

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
WAYNE AND MACOMB COUNTIES, MICHIGAN**

**REPORT ON FINANCIAL STATEMENTS
(with required supplementary and
other supplementary information)**

YEAR ENDED JUNE 30, 2020

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
WAYNE AND MACOMB COUNTIES, MICHIGAN
JUNE 30, 2020**

CITY COUNCIL

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Council Member

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Robert Barrette, Jr.

Council Member

Danielle Gehlert

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John Seago

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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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Disclaimer of Opinion on the Discretely Presented Component Unit

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

Disclaimer of Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Grosse Pointe Shores, A Michigan City, as of June 30, 2020, 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.

Other Matters

Required Supplementary Information

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

Other Information

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

The combining nonmajor governmental funds, combining pension and employee benefit trust funds financial statements, and combining agency funds statement of assets and liabilities 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2020, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maney Costeiran PC

December 2, 2020

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2020. 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, 2020:

- Property tax revenues, the City's largest source of revenue, increased 3.9% from the prior fiscal year.
- General Fund balance increased \$64,567, or approximately 3.6%, as a result of current year activity.
- Net pension liability increased \$3,800,345 as a result of various changes including interest on the total pension liability, the calculated difference between expected and actual experience, and the change in assumptions.
- Net OPEB liability decreased \$779,042 as a result of various changes including interest on the total pension liability and a difference between expected and actual experience being offset by employer contributions and net investment income.

Standard and Poor's has the City rated at AAA. This is Standard and Poor's highest rating grade available. The rating was based on many factors but overall strong budget management with good financial policies in place make the City a low risk bond investment. This results in lower borrowing costs for the City.

Using this Annual Report

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

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

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

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

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

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

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

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

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22-53 of this report.

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

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The City as a Whole

The following table shows, in a condensed format, a comparative analysis of the net position as of June 30, 2020, and 2019.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 2,778,162	\$ 2,834,919	\$ 2,620,622	\$ 2,285,393	\$ 5,398,784	\$ 5,120,312
Capital Assets	5,960,396	6,041,132	8,069,668	8,314,608	14,030,064	14,355,740
Total Assets	\$ 8,738,558	\$ 8,876,051	\$ 10,690,290	\$ 10,600,001	\$ 19,428,848	\$ 19,476,052
Deferred Outflows of Resources	\$ 1,756,651	\$ 1,008,288	\$ 208,531	\$ 197,691	\$ 1,965,182	\$ 1,205,979
Current Liabilities	\$ 591,539	\$ 818,675	\$ 647,018	\$ 633,889	\$ 1,238,557	\$ 1,452,564
Noncurrent Liabilities	21,040,384	18,504,175	4,189,983	4,338,780	25,230,367	22,842,955
Total Liabilities	\$ 21,631,923	\$ 19,322,850	\$ 4,837,001	\$ 4,972,669	\$ 26,468,924	\$ 24,295,519
Deferred Inflows of Resources	\$ 820,470	\$ 2,430,063	\$ -	\$ 55,446	\$ 820,470	\$ 2,485,509
Net Position						
Net Investment in Capital Assets	\$ 3,614,024	\$ 3,411,417	\$ 4,120,904	\$ 4,140,000	\$ 7,734,928	\$ 7,551,417
Restricted	649,091	503,550	-	-	649,091	503,550
Unrestricted	(16,220,299)	(15,783,541)	1,940,916	1,629,577	(14,279,383)	(14,153,964)
Total Net Position	\$ (11,957,184)	\$ (11,868,574)	\$ 6,061,820	\$ 5,769,577	\$ (5,895,364)	\$ (6,098,997)

Net position may serve over time as a useful indicator of a government's financial position. The City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$5,895,364 as of June 30, 2020. A portion of the City's net position, (\$14,279,383), reflects its negative balance of unrestricted net position.

The City's net position invested in capital assets (e.g., land, buildings, equipment), less any related debt used to acquire those assets that are still outstanding were \$7,734,928 at June 30, 2020. The City used these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position, \$649,091 represents resources that are subject to external restrictions on how they may be used.

At the end of the current fiscal year, the City is able to report positive balances in two of the three categories of net position, however, the governmental activities net position invested in capital assets net of related debt exceeded total net position. Overall net position increased by \$203,632 during the current year as indicated below.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following table illustrates the varying results of the governmental activities and business-type activities, which combine to capture the City's total net position, for the years ended June 30, 2020 and 2019.

	Governmental Activities		Business-type Activities		Total Primary Government	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues						
Charges for Services	\$ 421,213	\$ 563,799	\$ 2,908,049	\$ 2,348,631	\$ 3,329,262	\$ 2,912,430
Operating Grants and Contributions	427,805	497,644	21,443	170,837	449,248	668,481
General Revenues						
Property Taxes	5,260,507	5,061,784	-	-	5,260,507	5,061,784
State Shared Revenue	270,295	272,506	-	-	270,295	272,506
Local Community Stabilization	460	3,434	-	-	460	3,434
Investment Earnings	44,679	68,299	1,083	1,200	45,762	69,499
Change in Equity Interest	-	17,457	-	-	-	17,457
Miscellaneous	221,559	188,480	-	-	221,559	188,480
Gain on Sale of Assets	-	256,334	-	4,490	-	260,824
Transfers	79,112	26,433	(79,112)	(26,433)	-	-
Total Revenues	<u>6,725,630</u>	<u>6,956,170</u>	<u>2,851,463</u>	<u>2,498,725</u>	<u>9,577,093</u>	<u>9,454,895</u>
Expenses						
General Government	1,371,605	1,412,036	-	-	1,371,605	1,412,036
Public Safety	3,153,969	3,117,571	-	-	3,153,969	3,117,571
Public Works	1,491,226	1,626,252	-	-	1,491,226	1,626,252
Health and Welfare	124,329	113,379	-	-	124,329	113,379
Community and Economic Development	17,590	22,588	-	-	17,590	22,588
Recreation and Culture	595,067	398,373	-	-	595,067	398,373
Other	60,454	66,479	2,559,221	2,817,564	2,619,675	2,884,043
Total Expenses	<u>6,814,240</u>	<u>6,756,678</u>	<u>2,559,221</u>	<u>2,817,564</u>	<u>9,373,461</u>	<u>9,574,242</u>
Change in Net Position	<u>\$ (88,610)</u>	<u>\$ 199,492</u>	<u>\$ 292,242</u>	<u>\$ (318,839)</u>	<u>\$ 203,632</u>	<u>\$ (119,347)</u>

Governmental Activities

Governmental activities decreased the City's net position by \$88,610 during fiscal year 2020. The main reason for the decrease was an increase in property tax revenue being offset by an approximate 25% decrease in charges for services related to a closure of facilities as a result of the ongoing pandemic. The City also had a gain on sale of assets of more than \$250,000 in the prior fiscal year that did not occur in the current fiscal year.

Business-type Activities

Business-type activities increased the City's net position by \$292,242 during fiscal year 2020. The main reasons for the increase are the increased rates in conjunction with additional usage by residents as they spent more time at home as a result of the ongoing pandemic.

The City's Funds

Governmental Funds. The analysis of the City's major fund begins on page 12, 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, 2020, was the General Fund. The General Fund pays for most of the City's governmental services. The General Fund's most significant service during the fiscal year was public safety which incurred expenditures of \$2,534,703 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.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY MANAGEMENT'S DISCUSSION AND ANALYSIS

Unrestricted net position of the Water and Sewer Fund and the Marina Fund at the end of the year amounted to \$1,470,391 and \$470,525, respectively. The increase in net position for the Water and Sewer Fund for the fiscal year was \$249,268 and the increase for the Marina Fund was \$42,974 in 2020. Other factors concerning the finances of these two funds have already been addressed in the discussion of the City's business-type activities on the previous page.

General Fund and Budgetary Highlights

Over the course of the fiscal year, the City Council made amendments to the budget as originally adopted. Actual revenues were roughly 1% more than what was budgeted. Actual expenditures were approximately 2% under budget at the fiscal year end. Actual revenues decreased approximately 1.5% from the prior fiscal year. This decrease in revenues can be contributed to a significant donation from the prior year not occurring and decreases in activity as a result of the pandemic. These decreases were offset by an increase in property tax revenue of approximately 4%. Actual expenditures decreased approximately 10.0% from the prior fiscal year. This decrease in expenditures can be attributed to the pandemic and many improvements and maintenance that did not occur in the Spring of 2020 as would have otherwise occurred. Other financing revenues was also down in the current year as the City sold land in the prior year which did not occur in the current year.

Capital Asset and Debt Administration

Capital Assets. At the end of the fiscal year, the City had approximately \$14,030,064, net of accumulated depreciation, invested in a broad range of governmental and business-type capital assets, including buildings, land, equipment, and utilities. During the year, new asset additions included new police vehicles, a generator for the water system, and major and local road work. Refer to Note 5 for further capital asset details.

