,619	12,936,836
<b>LIABILITIES</b>			
Current liabilities			
Accrued interest payable	22,810	39,985	62,795
Accrued wages payable	1,302	-	1,302
Due to other funds	-	219,287	219,287
Unearned revenue	361,084	133,152	494,236
Current portion of compensated absences	15,783	-	15,783
Current portion of long-term debt	300,050	45,979	346,029
	<u>701,029</u>	<u>438,403</u>	<u>1,139,432</u>
Total current liabilities			
Noncurrent liabilities			
Noncurrent portion of long-term debt	1,896,484	3,593,699	5,490,183
	<u>1,896,484</u>	<u>3,593,699</u>	<u>5,490,183</u>
Total noncurrent liabilities			
<b>TOTAL LIABILITIES</b>			
	2,597,513	4,032,102	6,629,615
<b>NET POSITION</b>			
Net investment in capital assets	5,678,990	(47,910)	5,631,080
Unrestricted	593,714	82,427	676,141
	<u>5,678,990</u>	<u>(47,910)</u>	<u>5,631,080</u>
Total net investment in capital assets			
<b>TOTAL NET POSITION</b>			
	<u>\$ 6,272,704</u>	<u>\$ 34,517</u>	<u>\$ 6,307,221</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

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

Year Ended June 30, 2013

	Water and Sewer Fund	Marina Fund	Total
OPERATING REVENUES			
Customer billings	\$ 1,742,816	\$ -	\$ 1,742,816
Other charges for services	-	228,792	228,792
<b>TOTAL OPERATING REVENUES</b>	<b>1,742,816</b>	<b>228,792</b>	<b>1,971,608</b>
OPERATING EXPENSES			
Water supply and sewage disposal	961,480	-	961,480
Repairs and maintenance	137,953	7,607	145,560
General and administrative	481,320	20,501	501,821
Utilities	-	9,336	9,336
Depreciation and amortization	479,177	184,238	663,415
<b>TOTAL OPERATING EXPENSES</b>	<b>2,059,930</b>	<b>221,682</b>	<b>2,281,612</b>
<b>OPERATING INCOME (LOSS)</b>	<b>(317,114)</b>	<b>7,110</b>	<b>(310,004)</b>
NONOPERATING REVENUES (EXPENSES)			
Interest expenses and fees	(89,022)	(157,263)	(246,285)
Interest revenue	-	947	947
<b>TOTAL NONOPERATING REVENUES (EXPENSES)</b>	<b>(89,022)</b>	<b>(156,316)</b>	<b>(245,338)</b>
<b>(LOSS) BEFORE TRANSFERS</b>	<b>(406,136)</b>	<b>(149,206)</b>	<b>(555,342)</b>
TRANSFERS IN	392,861	-	392,861
TRANSFERS OUT	(150,000)	(50,000)	(200,000)
<b>TOTAL TRANSFERS</b>	<b>242,861</b>	<b>(50,000)</b>	<b>192,861</b>
<b>CHANGE IN NET POSITION</b>	<b>(163,275)</b>	<b>(199,206)</b>	<b>(362,481)</b>
Net position, beginning of year	6,435,979	233,723	6,669,702
Net position, end of year	<u>\$ 6,272,704</u>	<u>\$ 34,517</u>	<u>\$ 6,307,221</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, 2013

	Water and Sewer Fund	Marina Fund	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers	\$ 1,718,425	\$ 230,758	\$ 1,949,183
Cash receipts from other funds	-	63,949	63,949
Cash paid to suppliers	(1,098,645)	(16,943)	(1,115,588)
Cash paid to employees	(83,128)	(20,501)	(103,629)
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	<b>536,652</b>	<b>257,263</b>	<b>793,915</b>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>			
Transfers out	(150,000)	(50,000)	(200,000)
Transfers in	6,434	-	6,434
<b>NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES</b>	<b>(143,566)</b>	<b>(50,000)</b>	<b>(193,566)</b>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>			
Principal payments on long-term debt	(300,050)	(50,000)	(350,050)
Interest payments on long-term debt	(93,036)	(157,263)	(250,299)
<b>NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES</b>	<b>(393,086)</b>	<b>(207,263)</b>	<b>(600,349)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received	-	947	947
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>-0-</b>	<b>947</b>	<b>947</b>
Cash and cash equivalents, beginning of year	-	473,506	473,506
Cash and cash equivalents, end of year	<u>\$ -0-</u>	<u>\$ 474,453</u>	<u>\$ 474,453</u>

Village of Grosse Pointe Shores, A Michigan City

Proprietary Funds

STATEMENT OF CASH FLOWS - CONTINUED

Year Ended June 30, 2013

	<u>Water and Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided by operating activities			
Operating income (loss)	\$ (317,114)	\$ 7,110	\$ (310,004)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities			
Depreciation	479,177	184,238	663,415
(Increase) decrease in:			
Accounts receivable	14,525	(54)	14,471
Inventory	690	-	690
Prepays	98	-	98
Increase (decrease) in:			
Accrued wages	213	-	213
Compensated absences	(2,021)	-	(2,021)
Due to other funds	-	63,949	63,949
Unearned revenue	361,084	2,020	363,104
	<u>361,084</u>	<u>2,020</u>	<u>363,104</u>
 NET CASH PROVIDED BY OPERATING ACTIVITIES	 <u>\$ 536,652</u>	 <u>\$ 257,263</u>	 <u>\$ 793,915</u>

See accompanying notes to financial statements.