Long-term Obligations. The City made principal payments on existing obligations in the amount of \$505,612 resulting in an ending balance of \$6,160,501. The carrying amount of the City's obligation for compensated absences was \$538,697 at the fiscal year end. The City was also carrying \$317,811 of refunding bond premiums at the fiscal year end. During the current year, the City acquired no new debt. Refer to Note 6 for further details related to the City's long-term debt.

Current Economic Factors

The City continues to see property values increase as local economic conditions improve, and prospective residential purchasers observe the many benefits and outstanding services available to them within the City. Several new construction projects are in the planning stages which will also increase the City's tax base.

COVID-19 has created uncertainties that are likely to negatively impact our operations and financial condition. While it is difficult to estimate the financial impact of COVID-19, we expect certain revenues, including state shared revenue, to decline.

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, 2020

	Primary Government			Component Unit (Improvement Foundation)
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Current assets				
Cash and cash equivalents	\$ 2,376,109	\$ 481,839	\$ 2,857,948	\$ 125,642
Investments	1,556,151	-	1,556,151	-
Receivables	55,528	627,455	682,983	-
Due from other governmental units	132,897	-	132,897	-
Internal balances	(1,506,586)	1,506,586	-	-
Due from retirement system	72,680	-	72,680	-
Inventory	9,844	4,700	14,544	-
Prepays	40,448	42	40,490	570
Total current assets	2,737,071	2,620,622	5,357,693	126,212
Noncurrent assets				
Investments	-	-	-	1,308,731
Investment in joint venture	41,091	-	41,091	-
Capital assets not being depreciated	880,608	5,053	885,661	-
Capital assets being depreciated, net	5,079,788	8,064,615	13,144,403	-
Total noncurrent assets	6,001,487	8,069,668	14,071,155	1,308,731
TOTAL ASSETS	8,738,558	10,690,290	19,428,848	1,434,943
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges on refunding	31,372	151,804	183,176	-
Deferred outflows of resources related to pensions	1,672,734	56,727	1,729,461	-
Deferred outflows of resources related to OPEB	52,545	-	52,545	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,756,651	208,531	1,965,182	-
LIABILITIES				
Current liabilities				
Accounts payable	173,408	-	173,408	3,697
Accrued wages	44,623	1,054	45,677	-
Accrued interest payable	13,859	34,221	48,080	-
Unearned revenue	-	340,670	340,670	500
Current portion of compensated absences	50,547	5,856	56,403	-
Current portion of long-term debt	309,102	265,217	574,319	-
Total current liabilities	591,539	647,018	1,238,557	4,197
Noncurrent liabilities				
Noncurrent portion of compensated absences	469,253	13,041	482,294	-
Noncurrent portion of long-term debt	2,068,642	3,835,351	5,903,993	-
Net pension liability	10,072,755	341,591	10,414,346	-
Net other post-employment benefits liability	8,429,734	-	8,429,734	-
Total noncurrent liabilities	21,040,384	4,189,983	25,230,367	-
TOTAL LIABILITIES	21,631,923	4,837,001	26,468,924	4,197
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows of resources related to OPEB	820,470	-	820,470	-
NET POSITION				
Net investment in capital assets	3,614,024	4,120,904	7,734,928	-
Restricted	649,091	-	649,091	705,400
Unrestricted	(16,220,299)	1,940,916	(14,279,383)	725,346
TOTAL NET POSITION	\$ (11,957,184)	\$ 6,061,820	\$ (5,895,364)	\$ 1,430,746

See accompanying notes to financial statements.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit (Improvement Foundation)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
Primary government								
Governmental activities								
General government	\$ 1,371,605	\$ 249,368	\$ 30,958	\$ -	\$ (1,091,279)	\$ -	\$ (1,091,279)	\$ -
Public safety	3,153,969	-	17,671	-	(3,136,298)	-	(3,136,298)	-
Public works	1,491,226	126,556	379,176	-	(985,494)	-	(985,494)	-
Health and welfare	124,329	45,289	-	-	(79,040)	-	(79,040)	-
Community and economic development	17,590	-	-	-	(17,590)	-	(17,590)	-
Recreation and culture	595,067	-	-	-	(595,067)	-	(595,067)	-
Interest and fees on long-term debt	60,454	-	-	-	(60,454)	-	(60,454)	-
Total governmental activities	6,814,240	421,213	427,805	-	(5,965,222)	-	(5,965,222)	-
Business-type activities								
Water and sewer	2,350,500	2,657,436	21,443	-	-	328,379	328,379	-
Marina	208,721	250,613	-	-	-	41,892	41,892	-
Total business-type activities	2,559,221	2,908,049	21,443	-	-	370,271	370,271	-
Total primary government	\$ 9,373,461	\$ 3,329,262	\$ 449,248	\$ -	(5,965,222)	370,271	(5,594,951)	-
Component unit								
Grosse Pointe Shores Improvement Foundation								
	\$ 93,570	\$ -	\$ -	\$ 39,512	-	-	-	(54,058)
General revenues								
Property taxes					5,260,507	-	5,260,507	-
State shared revenue					270,295	-	270,295	-
Local community stabilization					460	-	460	-
Investment earnings					44,679	1,083	45,762	222,544
Miscellaneous					221,559	-	221,559	137
Transfers					79,112	(79,112)	-	-
Total general revenues and transfers					5,876,612	(78,029)	5,798,583	222,681
Change in net position					(88,610)	292,242	203,632	168,623
Net position, beginning of the year					(11,868,574)	5,769,578	(6,098,996)	1,262,123
Net position, end of the year					\$ (11,957,184)	\$ 6,061,820	\$ (5,895,364)	\$ 1,430,746

See accompanying notes to financial statements.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2020**

	General Fund	Nonmajor Governmental Funds	Total
ASSETS			
Cash and cash equivalents	\$ 1,869,401	\$ 506,708	\$ 2,376,109
Investments	1,556,151	-	1,556,151
Accounts receivable	55,528	-	55,528
Due from other governmental units	90,820	42,077	132,897
Due from other funds	9,436	213,071	222,507
Due from retirement system	72,680	-	72,680
Inventory	9,844	-	9,844
Prepays	40,448	-	40,448
	<u>\$ 3,704,308</u>	<u>\$ 761,856</u>	<u>\$ 4,466,164</u>
LIABILITIES			
Accounts payable	\$ 173,408	\$ -	\$ 173,408
Accrued wages	44,623	-	44,623
Due to other funds	1,619,657	109,436	1,729,093
	<u>1,837,688</u>	<u>109,436</u>	<u>1,947,124</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	29,607	-	29,607
FUND BALANCES			
Nonspendable			
Inventory	9,844	-	9,844
Prepays	40,448	-	40,448
Restricted			
Streets and highways	-	548,654	548,654
Public safety	10,503	89,934	100,437
Debt service	-	13,832	13,832
Assigned			
Capital outlay	369,019	-	369,019
Subsequent year's expenditures	242,422	-	242,422
Unassigned	1,164,777	-	1,164,777
	<u>1,837,013</u>	<u>652,420</u>	<u>2,489,433</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 3,704,308</u></u>	<u><u>\$ 761,856</u></u>	<u><u>\$ 4,466,164</u></u>

See accompanying notes to financial statements.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Total fund balances - governmental funds \$ 2,489,433

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. 41,091

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	\$ 16,455,760	
Accumulated depreciation is	(10,495,364)	
Capital assets, net		5,960,396

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

Unavailable revenue	29,607
---------------------	--------

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

Deferred outflows of resources related to pensions	1,672,734	
Deferred outflows of resources related to OPEB	52,545	
Deferred inflows of resources related to OPEB	(820,470)	
		904,809

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

Bonds payable and installment purchase agreement	(2,362,371)	
Unamortized deferred amounts on debt issuance	(15,373)	
Deferred charges on refunding	31,372	
Accrued interest payable	(13,859)	
Compensated absences	(519,800)	
Net pension liability	(10,072,755)	
Net other post-employment benefits liability	(8,429,734)	
		(21,382,520)

Net position of governmental activities **\$ (11,957,184)**

See accompanying notes to financial statements.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
YEAR ENDED JUNE 30, 2020

	General Fund	Nonmajor Governmental Funds	Total
REVENUES			
Taxes	\$ 5,004,263	\$ 257,464	\$ 5,261,727
Intergovernmental	295,874	368,515	664,389
Licenses and permits	67,870	-	67,870
Charges for services	226,055	-	226,055
Fines and forfeits	127,288	-	127,288
Interest	43,353	1,326	44,679
Other	188,001	60,001	248,002
TOTAL REVENUES	5,952,704	687,306	6,640,010
EXPENDITURES			
Current			
General government	1,304,839	-	1,304,839
Public safety	2,534,703	17,185	2,551,888
Public works	948,531	333,247	1,281,778
Health and welfare	113,764	-	113,764
Community and economic development	20,031	-	20,031
Recreation and culture	448,009	-	448,009
Other	384,145	-	384,145
Capital outlay	58,136	-	58,136
Debt service	233,707	111,660	345,367
TOTAL EXPENDITURES	6,045,865	462,092	6,507,957
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(93,161)	225,214	132,053
OTHER FINANCING SOURCES (USES)			
Transfers in	225,000	200,000	425,000
Transfers out	(75,000)	(270,888)	(345,888)
Sale of capital assets	7,728	-	7,728
TOTAL OTHER FINANCING SOURCES (USES)	157,728	(70,888)	86,840
NET CHANGE IN FUND BALANCES	64,567	154,326	218,893
Fund balances, beginning of year	1,772,446	498,094	2,270,540
Fund balances, end of year	<u>\$ 1,837,013</u>	<u>\$ 652,420</u>	<u>\$ 2,489,433</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, 2020