Village of Grosse Pointe Shores, A Michigan City

Fiduciary Funds

STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	Fiduciary Trust Funds	Agency Funds
<b>ASSETS</b>		
Cash and cash equivalents	\$ 13,713,020	\$ 47,286
Investments		
U.S. government securities	606,158	-
Foreign bonds	465,591	-
Corporate bonds and certificates of deposit	5,837,608	-
Interest receivable	87,393	-
Prepays	19,369	-
	<hr/>	<hr/>
TOTAL ASSETS	20,729,139	<u>\$ 47,286</u>
<b>LIABILITIES</b>		
Due to individuals and agencies	1,300	\$ 43,394
Due to other governmental units	-	3,892
	<hr/>	<hr/>
TOTAL LIABILITIES	1,300	<u>\$ 47,286</u>
<b>NET POSITION</b>		
Held in trust for pension and other employee benefits	<u>\$ 20,727,839</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, 2013

	<u>Fiduciary Trust Funds</u>
<b>ADDITIONS</b>	
Investment income	
Interest, dividends, and net realized income on investments	\$ 740,935
Net change in fair value of investments	1,505,024
Less investment expenses	<u>(144,768)</u>
Net investment income	2,101,191
Contributions	
Employer	578,066
Employee	<u>113,675</u>
Total contributions	<u>691,741</u>
TOTAL ADDITIONS	2,792,932
<b>DEDUCTIONS</b>	
Pension benefit payments	1,175,625
Healthcare benefit payments	<u>300,195</u>
TOTAL DEDUCTIONS	<u>1,475,820</u>
CHANGE IN NET POSITION	1,317,112
Net position, beginning of year	<u>19,410,727</u>
Net position, end of year	<u><u>\$ 20,727,839</u></u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**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; GASB Statement No. 14, *The Financial Reporting Entity* (as amended by GASB Statement No. 39 and GASB Statement No. 61) and Michigan Committee on Governmental Accounting and Auditing Statement No. 4, 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.



NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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 Mount Clemens, Harper Woods, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe, Grosse Pointe Woods and Clinton Township. 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.

The City's interest in the net position of the Authority totaled approximately \$14,445 at June 30, 2013, 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 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 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 water distribution system and sewage collection system. Funding is primarily funded through user charges.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

FUND FINANCIAL STATEMENTS - CONTINUED

4. Basis of Presentation - continued

- 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.

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 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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

6. Basis of Accounting - continued

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.

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 market 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 market value in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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.

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

The City is permitted to levy up to 20 mills (\$20 per \$1,000 of taxable valuation) for general governmental services and 3 mills (\$3 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, 2013, the City levied 11.8600 mills for general governmental services, 2.1900 mills for refuse services, 2.0900 mills for the retirement system, 2.0400 mills for debt service, and 0.2000 mills for Public Act 359 activities. The total taxable value for the 2012 levy for the property within the City was \$248,956,297.

12. Inventories and Prepays

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

13. Capital Assets

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

13. Capital Assets - continued

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

14. Unearned Revenue

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

Unearned revenue consists 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 so will not be recognized as an outflow of resources (expense/expenditure) until then.

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 so will not be recognized as an inflow of resources (revenue) until then.

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, 2013, 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, 2013

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

18. Interfund Transactions

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

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

19. Restricted Net Position

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

20. Comparative Data

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

**NOTE B: CASH, CASH EQUIVALENTS, AND INVESTMENTS**

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

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

The General and Public Safety Retirement System (Retirement System) Trust Fund and the Retired Employees' Health Care Benefits Trust Fund are also authorized by Michigan Public Act 314 of 1965, as amended, to invest in certain reverse repurchase agreements, stocks, diversified investment companies, annuity investment contracts, real estate leased to public entities, mortgages, debt or equity of certain small businesses, certain state and local government obligations, and certain other specified investment vehicles.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Deposits

There is a custodial credit risk as it related to deposits. In the case of deposits, this is the risk that in the event of a bank failure, the City's deposits may not be returned to it. As of June 30, 2013, the carrying amount of the City's deposits was \$2,475,541 and the bank balance was \$2,537,251.

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, 2013, \$613,026 of the City accounts were FDIC insured while \$1,924,225 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 \$165,635. The bank balance was not readily available.

Interest rate risk

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

The following table lists the average weighted maturities of investments for the City as of June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity</u>
Corporate bonds	\$ 5,736,905	4.90 years
Corporate certificates of deposit	100,703	.16 years
Foreign bonds	465,591	3.12 years
U.S. government obligations	503,780	2.64 years
U.S. federal agencies	102,378	1.45 years
Uncategorized pooled cash	<u>13,709,246</u>	N/A
	<u>\$ 20,618,603</u>	

The fair value of the component unit's investments as of June 30, 2013, was \$672,717. The weighted average maturity for each investment type was not readily available.

Credit risk

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

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

The following table lists credit ratings as rated by Standard and Poor's for the City's debt securities as of June 30, 2013:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
Corporate bonds	\$ 336,267	AA
Corporate bonds	1,884,907	A
Corporate bonds	3,190,120	BBB
Corporate bonds	325,611	BB
Corporate certificates of deposit	100,703	N/A
Foreign bonds	215,679	A
Foreign bonds	249,912	BBB
U.S. government obligations	127,150	AAA
U.S. government obligations	376,630	N/A
U.S. federal agencies	102,378	AA

The ratings for investments held by the component unit as of June 30, 2013, 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% or more of the total marketable securities included in investments as of June 30, 2013, are as follows:

<u>Issuer Name</u>	<u>Fair Value</u>	<u>Percentage of Overall Investments</u>
First Eagle	\$ 1,259,432	6.12%
Ishares	8,782,133	42.65%

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, 2013:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,425,131	\$ 13,760,306	\$ 165,635	\$ 16,351,072
Investments	-	6,909,357	672,717	7,582,074
	<u>\$ 2,425,131</u>	<u>\$ 20,669,663</u>	<u>\$ 838,352</u>	<u>\$ 23,933,146</u>



Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE C: INTERFUND PAYABLES AND RECEIVABLES**

The amount of interfund receivables and payables at June 30, 2013, are as follows:

Due to General Fund from:	
Nonmajor governmental funds	\$ 294,985
Marina Fund	<u>219,287</u>
	<u>\$ 514,272</u>
Due to nonmajor governmental funds from:	
General Fund	<u>\$ 38,750</u>
Due to Water and Sewer Fund from:	
General Fund	<u>\$ 685,978</u>

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

**NOTE D: INTERFUND TRANSFERS**

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

Transfers to General Fund from:	
Water and Sewer Fund	\$ 150,000
Marina Fund	<u>50,000</u>
	<u>\$ 200,000</u>
Transfers to nonmajor governmental funds from:	
General Fund	<u>\$ 375,518</u>
Transfers to Water and Sewer Fund from:	
Nonmajor governmental funds	<u>\$ 392,861</u>

The transfers from the Water and Sewer Fund and Marina Fund to the General Fund were for operational costs. Transfers from the General Fund to other nonmajor governmental funds (Major Street Fund) were to fund construction projects. Transfers from nonmajor governmental funds to the Water and Sewer Fund were to fund current debt service payments.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE E: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2013, was as follows:

**Governmental activities**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 880,608	\$ -	\$ -	\$ 880,608
Capital assets being depreciated				
Land improvements	648,970	-	-	648,970
Machinery and equipment	498,327	19,759	(76,000)	442,086
Buildings	1,501,448	-	-	1,501,448
Vehicles	1,326,093	167,600	(82,106)	1,411,587
Infrastructure	8,450,033	1,136,551	-	9,586,584
Subtotal	12,424,871	1,323,910	(158,106)	\$ 13,590,675
Less accumulated depreciation for:				
Land improvements	(618,561)	(9,202)	-	(627,763)
Machinery and equipment	(416,820)	(16,009)	76,000	(356,829)
Buildings	(847,348)	(25,699)	-	(873,047)
Vehicles	(1,137,024)	(46,815)	73,066	(1,110,773)
Infrastructure	(5,709,593)	(180,412)	-	(5,890,005)
Subtotal	(8,729,346)	(278,137)	149,066	(8,858,417)
Net capital assets being depreciated	3,695,525	1,045,773	(9,040)	4,732,258
Capital assets, net	<u>\$ 4,576,133</u>	<u>\$ 1,045,773</u>	<u>\$ (9,040)</u>	<u>\$ 5,612,866</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 28,142
Public safety	28,016
Public works	207,832
Recreation and culture	14,147
	<u>\$ 278,137</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE E: CAPITAL ASSETS - CONTINUED**

**Business-type activities**

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated				
Land	\$ 5,053	\$ -	\$ -	\$ 5,053
Capital assets being depreciated				
Vehicles	121,231	-	-	121,231
Machinery and equipment	18,700	-	-	18,700
Buildings	234,500	-	-	234,500
Infrastructure	23,606,679	-	-	23,606,679
Marina	9,010,854	-	-	9,010,854
Subtotal	32,991,964	-0-	-0-	32,991,964
Less accumulated depreciation for:				
Vehicles	(60,479)	(8,261)	-	(68,740)
Machinery and equipment	(18,700)	-	-	(18,700)
Buildings	(234,500)	-	-	(234,500)
Infrastructure	(15,317,784)	(470,916)	-	(15,788,700)
Marina	(5,238,868)	(180,217)	-	(5,419,085)
Subtotal	(20,870,331)	(659,394)	-0-	(21,529,725)
Net capital assets being depreciated	12,121,633	(659,394)	-0-	11,462,239
Capital assets, net	<u>\$ 12,126,686</u>	<u>\$ (659,394)</u>	<u>\$ -0-</u>	<u>\$ 11,467,292</u>

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

Water and sewer	\$ 479,177
Marina	<u>180,217</u>
	<u>\$ 659,394</u>

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**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, 2013:

	Balance July 1, 2012	Additions	Deletions	Balance June 30, 2013	Amounts Due Within One Year
<b>Governmental activities</b>					
2004 Unlimited tax bonds	\$ 1,213,644	\$ -	\$ (64,950)	\$ 1,148,694	\$ 64,950
Compensated absences	701,180	74,976	(148,350)	627,806	627,806
<b>Total governmental activities</b>	<b>1,914,824</b>	<b>74,976</b>	<b>(213,300)</b>	<b>1,776,500</b>	<b>692,756</b>
<b>Business-type activities</b>					
<b>General obligation bonds</b>					
2003 Unlimited tax bonds	895,000	-	(215,000)	680,000	215,000
2004 Unlimited tax bonds	1,601,584	-	(85,050)	1,516,534	85,050
2007 Limited tax bonds	3,750,000	-	(50,000)	3,700,000	50,000
2007 Limited tax bonds discount	(64,343)	-	4,021	(60,322)	(4,021)
Compensated absences	17,804	-	(2,021)	15,783	15,783
<b>Total business-type activities</b>	<b>6,200,045</b>	<b>-0-</b>	<b>(348,050)</b>	<b>5,851,995</b>	<b>361,812</b>
	<b><u>\$ 8,114,869</u></b>	<b><u>\$ 74,976</u></b>	<b><u>\$ (561,350)</u></b>	<b><u>\$ 7,628,495</u></b>	<b><u>\$ 1,054,568</u></b>

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

**Governmental Activities**

\$3,500,000 2004 General Obligation Bonds, dated October 1, 2004, due in annual installments ranging from \$150,000 to \$325,000 through October 1, 2024, with interest ranging from 3.400 to 4.500 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.