Net change in fund balances - total governmental funds \$ 218,893

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. (2,323)

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	\$ 310,835	
Depreciation expense	<u>(391,571)</u>	
Excess of depreciation expense over capital outlay		(80,736)

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 (1,220)

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

Debt principal retirement	286,542	
Change in deferred amounts on debt issuance	3,075	
Change in deferred charges on refunding	<u>(6,274)</u>	
		283,343

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

Decrease in accrued interest payable	1,570	
Decrease in accrued compensated absences	24,284	
(Increase) in net pension liability	(3,675,693)	
Decrease in net other post-employment benefits liability	779,042	
Increase in deferred outflows of resources related to pensions	728,263	
Increase in deferred outflows of resources related to OPEB	26,374	
Decrease in deferred inflows of resources related to pensions	1,634,984	
(Increase) in deferred inflows of resources related to OPEB	<u>(25,391)</u>	
		<u>(506,567)</u>

Change in net position of governmental activities \$ (88,610)

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2020**

	Water and Sewer Fund	Marina Fund	Total
ASSETS			
Current assets			
Cash and cash equivalents	\$ -	\$ 481,839	\$ 481,839
Accounts receivable	627,170	285	627,455
Due from other funds	1,334,916	171,670	1,506,586
Inventory	4,700	-	4,700
Prepays	42	-	42
Total current assets	1,966,828	653,794	2,620,622
Noncurrent assets			
Capital assets not being depreciated	5,053	-	5,053
Capital assets being depreciated, net	5,143,093	2,921,522	8,064,615
Total noncurrent assets	5,148,146	2,921,522	8,069,668
TOTAL ASSETS	7,114,974	3,575,316	10,690,290
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	34,902	116,902	151,804
Deferred outflows of resources related to pensions	56,727	-	56,727
TOTAL DEFERRED OUTFLOWS OF RESOURCES	91,629	116,902	208,531
LIABILITIES			
Current liabilities			
Accrued wages payable	1,054	-	1,054
Accrued interest payable	6,333	27,888	34,221
Unearned revenue	185,289	155,381	340,670
Current portion of compensated absences	5,856	-	5,856
Current portion of long-term debt	148,611	116,606	265,217
Total current liabilities	347,143	299,875	647,018
Noncurrent liabilities			
Compensated absences	13,041	-	13,041
Noncurrent portion of long-term debt	659,651	3,175,700	3,835,351
Net pension liability	341,591	-	341,591
Total noncurrent liabilities	1,014,283	3,175,700	4,189,983
TOTAL LIABILITIES	1,361,426	3,475,575	4,837,001
NET POSITION			
Net investment in capital assets	4,374,786	(253,882)	4,120,904
Unrestricted	1,470,391	470,525	1,940,916
TOTAL NET POSITION	\$ 5,845,177	\$ 216,643	\$ 6,061,820

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, 2020**

	<u>Water and Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
OPERATING REVENUES			
Customer billings	\$ 2,657,436	\$ -	\$ 2,657,436
Other charges for services	-	250,613	250,613
	<u>2,657,436</u>	<u>250,613</u>	<u>2,908,049</u>
OPERATING EXPENSES			
Water supply and sewage disposal	1,581,532	-	1,581,532
Repairs and maintenance	215,988	3,763	219,751
General and administrative	128,305	14,160	142,465
Utilities	-	10,841	10,841
Depreciation	396,241	77,386	473,627
	<u>2,322,066</u>	<u>106,150</u>	<u>2,428,216</u>
OPERATING INCOME	<u>335,370</u>	<u>144,463</u>	<u>479,833</u>
NONOPERATING REVENUES (EXPENSES)			
Intergovernmental	21,443	-	21,443
Interest revenue	-	1,083	1,083
Interest expenses, amortization, and fees	(28,434)	(102,571)	(131,005)
	<u>(6,991)</u>	<u>(101,488)</u>	<u>(108,479)</u>
INCOME BEFORE TRANSFERS	<u>328,379</u>	<u>42,975</u>	<u>371,354</u>
TRANSFERS			
Transfers in	145,888	-	145,888
Transfers out	(225,000)	-	(225,000)
	<u>(79,112)</u>	<u>-</u>	<u>(79,112)</u>
CHANGE IN NET POSITION	249,267	42,975	292,242
Net position, beginning of year	<u>5,595,910</u>	<u>173,668</u>	<u>5,769,578</u>
Net position, end of year	<u>\$ 5,845,177</u>	<u>\$ 216,643</u>	<u>\$ 6,061,820</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, 2020**

	Water and Sewer Fund	Marina Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers	\$ 2,494,846	\$ 263,704	\$ 2,758,550
Cash paid to other funds	(178,400)	(21,640)	(200,040)
Cash paid to suppliers	(1,751,179)	(14,604)	(1,765,783)
Cash paid to employees	(133,024)	(14,160)	(147,184)
NET CASH PROVIDED BY OPERATING ACTIVITIES	432,243	213,300	645,543
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers in	145,888	-	145,888
Transfers out	(225,000)	-	(225,000)
Intergovernmental grants received	21,443	-	21,443
NET CASH (USED) BY NONCAPITAL FINANCING ACTIVITIES	(57,669)	-	(57,669)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Principal payments on long-term debt	(119,070)	(100,000)	(219,070)
Interest payments on long-term debt	(26,817)	(113,300)	(140,117)
Capital purchases	(228,687)	-	(228,687)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(374,574)	(213,300)	(587,874)
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received	-	1,083	1,083
NET INCREASE IN CASH AND CASH EQUIVALENTS	-	1,083	1,083
Cash and cash equivalents, beginning of year	-	480,756	480,756
Cash and cash equivalents, end of year	\$ -	\$ 481,839	\$ 481,839

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS (continued)
 YEAR ENDED JUNE 30, 2020**

	<u>Water and Sewer Fund</u>	<u>Marina Fund</u>	<u>Total</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ 335,370	\$ 144,463	\$ 479,833
Adjustments to reconcile operating income to net cash provided by operating activities			
Depreciation	396,241	77,386	473,627
(Increase) decrease in:			
Accounts receivable	(260,894)	10,917	(249,977)
Due from other funds	(178,400)	(21,640)	(200,040)
Due from other governmental units	114,038	-	114,038
Inventory	1,875	-	1,875
Prepays	(42)	-	(42)
Deferred outflows of resources related to pensions	(24,698)	-	(24,698)
Increase (decrease) in:			
Accrued wages	350	-	350
Unearned revenue	(15,734)	2,174	(13,560)
Compensated absences	(5,069)	-	(5,069)
Net pension liability	124,652	-	124,652
Deferred inflows of resources related to pensions	(55,446)	-	(55,446)
	<u>432,243</u>	<u>213,300</u>	<u>645,543</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 432,243</u>	<u>\$ 213,300</u>	<u>\$ 645,543</u>

See accompanying notes to financial statements.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020

	<u>Fiduciary Trust Funds</u>	<u>Agency Funds</u>
ASSETS		
Cash and cash equivalents	\$ 616,607	\$ 72,605
Investments		
Equity securities	19,195,260	-
U.S. government securities	1,698,351	-
Corporate bonds	2,479,205	-
Interest receivable	34,586	-
Prepays	24,501	-
	<u>24,048,510</u>	<u>\$ 72,605</u>
TOTAL ASSETS		
	<u>24,048,510</u>	<u>\$ 72,605</u>
LIABILITIES		
Due to individuals and agencies	-	\$ 72,605
Due to other governmental units	72,680	-
	<u>72,680</u>	<u>-</u>
TOTAL LIABILITIES		
	<u>72,680</u>	<u>\$ 72,605</u>
NET POSITION		
Restricted for pension and other employee benefits	<u>\$ 23,975,830</u>	

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED JUNE 30, 2020**

	<u>Fiduciary Trust Funds</u>
ADDITIONS	
Investment income	
Interest, dividends, and net realized income on investments	\$ 1,138,649
Net change in fair value of investments	(646,710)
Less investment expenses	(56,878)
Other	2,097
Net investment income	<u>437,158</u>
Contributions	
Employer	573,086
Employee	109,015
Total contributions	<u>682,101</u>
TOTAL ADDITIONS	<u>1,119,259</u>
DEDUCTIONS	
Pension benefit payments	1,400,614
Healthcare benefit payments	360,159
Administrative expenses	82,944
TOTAL DEDUCTIONS	<u>1,843,717</u>
CHANGE IN NET POSITION	(724,458)
Net position, beginning of year	<u>24,700,288</u>
Net position, end of year	<u><u>\$ 23,975,830</u></u>

See accompanying notes to financial statements.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - 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 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.