\$ 1,148,694

**Business-type Activities**

\$2,450,000 2003 General Obligation Bonds, dated February 27, 2003, due in annual installments ranging from \$215,000 to \$235,000 through October 1, 2015, with interest ranging from 3.625 to 3.800 percent, payable semiannually.

\$ 680,000

\$3,500,000 2004 General Obligation Bonds, dated October 1, 2004, due in annual installments ranging from \$150,000 to \$325,000 through October 1, 2024, with interest ranging from 3.400 to 4.500 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.

1,516,534

\$3,800,000 2007 Limited Tax Bonds, dated October 1, 2007, due in annual installments ranging from \$50,000 to \$250,000 through October 1, 2036, with interest ranging from 4.00 to 4.40 percent, payable semiannually.

3,700,000

\$ 5,896,534

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

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

Year Ending June 30,	Governmental Activities		Business-type Activities	
	Principal	Interest	Principal	Interest
2014	\$ 64,950	\$ 45,433	\$ 350,050	\$ 235,762
2015	64,950	43,159	370,050	222,541
2016	86,600	39,998	393,400	207,684
2017	86,600	36,751	163,400	197,062
2018	86,600	33,287	213,400	189,526
2019-2023	497,950	107,579	1,202,050	806,934
2024-2028	261,044	6,333	1,154,184	536,699
2029-2033	-	-	1,050,000	334,563
2034-2038	-	-	1,000,000	87,500
	<u>\$ 1,148,694</u>	<u>\$ 312,540</u>	<u>\$ 5,896,534</u>	<u>\$ 2,818,271</u>

Defeased Debt

During prior years, the City defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account's assets and liabilities for the defeased bonds are not included in the basic financial statements. As of June 30, 2013, \$725,000 of bonds outstanding 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, 2013, the dollar amount of these vested rights, including related payroll taxes, amounted to \$627,806 and \$15,783 for sick leave in government activities and business-type activities, respectively.

**NOTE G: RISK MANAGEMENT**

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

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

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE G: RISK MANAGEMENT - CONTINUED**

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, 2013:

Estimated liability - July 1, 2012	\$	-
Estimated claims incurred including changes in estimates		382,736
Claim payments		<u>(382,736)</u>
Estimated liability - June 30, 2013	\$	<u><u>-0-</u></u>

**NOTE H: DEFINED BENEFIT PENSION PLAN**

Plan Description

The City contributes to the General and Public Safety Retirement System, which is the administrator of a single-employer public employees' retirement system that covers nearly all general and public safety employees of the City. The plan does not issue a separate financial report.

The system provides retirement, death and disability benefits to plan members and their beneficiaries. At June 30, 2013, membership was made up of 33 retirees and beneficiaries as well as 26 active employees.

Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to the plan are recognized when due. Benefits and refunds are recognized when due and payable.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by the City charter. All full-time general and public safety employees are eligible to participate in the system. General participants in the system are required to contribute 3 percent of the first \$4,200 of annual salary. General participants must contribute 5 percent of annual salary in excess of \$4,200. Public safety participants are required to contribute 7 percent of their annual salary. All members contribute .5 percent for medical. Employer contributions are determined by actuarially determined rates. Administrative costs associated with the plan are financed through investment earnings.

Annual Pension Cost

The City's pension cost was \$513,066 for the period ended June 30, 2013. This amount represented 100 percent of the annual required contribution as determined as part of actuarial valuation for the 12-month period ended June 30, 2012, using the individual entry-age cost method.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

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

Annual Pension Cost - continued

The most recent actuarial valuation is dated June 30, 2013. Significant actuarial assumptions used include a 7.5 percent investment rate of return and projected salary increases of 4.0 percent to 9.3 percent per year. An estimated rate of inflation of 4.0 percent is included in both the investment rate of return and projected salary increases. The actuarial value of assets was determined by using the 4-year smoothed market method. The unfunded actuarial liability is being amortized as a level percentage of payroll on an open basis over the remaining amortization period of 20 years.

As of June 30, 2013, the plan's required reserves have been fully funded as follows:

Reserve for employees' contributions	\$ 1,777,081
Reserve for retired benefit payments	9,492,204

Three (3) Year Trend Information

	Year Ended June 30,		
	2011	2012	2013
Actuarial value of assets	\$ 16,647,448	\$ 16,770,946	\$ 18,121,428
Actuarial accrued liability (AAL) (entry age)	18,994,231	20,038,036	19,863,835
Unfunded AAL (UAAL)	2,346,783	3,267,090	1,742,407
Funded ratio	87.6%	83.7%	91.2%
Covered payroll	2,330,936	1,841,767	1,686,952
UAAL as a percentage of covered payroll	100.7%	177.4%	103.3%
Annual pension cost (APC)	545,753	505,463	513,066
Percentage of APC contributed	100%	100%	100%
Net pension obligation	-	-	-

The schedule of funding progress, presented as required supplementary information (RSI) following the notes to the financial statements, present multi-year trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the AALs for benefits.

**NOTE I: OTHER POSTEMPLOYMENT BENEFITS**

Plan Description

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

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

Funding Progress

For the year ended June 30, 2013, the City has determined an estimated cost of providing post-employment benefits through an actuarial valuation as of June 30, 2012. The calculation computes an annual required contribution, which represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to cover the amortization of any unfunded actuarial liabilities from the past, over a period not to exceed 30 years.