Reporting Entity

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

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

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

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% 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.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Joint Venture

The City is a member of the Grosse Pointes-Clinton Refuse Disposal Authority joint venture (the Authority), which provides refuse disposal services to participating municipalities in Wayne and Macomb counties. Other members include the cities of Harper Woods, Grosse Pointe Farms, Grosse Pointe Park, Grosse Pointe, and Grosse Pointe Woods. The City Council appoints one member to the Authority's governing board, which then approves its budget. The Authority currently contracts with a commercial refuse disposal company and bills members for their proportionate share of the costs.

The City's interest in the net position of the Authority totaled approximately \$41,091 at June 30, 2020, 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.

Basis of Presentation

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

FUND FINANCIAL STATEMENTS

The fund financial statements present the City's individual major funds and aggregated nonmajor funds. Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and the major individual enterprise funds are reported as separate columns in the fund financial statements.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

FUND FINANCIAL STATEMENTS (continued)

The City reports the following major governmental fund:

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

The City reports the following major enterprise funds:

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

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

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.

Measurement Focus

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

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

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

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.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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

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

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

If/when both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted resources as they are needed.

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.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

- 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.

Cash, Cash Equivalents, and Investments

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

Investments include U.S. Government Securities, corporate bonds (both domestic and foreign) and corporate certificates of deposit with an original maturity of greater than 90 days from the date of purchase. Investments are recorded at fair value.

In accordance with 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 highest classifications established by not less than two 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.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash, Cash Equivalents, and Investments (continued)

- 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.

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.

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.

Property Tax

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

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

The City is permitted to levy up to 20.0000 mills (\$20 per \$1,000 of taxable valuation) for general governmental services and 3.0000 mills (\$3.00 per \$1,000 of taxable valuation) for refuse services. Additional levies for debt service, the retirement system, and Public Act 359 activities are also authorized. For the year ended June 30, 2020, the City levied 13.2156 mills for general governmental services, 2.0749 mills for refuse services, 1.3407 mills for the retirement system, 0.8976 mills for debt service, and 0.1743 mills for Public Act 359 activities. The total taxable value for the 2019 levy for the property within the City was \$286,917,310.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventories and Prepaids

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

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 acquisition cost on the date received.

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

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

Unearned Revenue

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

Unearned revenue recorded in the Marina Fund consists of boat well rentals the City received in advance. Unearned revenue recorded in the Water and Sewer Fund consists of 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.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Outflows/Inflows of Resources

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The City reports deferred outflows of resources for three types of items in the government-wide financial statements. The deferred charge on refunding, which results from the difference in the carrying value of refunded debt and its reacquisition price, is deferred and amortized over the shorter of the life of the refunded or refunding debt. The City also reports deferred amounts which correspond to the City's net pension liability and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, net differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date, as applicable. These amounts are deferred and recognized as an outflow of resources in the period to which they apply.

The City reports deferred inflows of resources for two types of items in the government-wide financial statements and one type of item which arises only under a modified accrual basis of accounting and qualify for reporting in this category. The City reports deferred amounts which correspond to the City's net pension liability and net OPEB liability and are related to differences between expected and actual experience, changes in assumptions, and net differences between projected and actual pension plan investment earnings, as applicable. The City also recognizes unavailable revenue, which arises only under a modified accrual basis of accounting that qualifies for reporting in this category. The governmental funds report unavailable revenue related to payments not received within 60 days of fiscal year end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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, 2020, including related payroll taxes, is recorded entirely in the government-wide financial statements.

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.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Long-Term Obligations (continued)

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. The portion of those liabilities expected to be paid within the next year is a current liability with the remaining amounts shown as noncurrent.

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. As a general rule, the effect of interfund activity has been eliminated from 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.

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.

Fund Balance Classifications

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

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

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

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

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

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

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - DESCRIPTION OF CITY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fund Balance Classification Policies and Procedures

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

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

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

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 2 - DEPOSITS AND INVESTMENTS

As of June 30, 2020, the City had deposits and investments subject to the following risk:

Custodial Credit Risk - 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, 2020, \$3,006,845 of the City's bank balance of \$4,506,845 was exposed to custodial credit risk because it was uninsured and uncollateralized. The City's deposits had a carrying amount of \$4,486,054 as of June 30, 2020. The cash caption on the primary government's financial statements includes \$650 of petty cash.

The carrying amount of the component unit's deposits was \$125,642. The bank balance was not readily available.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The City will minimize custodial credit risk, which is the risk of loss due to the failure of the security issue or backer, by; limiting investments to the types of securities allowed by law; and investing through pre-approved third-party custodians.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Interest Rate Risk. In accordance with its investment policy, 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 designing the investment portfolio with the objective of obtaining a rate of return throughout the budgetary and economic cycles, considering the investment risk constraints and the cash flow characteristics of the portfolio.

Investment Type	Fair Value	Weighted Average Maturity (years)
FIDUCIARY FUNDS		
Corporate bonds	\$ 2,479,205	1.68
U.S. government obligations	1,698,351	0.58
	\$ 4,177,556	
Portfolio weighted average maturity		1.23
1 day maturity equals 0.0027, one year equals 1.00		

The fair value of the component unit's investments as of December 31, 2019, was \$1,308,731. 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). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

Investment Type	Fair Value	Rating	Rating Agency
FIDUCIARY FUNDS			
Corporate bonds	\$ 514,861	Aa1	Moody's
Corporate bonds	209,640	Aa2	Moody's
Corporate bonds	151,520	A1	Moody's
Corporate bonds	412,788	A2	Moody's
Corporate bonds	262,503	A3	Moody's
Corporate bonds	687,584	Baa1	Moody's
Corporate bonds	240,309	Not Rated	N/A
U.S. government obligations	1,698,351	Not Rated	N/A

The ratings for investments held by the component unit as of December 31, 2019, were not readily available.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk. The City will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the City investment in a single issuer, by diversifying the investment portfolio by security type and institution in order that potential losses on individual securities do not exceed the income generated from the remainder of the portfolio. No more than 50% 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% 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, 2020, are as follows:

Issuer Name	Fair Value	Percentage of Overall Investments
United States Treasury Bills	\$ 1,698,351	7.0796%
Barings Core Property Fund	1,367,720	5.7013%

Foreign Currency Risk. The City is not authorized to invest in investments which have this type of risk, except the City's fiduciary funds which are allowed to invest in foreign currency-denominated investments as authorized by Michigan Public Act 314 of 1965, as amended.

Currency	Fair Value
FIDUCIARY FUNDS	
American depository receipts	\$ 1,708,366
Foreign equity	348,600
Mutual funds in foreign equity	86,359
	\$ 2,143,325

Fair value measurement. The City is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

- Level 1: Quoted prices in active markets for identical securities.
- Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.
- Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the City's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

The City had the following recurring fair value measurements as of June 30, 2020:

<u>Investment Type</u>	<u>Fair Value Measurement</u>			<u>Balance at June 30, 2020</u>
	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	
FIDUCIARY FUNDS				
Fixed income				
Corporate bonds	\$ -	\$ 2,479,205	\$ -	\$ 2,479,205
U.S. governmental obligations	1,698,351	-	-	1,698,351
Total fixed income	<u>1,698,351</u>	<u>2,479,205</u>	<u>-</u>	<u>4,177,556</u>
Equity securities				
American depository receipts	1,708,366	-	-	1,708,366
Domestic equity	16,635,033	-	-	16,635,033
Foreign equity	348,600	-	-	348,600
Real estate	-	240,365	-	240,365
Mutual funds	-	176,537	-	176,537
Mutual funds in foreign equity	-	86,359	-	86,359
Total equity securities	<u>18,691,999</u>	<u>503,261</u>	<u>-</u>	<u>19,195,260</u>
Total investments by fair value level	<u>\$ 20,390,350</u>	<u>\$ 2,982,466</u>	<u>\$ -</u>	<u>23,372,816</u>
Investments measured at the net asset value (NAV)				
Short-term investments				610,363
Other investments				6,244
Total investments measured at NAV				<u>616,607</u>
Total investments measured at fair value				<u>\$ 23,989,423</u>

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments in Entities that Calculate Net Asset Value Per Share. The short-term investments are held in the Comerica Short Term Funds (STIF) which is a conservative prime market fund structured to maintain a stable \$1 net asset value (NAV). The other investments is cash being held for future investment.