Village of Grosse Pointe Shores, A Michigan City

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE I: OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Funding Progress - continued

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

Annual required contribution	\$ 530,061
Interest on net OPEB obligation	72,511
Adjustment to annual required contribution	<u>(2,934)</u>
Annual OPEB cost (expense)	599,637
Contributions made	<u>(65,000)</u>
Increase in net OPEB obligation	534,637
Net OPEB obligation, beginning of year	<u>966,808</u>
Net OPEB obligation, end of year	<u><u>\$ 1,501,445</u></u>

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

	Year Ended June 30,		
	<u>2011</u>	<u>2012</u>	<u>2013</u>
Annual OPEB cost	\$ 595,963	\$ 620,073	\$ 599,637
Percentage contributed	51%	41%	11%
Net OPEB obligation	\$ 603,269	\$ 966,808	\$ 1,501,445

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

	As of	
	<u>March 31, 2009</u>	<u>June 30, 2012</u>
Actuarial value of assets	\$ 1,583,578	\$ 2,151,952
Actuarial accrued liability (AAL) (entry age)	8,758,484	8,669,148
Unfunded AAL (UAAL)	7,174,906	6,517,196
Funded ratio	18%	24.8%
Covered payroll	2,649,837	1,841,767
UAAL as a percentage of covered payroll	271%	354%

**Actuarial Methods and Assumptions**

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.



NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE I: OTHER POSTEMPLOYMENT BENEFITS - CONTINUED**

Actuarial Methods and Assumptions - continued

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

**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, 2013:

REVENUES		
Permits	\$	52,706
EXPENDITURES		
Salaries and wages		44,211
Supplies and other		19,401
		<hr/>
TOTAL EXPENDITURES		63,612
		<hr/>
EXCESS OF REVENUES (UNDER) EXPENDITURES		(10,906)
PRIOR CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES		<hr/> (289,727)
CUMULATIVE EXCESS OF REVENUES (UNDER) EXPENDITURES	\$	<hr/> <hr/> (300,633)

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE K: DETAILS OF FUND BALANCE CLASSIFICATIONS**

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes 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.

**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: SUBSEQUENT EVENTS**

On July 7, 2013, the 2013 Unlimited Tax General Obligation Refunding Bonds were issued for \$2,934,173 for the purpose of certain capital improvements to improve the energy efficiency of the City.

Also after year end, the Grosse Pointe Shores Improvement Foundation donated a splash pad to the City valued at approximately \$163,000.

**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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2013

**NOTE N: CHANGES IN ACCOUNTING PRINCIPLES**

GASB Statement No. 61, *The Financial Reporting Entity Omnibus*. This pronouncement, which is an amendment to Statement No. 14 and Statement No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. This statement also amends the criteria for reporting component units as if they were part of the primary government (that is, blending) in certain circumstances. Lastly, the statement also clarifies the reporting of equity interests in legally separate organizations. The Grosse Pointe Shores Improvement Foundation continues to meet the criteria for classification as a discretely presented component unit of the Village of Grosse Pointe Shores, a Michigan City.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This statement incorporates into GASB literature certain accounting and financial reporting guidance issued on or before November 30, 1989, that is included in FASB Statements and Interpretations, APB Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* were implemented during the current year. These statements incorporate deferred outflows of resources and deferred inflows of resources, as defined by GASB Concepts Statement No. 4, into the definitions of the required components of the residual measure of net position, formerly net assets and fund balance, when applicable. This statement also provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

**NOTE O: UPCOMING PRONOUNCEMENTS**

In June 2012, the GASB issued Statement No. 67, *Financial Reporting for Pension Plans*. The statement will be effective for the City's 2013-2014 fiscal year. The statement will establish accounting and financial reporting requirements related to defined benefit pension plans and specify the required approach to measuring the pension liability of employers. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*. The statement will be effective for the City's 2014-2015 fiscal year. The statement will require governments providing defined benefit pensions to recognize their unfunded pension benefit obligation as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The statement also enhances accountability and transparency through revised note disclosures and required supplementary information (RSI). The City is currently evaluating the impact this standard will have on the financial statements when adopted.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. The statement requires a state or local government guarantor that offers a nonexchange financial guarantee to another organization or government to recognize a liability on its financial statements when it is more likely than not that the guarantor will be required to make a payment to the obligation holders under the agreement. The statement also requires: (1) a government guarantor to consider qualitative factors when determining if a payment on its guarantee is more likely than not to be required, (2) an issuer government that is required to repay a guarantor for guarantee payments made to continue to report a liability unless legally released, and (3) a government guarantor or issuer to disclose information about the amounts and nature of nonexchange financial guarantees. The City is currently evaluating the impact this standard will have on the financial statements when adopted for the 2013-2014 fiscal year.

**REQUIRED SUPPLEMENTARY INFORMATION**

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2013

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 4,277,340	\$ 4,208,946	\$ 4,218,210	\$ 9,264
Intergovernmental - Federal	135,000	135,000	135,000	-0-
Intergovernmental - State	225,804	227,821	229,547	1,726
Licenses and permits	41,300	54,500	54,223	(277)
Charges for services	215,000	231,600	228,083	(3,517)
Fines and forfeits	230,000	183,500	188,177	4,677
Interest	4,000	4,100	4,025	(75)
Other	160,000	172,075	172,994	919
<b>TOTAL REVENUES</b>	<b>5,288,444</b>	<b>5,217,542</b>	<b>5,230,259</b>	<b>12,717</b>
<b>EXPENDITURES</b>				
Current				
General government				
City Council	14,100	21,620	21,620	-0-
Judicial	89,646	111,478	102,865	8,613
City Manager	239,911	259,019	256,367	2,652
Elections	19,524	22,847	22,821	26
Financial administration	306,963	273,137	269,083	4,054
Clerk	13,685	22,579	22,316	263
Assessor	11,000	44,000	27,656	16,344
City hall and grounds	380,647	363,584	346,981	16,603
Total general government	1,075,476	1,118,264	1,069,709	48,555
Public safety	2,548,255	2,448,046	2,409,981	38,065
Public works				
Sanitation	505,575	489,291	472,700	16,591
Building department	62,821	65,483	63,612	1,871
Other	415,260	425,347	386,720	38,627
Total public works	983,656	980,121	923,032	57,089
Community and economic development				
Planning and zoning	15,671	15,638	15,638	-0-