At the year ended June 30, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Short-term investments	\$ 610,363	\$ -	None	N/A
Other investments	<u>6,244</u>	<u>-</u>	None	N/A
Total investments measured at the NAV	<u><u>\$ 616,607</u></u>	<u><u>\$ -</u></u>		

The cash and 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 1. The following summarizes the categorization of these amounts as of June 30, 2020:

	<u>Primary Government</u>	<u>Fiduciary Funds</u>	<u>Component Unit</u>	<u>Reporting Entity</u>
Cash and cash equivalents	\$ 2,857,948	\$ 689,212	\$ 125,642	\$ 3,672,802
Investments	<u>1,556,151</u>	<u>23,372,816</u>	<u>1,308,731</u>	<u>26,237,698</u>
	<u><u>\$ 4,414,099</u></u>	<u><u>\$ 24,062,028</u></u>	<u><u>\$ 1,434,373</u></u>	<u><u>\$ 29,910,500</u></u>

NOTE 3 - INTERFUND PAYABLES AND RECEIVABLES

The amount of interfund receivables and payables at June 30, 2020, are as follows:

Due to General Fund from Nonmajor governmental funds	<u><u>\$ 9,436</u></u>
Due to Water and Sewer Fund from General Fund	<u><u>\$ 1,334,916</u></u>
Due to Marina Fund from General Fund	<u><u>\$ 171,670</u></u>
Due to nonmajor governmental funds from General Fund	\$ 113,071
Nonmajor governmental funds	<u>100,000</u>
	<u><u>\$ 213,071</u></u>

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERFUND PAYABLES AND RECEIVABLES (continued)

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 4 - INTERFUND TRANSFERS

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

Transfers to General Fund from Water and Sewer Fund	<u><u>\$ 225,000</u></u>
Transfers to nonmajor governmental funds from General Fund	\$ 75,000
Nonmajor governmental funds	<u>125,000</u>
	<u><u>\$ 200,000</u></u>
Transfer to Water and Sewer Fund from Nonmajor governmental funds	<u><u>\$ 145,888</u></u>

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

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020, was as follows:

Governmental Activities

	Balance July 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 880,608	\$ -	\$ -	\$ 880,608
Construction in progress	17,370	-	(17,370)	-
Capital assets not being depreciated	897,978	-	(17,370)	880,608
Capital assets being depreciated				
Land improvements	1,261,414	60,278	-	1,321,692
Buildings	1,622,229	-	-	1,622,229
Machinery and equipment	778,458	36,836	(6,100)	809,194
Vehicles	1,516,973	47,891	(65,109)	1,499,755
Infrastructure	10,139,082	183,200	-	10,322,282
Subtotal	15,318,156	328,205	(71,209)	15,575,152

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (continued)

Governmental Activities (continued)

	Balance July 1, 2019	Additions/ Reclassifications	Deletions/ Reclassifications	Balance June 30, 2020
Less accumulated depreciation for				
Land improvements	\$ (587,687)	\$ (40,249)	\$ -	\$ (627,936)
Buildings	(1,025,868)	(25,894)	-	(1,051,762)
Machinery and equipment	(462,356)	(51,867)	6,100	(508,123)
Vehicles	(1,187,231)	(79,551)	45,917	(1,220,865)
Infrastructure	(6,911,860)	(174,818)	-	(7,086,678)
Subtotal	<u>(10,175,002)</u>	<u>(372,379)</u>	<u>52,017</u>	<u>(10,495,364)</u>
Net capital assets being depreciated	<u>5,143,154</u>	<u>(44,174)</u>	<u>(19,192)</u>	<u>5,079,788</u>
Capital assets, net	<u>\$ 6,041,132</u>	<u>\$ (44,174)</u>	<u>\$ (36,562)</u>	<u>\$ 5,960,396</u>

Depreciation expense was charged to the following governmental activities:

General government	\$ 16,825
Public safety	61,959
Public works	257,076
Recreation and culture	55,711
	<u>\$ 391,571</u>

The current period depreciation expense of \$372,379 has been adjusted by \$19,192 for the loss on disposal of capital assets during the period, in accordance with GASB Statement No. 34 implementation guide which states that immaterial losses may be handled as an adjustment to the current period's depreciation expense.

Business-type Activities

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets not being depreciated				
Land	\$ 5,053	\$ -	\$ -	\$ 5,053
Capital assets being depreciated				
Buildings	234,500	-	-	234,500
Machinery and equipment	18,700	22,570	-	41,270
Vehicles	185,923	-	-	185,923
Infrastructure	23,839,043	206,117	-	24,045,160
Marina	9,010,854	-	-	9,010,854
Subtotal	<u>33,289,020</u>	<u>228,687</u>	<u>-</u>	<u>33,517,707</u>

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 5 - CAPITAL ASSETS (continued)

Business-type Activities (continued)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Less accumulated depreciation for:				
Buildings	\$ (234,500)	\$ -	\$ -	\$ (234,500)
Machinery and equipment	(18,700)	(1,505)	-	(20,205)
Vehicles	(93,149)	(17,839)	-	(110,988)
Infrastructure	(18,621,170)	(376,897)	-	(18,998,067)
Marina	(6,011,946)	(77,386)	-	(6,089,332)
Subtotal	<u>(24,979,465)</u>	<u>(473,627)</u>	<u>-</u>	<u>(25,453,092)</u>
Net capital assets being depreciated	<u>8,309,555</u>	<u>(244,940)</u>	<u>-</u>	<u>8,064,615</u>
Capital assets, net	<u>\$ 8,314,608</u>	<u>\$ (244,940)</u>	<u>\$ -</u>	<u>\$ 8,069,668</u>

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

Water and sewer	\$ 396,241
Marina	<u>77,386</u>
	<u>\$ 473,627</u>

NOTE 6 - LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term debt (including current portion) of the City for the year ended June 30, 2020:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Governmental activities					
General obligation bonds					
2013 General obligation refunding bonds	\$ 692,800	\$ -	\$ (90,930)	\$ 601,870	\$ 110,415
2013 General obligation refunding bonds premium	18,448	-	(3,075)	15,373	3,075
Notes from direct borrowing and direct placements					
2013 Honeywell installment purchase agreement	1,956,113	-	(195,612)	1,760,501	195,612
Compensated absences	544,084	71,862	(96,146)	519,800	50,547
Total governmental activities	<u>3,211,445</u>	<u>71,862</u>	<u>(385,763)</u>	<u>2,897,544</u>	<u>359,649</u>

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Amounts Due Within One Year
Business-type activities					
General obligation bonds					
2013 General obligation refunding bonds	\$ 907,200	\$ -	\$ (119,070)	\$ 788,130	\$ 144,585
2013 General obligation refunding bonds premium	24,158	-	(4,026)	20,132	4,026
2016 General obligation refunding bonds	3,110,000	-	(100,000)	3,010,000	100,000
2016 General obligation refunding bonds premium	298,912	-	(16,606)	282,306	16,606
Compensated absences	23,966	2,358	(7,427)	18,897	5,856
 Total business-type activities	 4,364,236	 2,358	 (247,129)	 4,119,465	 271,073
	<u>\$ 7,575,681</u>	<u>\$ 74,220</u>	<u>\$ (632,892)</u>	<u>\$ 7,017,009</u>	<u>\$ 630,722</u>

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

Governmental Activities

\$2,465,000 2013 General Obligation Refunding Bonds, dated December 23, 2013, due in annual installments ranging from \$255,000 to \$320,000 through October 1, 2024, with interest ranging from 3.000% to 4.000%, payable semi-annually. These bonds are allocated between governmental and business-type activities. The allocation is roughly 43% governmental activities and 57% business-type activities. \$ 601,870

\$2,934,173 2013 Honeywell Installment Purchase Agreement, dated July 10, 2013, due in annual installments of \$195,612 through October 1, 2028, with interest of 2.050%, payable semi-annually. 1,760,501

\$ 2,362,371

Business-type Activities

\$2,465,000 2013 General Obligation Refunding Bonds, dated December 23, 2013, due in annual installments ranging from \$255,000 to \$320,000 through October 1, 2024, with interest ranging from 3.000% to 4.000%, payable semi-annually. These bonds are allocated between governmental and business-type activities. The allocation is roughly 43% governmental activities and 57% business-type activities. \$ 788,130

\$3,310,000 2016 General Obligation Refunding Bonds, dated February 17, 2016, due in annual installments ranging from \$100,000 to \$235,000 through October 1, 2036, with interest ranging from 2.000% to 4.000%, payable semi-annually. 3,010,000

\$ 3,798,130

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - LONG-TERM OBLIGATIONS (continued)

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

Year Ending June 30,	Governmental Activities				Business-type Activities	
	General		Notes from Direct Borrowings		General	
	Obligations Bonds		and Direct Placements		Obligations Bonds	
	Principal	Interest	Principal	Interest	Principal	Interest
2021	\$ 110,415	\$ 17,687	\$ 195,612	\$ 34,085	\$ 244,585	\$ 133,711
2022	108,250	14,407	195,612	30,075	241,750	126,416
2023	108,250	10,618	195,611	26,065	286,750	116,554
2024	138,560	6,375	195,611	22,055	326,440	105,198
2025	136,395	2,148	195,611	18,045	318,605	93,963
2026-2030	-	2,148	782,444	32,080	850,000	362,750
2031-2035	-	-	-	-	1,075,000	170,600
2036-2037	-	-	-	-	455,000	13,575
	<u>\$ 601,870</u>	<u>\$ 53,383</u>	<u>\$ 1,760,501</u>	<u>\$ 162,405</u>	<u>\$ 3,798,130</u>	<u>\$ 1,122,767</u>

Advance Refunding - Prior

On February 17, 2016, the City defeased the portion of the 2007 Limited Tax General Obligation Bonds which are due and payable October 1, 2017 through October 1, 2023. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2016 Limited Tax General Obligation Refunding Bonds in the amount of \$3,310,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2020, bonds due and payable October 1, 2020 through October 1, 2023 for the 2007 Limited Tax General Obligation Bonds in the amount of \$3,200,000 are considered defeased.