Village of Grosse Pointe Shores, A Michigan City

General Fund

BUDGETARY COMPARISON SCHEDULE - CONTINUED

Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES - CONTINUED				
Current - continued				
Recreation and culture	\$ 265,632	\$ 257,393	\$ 248,128	\$ 9,265
Other				
Fringe benefits and insurance	229,754	221,980	271,980	(50,000)
TOTAL EXPENDITURES	5,118,444	5,041,442	4,938,468	102,974
EXCESS OF REVENUES OVER EXPENDITURES	170,000	176,100	291,791	115,691
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-0-
Transfers out	(370,000)	(376,100)	(375,518)	582
TOTAL OTHER FINANCING SOURCES (USES)	(170,000)	(176,100)	(175,518)	582
NET CHANGE IN FUND BALANCE	-0-	-0-	116,273	116,273
Fund balance, beginning of year	874,629	874,629	874,629	-0-
Fund balance, end of year	\$ 874,629	\$ 874,629	\$ 990,902	\$ 116,273

Village of Grosse Pointe Shores, A Michigan City

General and Public Safety Retirement System

SCHEDULE OF FUNDING PROGRESS

June 30, 2013

The schedule of funding progress is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Under/(Over) Funded Actuarial Accrued Liability (b-a)	Funded Ratio (Percent) (a/b)		Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (d)	
3/31/2005	\$ 15,757,277	\$ 15,286,827	\$ (470,450)	103.1	%	\$ 2,359,314	(19.9)	%
3/31/2006	16,320,244	16,024,922	(295,322)	101.8		2,491,921	(11.9)	
3/31/2007	16,964,753	16,792,449	(172,304)	101.0		2,483,532	(6.9)	
3/31/2008	17,260,899	17,551,340	290,441	98.3		2,516,931	11.5	
3/31/2009	16,305,054	18,845,443	2,540,389	86.5		2,649,837	95.9	
6/30/2010 *	16,484,497	19,166,129	2,681,632	86.0		2,517,597	106.5	
6/30/2011	16,647,448	18,994,231	2,346,783	87.6		2,330,936	100.7	
6/30/2012	16,770,946	20,038,036	3,267,090	83.7		1,841,767	177.4	
6/30/2013	18,121,428	19,863,835	1,742,407	91.2		1,686,952	103.3	

The schedule of employer contributions is as follows:

Year Ended	Annual Required Contribution	Percentage Contributed	
3/31/2005	\$ 198,111	68	%
3/31/2006	305,767	120	
3/31/2007	384,402	100	
3/31/2008	397,613	100	
3/31/2009	447,258	100	
6/30/2010 *	579,300	100	
6/30/2011	545,753	100	
6/30/2012	505,463	100	
6/30/2013	513,066	100	

\* The actuarial valuation date was changed to June 30 beginning in 2010 in order to match the City's fiscal year end.

Village of Grosse Pointe Shores, A Michigan City

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

Year Ended June 30, 2013

**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, 2013, the City incurred expenditures in the General Fund and Major Street Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Other			
Fringe benefits and insurance	\$ 221,980	\$ 271,980	\$ 50,000
Major Street Fund	462,175	623,039	160,864



## **OTHER SUPPLEMENTARY INFORMATION**

Village of Grosse Pointe Shores, A Michigan City

Nonmajor Governmental Funds

COMBINING BALANCE SHEET

June 30, 2013

	Special Revenue			Debt Service	Total
	Major Street	Local Street	911 Service		
<b>ASSETS</b>					
Cash and cash equivalents	\$ 393,833	\$ 21,083	\$ -	\$ -	\$ 414,916
Due from other governmental units	20,437	8,873	-	-	29,310
Due from other funds	-	-	38,750	-	38,750
<b>TOTAL ASSETS</b>	<b>\$ 414,270</b>	<b>\$ 29,956</b>	<b>\$ 38,750</b>	<b>\$ -0-</b>	<b>\$ 482,976</b>
<b>LIABILITIES</b>					
Due to other funds	\$ 272,275	\$ 22,710	\$ -	\$ -	\$ 294,985
<b>FUND BALANCES</b>					
Restricted					
Streets and highways	141,995	7,246	-	-	149,241
Public safety	-	-	38,750	-	38,750
<b>TOTAL FUND BALANCES</b>	<b>141,995</b>	<b>7,246</b>	<b>38,750</b>	<b>-0-</b>	<b>187,991</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 414,270</b>	<b>\$ 29,956</b>	<b>\$ 38,750</b>	<b>\$ -0-</b>	<b>\$ 482,976</b>

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, 2013

	Special Revenue			Debt Service	Total
	Major Street	Local Street	911 Service		
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 501,214	\$ 501,214
Intergovernmental - State	123,432	53,590	-	-	177,022
Interest	484	42	-	-	526
Other	-	-	26,280	-	26,280
<b>TOTAL REVENUES</b>	<b>123,916</b>	<b>53,632</b>	<b>26,280</b>	<b>501,214</b>	<b>705,042</b>
EXPENDITURES					
Current					
Public safety	-	-	18,873	-	18,873
Public works	173,797	69,538	-	-	243,335
Capital outlay	449,242	-	-	-	449,242
Debt service	-	-	-	113,871	113,871
<b>TOTAL EXPENDITURES</b>	<b>623,039</b>	<b>69,538</b>	<b>18,873</b>	<b>113,871</b>	<b>825,321</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(499,123)	(15,906)	7,407	387,343	(120,279)
OTHER FINANCING SOURCES (USES)					
Transfers in	370,000	-	-	5,518	375,518
Transfers out	-	-	-	(392,861)	(392,861)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>370,000</b>	<b>-0-</b>	<b>-0-</b>	<b>(387,343)</b>	<b>(17,343)</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(129,123)</b>	<b>(15,906)</b>	<b>7,407</b>	<b>-0-</b>	<b>(137,622)</b>
Fund balances, beginning of year	271,118	23,152	31,343	-	325,613
Fund balances, end of year	<u>\$ 141,995</u>	<u>\$ 7,246</u>	<u>\$ 38,750</u>	<u>\$ -0-</u>	<u>\$ 187,991</u>