On December 23, 2013, the City defeased the portion of the 2004 Unlimited Tax General Obligation Bonds which are due and payable October 1, 2016 through October 1, 2024. This was accomplished by establishing an irrevocable trust with an escrow agent composed of cash and U.S. government securities sufficient to meet the applicable principal and interest obligations. The City issued 2013 Unlimited Tax General Obligation Refunding Bonds in the amount of \$2,465,000 to provide resources to fund the escrow amounts and pay the costs of issuance of the refunding bonds. Accordingly, the trust account assets and liabilities for the defeased bonds are not included in the City's financial statements. At June 30, 2020, bonds due and payable October 1, 2020 through October 1, 2024 for the 2004 Unlimited Tax General Obligation Bonds in the amount of \$1,400,000 are considered defeased.

Compensated Absences

In accordance with the City personnel policies and/or contracts negotiated with the various employee groups of the City, individual employees have vested rights upon termination of employment to receive payment for unused sick leave under formulas and conditions specified in the respective personnel policies and/or contracts. At June 30, 2020, the dollar amount of these vested rights, including related payroll taxes, amounted to \$519,800 and \$18,897 for sick leave in government activities and business-type activities, respectively.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - 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 in any of the past three fiscal years.

The City participates in a State pool through the Michigan Municipal Risk Management Authority, with other municipalities for liability, motor vehicle physical damage, crime, Fire/EMS replacement costs, and sewage system overflow. 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 in any of the past three fiscal years.

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, 2020:

Estimated liability - July 1, 2019	\$	-
Estimated claims incurred including changes in estimates		403,651
Claim payments		<u>(403,651)</u>
Estimated liability - June 30, 2020	\$	<u>-</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Plan Administration

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

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

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

Plan Membership

At June 30, 2020, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	33
Inactive plan members entitled to but not yet receiving benefits	7
Active members	<u>17</u>
	<u><u>57</u></u>

Benefits Provided

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

Retirement benefits for general plan members are calculated as final average salary times 2.5% for each year of service. The maximum is 75% of final average salary for public safety clerks and 85% of final average salary for general members. For general non-union employees and departments heads retiring after September 30, 2010, retirement benefits are the sum of 2.5% of final average salary. The maximum is 85% of final average salary.

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

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

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Benefits Provided (continued)

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

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

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

Deferred Retirement Option Program

Participants are eligible for the deferred retirement option program (DROP) if he or she has 10 or more years of service, regardless of age. The benefit begins at regular retirement age. For public safety clerks, if dispatch operations are subcontracted all full-time employees hired prior to July 1, 2010 shall be vested after 7 years. The annual benefit is computed as regular retirement but based on service and final average salary at time of termination. For the year ended June 30, 2020, the balance of amounts held by the Plan pursuant to the DROP is \$0.

Duty Disability

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

Non-Duty Disability

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

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Duty Death

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

Non-Duty Death Before Retirement

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

Contributions

The obligation to contribute to and maintain the system for these employees was established by the City charter. All full-time general and public safety employees are eligible to participate in the system. General participants in the system are required to contribute 3.00% of the first \$4,200 of annual salary plus 5.00% of annual salary in excess of \$4,200. Public safety participants are required to contribute 7.00% of their annual salary. All members contribute 0.50% for medical. Employer contributions are determined by actuarially determined rates. Computed employer contribution rates for the year ended June 30, 2020, were 18.46% for general employees and 18.46% for public safety employees. Administrative costs associated with the plan are financed through investment earnings. For the year ended June 30, 2020, the City contributed \$373,086 to the Plan.

Net Pension Liability

The net pension liability reported at June 30, 2020, was determined using a measure of the total pension liability and the plan net position as of June 30, 2020. The June 30, 2020 total pension liability was determined by an actuarial valuation performed as of that date.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

Net Pension Liability (continued)

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

Calculating the Net Pension Liability			
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a)-(b)
Balances at June 30, 2019	\$ 29,404,494	\$ 22,790,493	\$ 6,614,001
Changes for the year			
Service cost	574,585	-	574,585
Interest on total pension liability	1,606,128	-	1,606,128
Difference between expected and actual experience	633,915	-	633,915
Changes in assumptions	1,725,606	-	1,725,606
Employer contributions	-	373,086	(373,086)
Employee contributions	-	101,049	(101,049)
Net investment income	-	348,698	(348,698)
Benefit payments, including employee refunds	(1,400,614)	(1,400,614)	-
Administrative expense	-	(82,944)	82,944
Net changes	3,139,620	(660,725)	3,800,345
Balances as of June 30, 2020	\$ 32,544,114	\$ 22,129,768	\$ 10,414,346

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

For the year ended June 30, 2020, the City recognized pension expense of \$1,730,039. The City reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 687,678	\$ -
Changes in assumptions	1,035,364	-
Difference between expected and actual investment experience	6,419	-
	\$ 1,729,461	\$ -

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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

<u>Year Ending June 30,</u>	<u>Pension Expense</u>
2021	\$ 1,034,730
2022	398,778
2023	53,690
2024	242,263

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	4 years smoothed market
Inflation	3.00%
Projected salary increases	7.30% - 3.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Cost of living adjustments	2.5% compound, beginning three years after retirement
Mortality rates	RP-2000 Combined Health Mortality Table

Discount Rate

The discount rate used to measure the total pension liability was 5.07%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that the City's contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with GASB 67, paragraph 44.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Debt Securities	20.10%	7.00%
Equity Securities	79.90%	7.00%

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (continued)

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

The following presents the City's net pension liability, calculated using the discount rate of 5.07%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1% lower (4.07%) or 1% higher (6.07%) than the current rate:

	1% Decrease	Current Discount	1% Increase
Net pension liability	\$ 14,622,940	\$ 10,414,346	\$ 6,909,069

NOTE 9 - DEFINED CONTRIBUTION PENSION PLAN

The Defined Contribution Plan for General Non-Union Employees is a defined contribution pension plan established by the City and administered by an insurance company to provide retirement benefits to three administrative employees and top department heads of the City. Plan provisions and contribution requirements are established and may be amended by the City Council. Employees may contribute up to 15% of their gross earnings to the plan. The City is required to contribute 5% of employee gross earnings and to match 100% of the first 5% and 50% of the next 10% of employee contributions. The City's maximum contribution does not exceed 15% for employees hired before July 1, 2012 and 10% for employees hired after June 30, 2012. Employee contributions vest immediately, whereas employer contributions vest at a rate of 20% per year.

Employer contributions to the plan for the year ended June 30, 2020, were \$127,632.

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS

Plan Description

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

Benefits Provided

The City provides retiree healthcare benefits to eligible employees and their spouses, in accordance with labor contracts through the Retired Employees' Health Care Benefits Fund. Benefits are provided to general and public safety employees.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Plan Membership

At June 30, 2020, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	37
Active members	<u>16</u>
	<u><u>53</u></u>

Contributions

The Plan was established and is being funded under the authority of the City Council. The Plan's funding policy is that the employer will contribute amounts as able using the results of the actuarial valuation. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves. Four retirees receiving health care benefits currently contribute \$250 per year toward the premium cost. Active eligible employees contribute 0.50% of their annual salary.

For the year ended June 30, 2020, the City contributed \$200,000, which includes the City's portion of premium payments.

Net OPEB Liability

The net OPEB liability of the City was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of June 30, 2020, using generally accepted actuarial procedures.

Investment Policy

The Commission may invest and reinvest the assets of the plan subject to the terms, conditions, limitations, and restrictions imposed by Michigan law and, to the extent applicable to a government plan, the Internal Revenue Code of 1986, as amended, and the Employee Retirement Income Security Act of 1974, as amended. Michigan Compiled Laws, Section 38.1121, authorizes the Commission to invest plan assets in a wide variety of investments including: stocks, bonds, certificates of deposits, real estate, annuity contracts, obligations of a specified nature and real or personal property. Specific limitations apply to the various investment types. The Commission's plan fund investments are in accordance with statutory authority. It is the policy of the Commission to invest funds in a manner which will ensure the preservation of principal while providing the highest investment return with maximum security.