Village of Grosse Pointe Shores, A Michigan City

Pension and Employee Benefits Trust Funds

COMBINING STATEMENT OF FIDUCIARY NET POSITION

June 30, 2013

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
<b>ASSETS</b>			
Cash and cash equivalents	\$ 13,713,020	\$ -	\$ 13,713,020
Investments			
U.S. government securities	606,158	-	606,158
Foreign bonds	465,591	-	465,591
Corporate bonds and certificates of deposit	5,837,608	-	5,837,608
Due from other funds	-	1,985,646	1,985,646
Interest receivable	87,393	-	87,393
Prepays	-	19,369	19,369
	<u>20,709,770</u>	<u>2,005,015</u>	<u>22,714,785</u>
<b>TOTAL ASSETS</b>			
<b>LIABILITIES</b>			
Due to individuals and agencies	1,300	-	1,300
Due to other funds	1,985,646	-	1,985,646
	<u>1,986,946</u>	<u>-0-</u>	<u>1,986,946</u>
<b>TOTAL LIABILITIES</b>			
<b>NET POSITION</b>			
Held in trust for pension and other employee benefits	<u>\$ 18,722,824</u>	<u>\$ 2,005,015</u>	<u>\$ 20,727,839</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, 2013

	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	\$ 661,418	\$ 79,517	\$ 740,935
Net change in fair value investments	1,505,024	-	1,505,024
Less investment expenses	(144,768)	-	(144,768)
Net investment income	2,021,674	79,517	2,101,191
Contributions			
Employer	513,066	65,000	578,066
Employee	104,934	8,741	113,675
Total contributions	618,000	73,741	691,741
TOTAL ADDITIONS	2,639,674	153,258	2,792,932
<b>DEDUCTIONS</b>			
Pension benefit payments	1,175,625	-	1,175,625
Healthcare benefit payments	-	300,195	300,195
TOTAL DEDUCTIONS	1,175,625	300,195	1,475,820
CHANGE IN PLAN NET POSITION	1,464,049	(146,937)	1,317,112
Net position, beginning of year	17,258,775	2,151,952	19,410,727
Net position, end of year	<u>\$ 18,722,824</u>	<u>\$ 2,005,015</u>	<u>\$ 20,727,839</u>

Village of Grosse Pointe Shores, A Michigan City

Agency Funds

COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

June 30, 2013

	<u>Trust and Agency Fund</u>	<u>Tax Collection Fund</u>	<u>Total</u>
<b>ASSETS</b>			
Cash and cash equivalents	<u>\$ 43,394</u>	<u>\$ 3,892</u>	<u>\$ 47,286</u>
<b>LIABILITIES</b>			
Due to individuals and agencies	<u>\$ 43,394</u>	<u>\$ -</u>	<u>\$ 43,394</u>
Due to other governmental units	<u>-</u>	<u>3,892</u>	<u>3,892</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 43,394</u></u>	<u><u>\$ 3,892</u></u>	<u><u>\$ 47,286</u></u>

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

June 30, 2013

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

POPULATION

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

FISCAL YEAR

July 1 to June 30

PROPERTY VALUATIONS

<u>Year</u>	<u>State Equalized Valuation</u>	<u>Taxable Values</u>
2013	\$ 260,793,210	\$ 252,624,665
2012	252,278,420	249,425,317
2011	287,233,831	282,393,166
2010	312,814,619	306,575,114
2009	343,139,979	330,934,845
2008	413,702,238	349,356,498
2007	436,950,552	347,333,898
2006	453,139,969	339,848,278
2005	454,358,947	329,097,092
2004	455,118,843	318,920,848
2003	454,307,496	304,789,271

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

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2013

MAJOR TAXPAYERS

The State Equalized Value and the Taxable Value of each of the City's major taxpayers for the year 2012 is as follows:

Name of Taxpayer	2012 State Equalized Value	2012 Taxable Value
Grosse Pointe Yacht Club	4,742,910	2,699,629
Vanellander, Mary Ann	2,504,270	2,504,270
Ford, William Clay	2,125,570	2,125,570
Wilson Jr., Ralph C	2,010,200	2,010,200
Alandt, Paul D	1,703,260	1,703,260
Stackpole, Stephen M	1,463,450	1,463,450
Denton, Leet E and Patsy	1,263,100	1,263,100
Booth III, John Lord	1,212,630	1,212,630
Policherla, Haranath	1,207,850	1,207,850
Edsel and Eleanor Ford House	1,122,370	1,122,370

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

		2012	
		Principal Residence	Non-Principal Residence
Village of Grosse Pointe Shores	Operating	11.8600	11.8600
	Refuse	2.1900	2.1900
	Pension	2.0900	2.0900
	Debt	20.4000	20.4000
	PA 359	0.2000	0.2000
State Education Tax		6.0000	6.0000
Grosse Pointe Public Schools -	Local	0.0000	18.0000
	Sinking Fund	1.0000	1.0000
	Debt	1.7587	1.7587
	Supplement	7.3295	0.0000
South Lake Schools -	Local	0.0000	17.8316
	Debt	5.5900	5.5900
	Supplement	4.8916	0.0000
Grosse Pointe Library		2.0012	2.0012
Wayne County		7.8220	7.8220
Macomb County		4.6135	4.6135
SMART		0.5900	0.5900
Wayne County Intermediate Schools		3.4643	3.4643
Macomb County Intermediate Schools		2.9430	2.9430
Wayne County Community College		2.2408	2.2408
Macomb Community College		1.5712	1.5712
Huron Clinton Metropolitan Authority		0.2146	0.2146
Detroit Zoological Authority		0.1000	0.1000
Detroit Institute of Arts		0.2000	0.2000
Total Village of Grosse Pointe Shores-Wayne		\$ 51.1011	\$ 61.7716
Total Village of Grosse Pointe Shores-Macomb		\$ 45.0939	\$ 58.0339



Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2013

Principal Residence (formerly known as Homestead) means a dwelling or unit in a multiple-unit dwelling subject to ad valorem property taxes that is owned and occupied as a principal residence by the owner of the dwelling or unit. Principal Residence includes all unoccupied property classified as agricultural adjacent and contiguous to the home of the owner that is not leased or rented by the owner to another person if the gross receipts of the agricultural or horticultural operations do not exceed the household income of the owner, the Principal Residence includes only 5 acres adjacent and contiguous to the home of the owner. Principal Residence includes a life care facility registered under the living care disclosure act, Act No. 440 of the Public Acts of 1976, being sections 554.801 to 554.844 of the Michigan Compiled Laws. Principal Residence also includes property owned by a cooperative housing corporation and occupied as a principal residence by tenant stockholders. Non Principal Residence (formerly known as Non-homestead) is property not included in the above definition.

TAX RATE LIMITATIONS

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

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

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

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

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

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

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

Village of Grosse Pointe Shores, A Michigan City

ANNUAL INFORMATION STATEMENT (UNAUDITED) - CONTINUED

June 30, 2013

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

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

TAX LEVIES AND COLLECTIONS

<u>Year</u>	<u>Tax Levy</u>	<u>Collections to March 1 of Following Year</u>
2012	\$ 4,575,787	\$ 4,508,855
2011	4,840,319	4,767,404
2010	4,871,685	4,751,426
2009	5,258,633	5,130,459
2008	4,996,249	4,908,342
2007	4,969,833	4,849,641

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

REVENUES FROM THE STATE OF MICHIGAN

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

<u>Fiscal Year Ending</u>	<u>Constitutional Payments</u>	<u>Statutory/EVIP Payments</u>	<u>Total</u>
2013	\$ 220,227	\$ 9,320	\$ 229,547
2012	220,438	7,145	227,583
2011	199,136	613	199,749
2010	178,259	777	192,142

GENERAL FUND - FUND BALANCE

<u>Fiscal Year Ended</u>	<u>Fund Balance</u>
2013	\$ 990,902
2012	874,629
2011	669,513
2010	285,905

Village of Grosse Pointe Shores, A Michigan City

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June 30, 2013

RETIREMENT PLAN

The City contributes to the Employees Retirement System, which is the administrator of a single-employer public employees' retirement system that covers essentially all general and public safety employees of the City. All full-time general and public safety employees are eligible to participate in the system, except for new employees hired after June 30, 2012. For fiscal year ended June 30, 2013, the City's annual pension cost and required contribution was equal to the City's actual contribution of \$513,066. The annual required contribution was determined by an actuarial valuation of June 30, 2012.

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently, the plan has 65 members (including employees in active service, terminated employees not yet receiving benefits, and retired employees and beneficiaries currently receiving benefits). The City includes pre-Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for post employment health care benefits are recognized in the Retired Employees' Health Care Benefit Trust Fund as the insurance premiums become due; during the fiscal year ended June 30, 2013, this amounted to \$300,195.

DEBT STATEMENT

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2013 including the Bonds. Bonds designed UTGO have an unlimited tax pledge, and LTGO bonds are limited tax pledge bonds.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>	<u>Net Debt <sup>(1)</sup></u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
General Obligation Bonds (UTGO)	\$ 3,745,000	\$ -	\$ 3,745,000		
General Obligation Bonds (LTGO) <sup>(2)</sup>	<u>3,750,000</u>	<u>3,750,000</u>	<u>-</u>		
<b>Total Direct Debt</b>	<b><u>\$ 7,495,000</u></b>	<b><u>\$ 3,750,000</u></b>	<b><u>\$ 3,745,000</u></b>	<b><u>\$ 1,245</u></b>	<b><u>1.50%</u></b>

  

<u>City Overlapping <sup>(3)</sup></u>	<u>Gross</u>	<u>City Share as % of Gross</u>	<u>Net City Share</u>	<u>Net Debt <sup>(1)</sup></u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
Grosse Pointe School District	\$ 49,770,000	9.58%	\$ 4,767,966		
South Lake School District	22,060,000	2.03%	447,818		
Macomb - County at Large	34,068,069	0.04%	13,627		
Wayne - County at Large	354,637,868	0.59%	2,092,363		
Macomb Community College	11,720,000	0.04%	4,688		
Wayne Community College	8,325,000	0.93%	77,423		
Grosse Pointe Public Library	<u>15,500,000</u>	<u>9.58%</u>	<u>1,484,900</u>		
<b>Total Overlapping Debt</b>	<b><u>\$ 496,080,937</u></b>		<b><u>\$ 8,888,785</u></b>	<b><u>\$ 2,955</u></b>	<b><u>3.56%</u></b>
<b>Total City Direct and Overlapping Debt</b>	<b><u>\$ 503,575,937</u></b>		<b><u>\$ 12,633,785</u></b>	<b><u>\$ 4,200</u></b>	<b><u>5.06%</u></b>

(1) Based upon the 2010 US Census population of 3,008 and 2012 Ad Valorem Taxable Valuation of \$249,425,317.

(2) Paid by boat marina fees.

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