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

Net OPEB Liability

The change in the net OPEB liability for the year ended June 30, 2020, was as follows:

	Calculating the Net OPEB Liability		
		Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a)-(b)
Balances at June 30, 2019	\$ 11,118,571	\$ 1,909,795	\$ 9,208,776
Changes for the year			
Service cost	209,115	-	209,115
Interest on total OPEB liability	773,013	-	773,013
Difference between expected and actual experience	(1,464,744)	-	(1,464,744)
Employer contributions	-	200,000	(200,000)
Employee contributions	-	7,966	(7,966)
Net investment income	-	86,363	(86,363)
Benefit payments, including employee refunds	(360,159)	(360,159)	-
Other changes	-	2,097	(2,097)
Net changes	(842,775)	(63,733)	(779,042)
Balances as of June 30, 2020	\$ 10,275,796	\$ 1,846,062	\$ 8,429,734

OPEB Expenses and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2020, the City recognized OPEB expense of (\$580,025). At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 820,470
Net difference between projected and actual earnings on pension plan investments	52,545	-
Total	\$ 52,545	\$ 820,470

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

<u>Year Ending June 30,</u>	<u>OPEB Expense</u>
2021	\$ (804,775)
2022	15,694
2023	12,743
2024	8,413

Actuarial Methods and Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020. The following actuarial assumptions were applied to compute the total OPEB liability:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	30 years
Asset valuation method	Market
Pre-Retirement Medical Inflation	6.00% for the year of valuation graded down to 5.00% in 0.10% increments for 10 years
Investment rate of return	7.00%, net of plan investment expense
Projected salary increases	3.00%
20-year high grade municipal bond	2.45%
Mortality rates	RP-2014 Healthy Annuitant Mortality Table

Discount Rate

The discount rate used to measure the total OPEB liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at rates equal to the actuarially determined rates. Based on these assumptions, the 7.00% discount rate is the single rate of return that, when applied to all projected benefit payments, results in an actuarial present value of projected benefit payments equal to the total of the actuarial present values determined in conformity with GASB Statement No. 74.

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

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

	<u>1% Decrease</u>	<u>Current</u>	<u>1% Increase</u>
Net OPEB liability	<u>\$ 9,894,809</u>	<u>\$ 8,429,734</u>	<u>\$ 7,228,666</u>

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10 - OTHER POST-EMPLOYMENT BENEFITS (continued)

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

The following presents the City's net OPEB liability, calculated using the assumed medical inflation rate of 5.00%, as well as what the City's net OPEB liability would be if it were calculated using the medical inflation rate used to measure the total OPEB liability of 6.00% in the first year, decreasing in 0.10% increments over the following 10 years, that is 1.00% lower or 1.00% higher than the current rate:

	1% Decrease	Current	1% Increase
Net OPEB liability	\$ 7,197,035	\$ 8,429,734	\$ 9,930,672

NOTE 11 - CONTINGENT LIABILITIES

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

NOTE 12 - 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, 2020:

REVENUES	
Permits	\$ 66,259
EXPENDITURES	
Salaries and wages	44,913
Supplies and other	30,215
TOTAL EXPENDITURES	75,128
EXCESS OF REVENUES (UNDER) EXPENDITURES	(8,869)
PRIOR CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	19,372
CUMULATIVE EXCESS OF REVENUES OVER EXPENDITURES	\$ 10,503

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS**

NOTE 13 - RESTRICTED NET POSITION

Restrictions of net position shown in the government-wide financial statements indicate that restrictions imposed by the funding source or some other outside source which precludes their use for unrestricted purposes. The following are the various restrictions in net position as of June 30, 2020:

	Primary Government	Component Unit
	Governmental Activities	(Improvement Foundation)
Streets and highways	\$ 548,654	\$ -
Public safety	100,437	-
Expendable endowment	-	40,400
Nonexpendable endowment	-	665,000
	\$ 649,091	\$ 705,400

NOTE 14 - UNCERTAINTIES

The extent of the impact of COVID-19 on the City’s operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on services, employees, and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact the financial condition and results of operations is uncertain.

NOTE 15 - SUBSEQUENT EVENTS

The City has been awarded Coronavirus Aid, Relief, and Economic Security (CARES) Act funding through the Public Safety Public Health Payroll Reimbursement Program and First Responder Hazard Pay Premiums Program of \$294,757 and \$16,000, respectively.

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS

In January 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities for all state and local governments, focusing on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries for whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2020-2021 fiscal year.

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO FINANCIAL STATEMENTS

NOTE 16 - UPCOMING ACCOUNTING PRONOUNCEMENTS (continued)

In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2021-2022 fiscal year.

In May 2020, GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The City is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
Taxes	\$ 4,914,349	\$ 5,004,262	\$ 5,004,263	\$ 1
Intergovernmental	305,599	237,289	295,874	58,585
Licenses and permits	101,500	71,570	67,870	(3,700)
Charges for services	243,500	222,712	226,055	3,343
Fines and forfeits	187,000	122,750	127,288	4,538
Interest	54,000	42,500	43,353	853
Other	174,530	192,570	188,001	(4,569)
TOTAL REVENUES	<u>5,980,478</u>	<u>5,893,653</u>	<u>5,952,704</u>	<u>59,051</u>
EXPENDITURES				
Current				
General government				
City Council	31,880	30,062	29,868	194
Judicial	138,917	147,726	145,414	2,312
City Manager	317,289	271,210	264,201	7,009
Clerk	19,630	18,622	18,113	509
Assessor	27,851	27,676	27,589	87
Elections	42,461	33,777	29,163	4,614
Financial administration	260,077	375,505	375,080	425
City hall and grounds	458,541	435,834	415,411	20,423
Total general government	<u>1,296,646</u>	<u>1,340,412</u>	<u>1,304,839</u>	<u>35,573</u>
Public safety	<u>2,623,929</u>	<u>2,569,548</u>	<u>2,534,703</u>	<u>34,845</u>
Public works				
Sanitation	595,314	594,456	581,910	12,546
Building department	85,182	77,682	75,128	2,554
Other	373,539	302,756	291,493	11,263
Total public works	<u>1,054,035</u>	<u>974,894</u>	<u>948,531</u>	<u>26,363</u>
Health and welfare				
Ambulance	<u>112,309</u>	<u>114,250</u>	<u>113,764</u>	<u>486</u>
Community and economic development				
Planning and zoning	<u>23,084</u>	<u>20,527</u>	<u>20,031</u>	<u>496</u>

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE (continued)
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
EXPENDITURES (continued)				
Current (continued)				
Recreation and culture	\$ 485,641	\$ 470,610	\$ 448,009	\$ 22,601
Other				
Insurance	157,009	137,095	137,095	-
Fringe benefits	228,300	247,006	247,050	(44)
Total other	385,309	384,101	384,145	(44)
Capital outlay	110,186	69,895	58,136	11,759
Debt service	233,707	233,707	233,707	-
TOTAL EXPENDITURES	6,324,846	6,177,944	6,045,865	132,079
EXCESS OF REVENUES (UNDER) EXPENDITURES	(344,368)	(284,291)	(93,161)	191,130
OTHER FINANCING SOURCES (USES)				
Transfers in	225,000	225,000	225,000	-
Transfers out	(75,000)	(75,000)	(75,000)	-
Sale of capital assets	20,000	7,728	7,728	-
TOTAL OTHER FINANCING SOURCES (USES)	170,000	157,728	157,728	-
NET CHANGE IN FUND BALANCE	(174,368)	(126,563)	64,567	191,130
Fund balance, beginning of year	1,772,446	1,772,446	1,772,446	-
Fund balance, end of year	\$ 1,598,078	\$ 1,645,883	\$ 1,837,013	\$ 191,130

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
GENERAL AND PUBLIC SAFETY RETIREMENT SYSTEM
SCHEDULE OF CHANGES IN THE CITY'S NET PENSION LIABILITY AND RELATED RATIOS
LAST SEVEN FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	<u>2020</u>	<u>2019</u>	<u>2018</u>
CHANGE IN TOTAL PENSION LIABILITY			
Service cost	\$ 574,585	\$ 519,269	\$ 413,495
Interest	1,606,128	1,482,562	1,520,414
Changes of benefit terms	-	-	-
Differences between expected and actual experience	633,915	1,536,647	(1,299,818)
Changes in assumptions	1,725,606	-	190,794
Benefit payments, including refunds of member contributions	<u>(1,400,614)</u>	<u>(1,270,809)</u>	<u>(1,263,127)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	3,139,620	2,267,669	(438,242)
TOTAL PENSION LIABILITY, BEGINNING	<u>29,404,494</u>	<u>27,136,825</u>	<u>27,575,067</u>
TOTAL PENSION LIABILITY, ENDING (A)	<u>\$ 32,544,114</u>	<u>\$ 29,404,494</u>	<u>\$ 27,136,825</u>
CHANGE IN PLAN FIDUCIARY NET POSITION			
Contributions - employer	\$ 373,086	\$ 267,096	\$ 376,424
Contributions - member	101,049	109,024	106,573
Net investment income	348,698	2,115,777	1,772,321
Benefit payments, including refunds of member contributions	(1,400,614)	(1,270,809)	(1,263,127)
Administrative expenses	(82,944)	(99,346)	(78,944)
Other	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(660,725)	1,121,742	913,247
PLAN FIDUCIARY NET POSITION, BEGINNING	<u>22,790,493</u>	<u>21,668,751</u>	<u>20,755,504</u>
PLAN FIDUCIARY NET POSITION, ENDING (B)	<u>\$ 22,129,768</u>	<u>\$ 22,790,493</u>	<u>\$ 21,668,751</u>
CITY'S NET PENSION LIABILITY (ASSET), ENDING (A)-(B)	<u>\$ 10,414,346</u>	<u>\$ 6,614,001</u>	<u>\$ 5,468,074</u>
Plan fiduciary net position as a percentage of the total pension liability	68.00%	77.51%	79.85%
Covered-employee payroll	\$ 1,492,215	\$ 1,743,532	\$ 1,719,638
City's net pension liability (asset) as a percentage of covered-employee payroll	697.91%	379.34%	317.98%

2017	2016	2015	2014
\$ 519,938	\$ 391,500	\$ 344,632	\$ 364,859
1,457,098	1,484,890	1,429,644	1,458,099
-	-	-	(690,273)
21,894	435,726	(76,376)	(272,458)
(998,215)	3,559,220	3,527,154	-
<u>(1,316,176)</u>	<u>(1,470,893)</u>	<u>(1,249,151)</u>	<u>(1,209,880)</u>
(315,461)	4,400,443	3,975,903	(349,653)
<u>27,890,528</u>	<u>23,490,085</u>	<u>19,514,182</u>	<u>19,863,835</u>
<u>\$ 27,575,067</u>	<u>\$ 27,890,528</u>	<u>\$ 23,490,085</u>	<u>\$ 19,514,182</u>
\$ 309,565	\$ 292,262	\$ 223,369	\$ 358,599
107,273	100,391	97,112	100,495
1,749,484	768,835	382,944	3,081,808
(1,316,176)	(1,470,893)	(1,249,151)	(1,209,880)
(72,246)	(73,250)	(51,325)	(67,078)
<u>-</u>	<u>-</u>	<u>(29,458)</u>	<u>-</u>
777,900	(382,655)	(626,509)	2,263,944
<u>19,977,604</u>	<u>20,360,259</u>	<u>20,986,768</u>	<u>18,722,824</u>
<u>\$ 20,755,504</u>	<u>\$ 19,977,604</u>	<u>\$ 20,360,259</u>	<u>\$ 20,986,768</u>
<u>\$ 6,819,563</u>	<u>\$ 7,912,924</u>	<u>\$ 3,129,826</u>	<u>\$ (1,472,586)</u>
75.27%	71.63%	86.68%	107.55%
\$ 1,730,705	\$ 1,606,430	\$ 1,563,622	\$ 1,670,564
394.03%	492.58%	200.17%	(88.15%)

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
GENERAL AND PUBLIC SAFETY RETIREMENT SYSTEM
SCHEDULE OF CITY CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Actuarially determined contribution	\$ 373,086	\$ 267,096	\$ 376,424	\$ 309,565
Contributions in relation to the actuarially determined contribution	<u>373,086</u>	<u>267,096</u>	<u>376,424</u>	<u>309,565</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 1,492,215	\$ 1,743,532	\$ 1,719,638	\$ 1,730,705
Contributions as a percentage of covered-employee payroll	25.00%	15.32%	21.89%	17.89%

Valuation date: Actuarially determined contribution rates are calculated as of June 30, the year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	20 years
Asset valuation method	4 years smoothed market
Inflation	3.00%
Salary increases	7.30% - 3.00%, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation
Mortality table	RP 2000 Combined Healthy Mortality Table

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 292,262	\$ 223,369	\$ 358,599	\$ 513,066	\$ 505,463	\$ 545,753
<u>292,262</u>	<u>223,369</u>	<u>358,599</u>	<u>513,066</u>	<u>505,463</u>	<u>545,753</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 1,606,430	\$ 1,563,622	\$ 1,670,564	\$ 1,686,952	\$ 1,841,767	\$ 2,330,936
18.19%	14.29%	21.47%	30.41%	27.44%	23.41%

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
GENERAL AND PUBLIC SAFETY RETIREMENT SYSTEM
SCHEDULE OF INVESTMENT RETURNS
LAST SEVEN FISCAL YEARS (ULTIMATELY TEN YEARS WILL BE DISPLAYED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Annual money-weighted rate of return, net of investment expense	1.53%	9.76%	5.97%

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
7.71%	8.38%	7.97%	12.09%

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
RETIRED EMPLOYEES' HEALTH CARE BENEFITS
SCHEDULE OF CHANGES IN CITY'S NET OPEB LIABILITY AND RELATED RATIOS
LAST FOUR FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)

	2020	2019	2018	2017
Total OPEB liability				
Service cost	\$ 209,115	\$ 205,969	\$ 270,875	\$ 259,780
Interest on total OPEB liability	773,013	762,179	855,783	823,042
Difference between expected and actual experience	(1,464,744)	(440,490)	(2,047,311)	(234,045)
Benefit payments, including refunds of member contributions	(360,159)	(388,751)	(379,431)	(393,770)
Net change in total OPEB liability	(842,775)	138,907	(1,300,084)	455,007
Total OPEB liability, beginning	11,118,571	10,979,664	12,279,748	11,824,741
Total OPEB liability, ending	<u>\$ 10,275,796</u>	<u>\$ 11,118,571</u>	<u>\$ 10,979,664</u>	<u>\$ 12,279,748</u>
Plan fiduciary net position				
Contributions - employer	\$ 200,000	\$ 423,189	\$ 130,000	\$ 130,000
Contributions - employee	7,966	8,733	8,598	8,653
Net investment income	86,363	103,291	109,452	64,145
Benefit payments	(360,159)	(388,751)	(379,431)	(393,770)
Other changes	2,097	-	-	-
Net change in plan fiduciary net position	(63,733)	146,462	(131,381)	(190,972)
Plan fiduciary net position, beginning	1,909,795	1,763,333	1,894,714	2,091,024
Plan fiduciary net position, ending	<u>\$ 1,846,062</u>	<u>\$ 1,909,795</u>	<u>\$ 1,763,333</u>	<u>\$ 1,900,052</u>
City's net OPEB liability	<u>\$ 8,429,734</u>	<u>\$ 9,208,776</u>	<u>\$ 9,216,331</u>	<u>\$ 10,379,696</u>
Plan fiduciary net position as a percentage of the total OPEB liability	17.97%	17.18%	16.06%	15.47%
Covered employee payroll	\$ 1,447,324	\$ 1,645,078	\$ 1,577,861	\$ 1,811,884
City's net OPEB liability as a percentage of covered employee payroll	582.44%	559.78%	584.10%	572.87%

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
 RETIRED EMPLOYEES' HEALTH CARE BENEFITS
 SCHEDULE OF CITY CONTRIBUTIONS
 LAST FOUR FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annually determined contributions	\$ 703,602	\$ 703,602	\$ 645,392	\$ 645,392
Contributions in relation to the annually determined contribution	<u>200,000</u>	<u>423,189</u>	<u>130,000</u>	<u>130,000</u>
Contribution deficiency	<u>\$ 503,602</u>	<u>\$ 280,413</u>	<u>\$ 515,392</u>	<u>\$ 515,392</u>
Covered employee payroll	\$ 1,447,324	\$ 1,645,078	\$ 1,577,861	\$ 1,811,884
Contributions as a percentage of covered employee payroll	13.82%	25.72%	8.24%	7.17%

Valuation date: June 30, 2020

Methods and assumptions used to determine contribution rates:

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

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
RETIRED EMPLOYEES' HEALTH CARE BENEFITS
SCHEDULE OF INVESTMENT RETURNS
LAST FOUR FISCAL YEARS (ULTIMATELY TEN FISCAL YEARS WILL BE DISPLAYED)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Annual money-weighted rate of return, net of investment expense	4.52%	5.86%	5.78%	7.71%

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2020**

NOTE 1 - CHANGES IN THE CITY'S NET PENSION LIABILITY

Changes in benefits - No changes in benefits during the year ended June 30, 2020.

Changes of assumptions - The discount rate was reduced from 5.54% to 5.07%.

NOTE 2 - CHANGES IN THE CITY'S NET OPEB LIABILITY

Changes in benefits - No changes in benefits during the year ended June 30, 2020.

Changes of assumptions - No changes of assumptions during the year ended June 30, 2020.

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

In required supplementary information to the financial statements, the City's budgeted expenditures in the General Fund have been shown at the functional classification level. The approved budgets of the City have been adopted at the activity level for the General Fund.

During the year ended June 30, 2020, the City incurred expenditures in the General Fund in excess of the amounts appropriated as follows:

	<u>Amounts Appropriated</u>	<u>Amounts Expended</u>	<u>Variance</u>
General Fund			
Other			
Fringe benefits	\$ 247,006	\$ 247,050	\$ 44

OTHER SUPPLEMENTARY INFORMATION

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2020**

	Special Revenue					Total
	Major Street	Local Street	911 Service	Drug Law Enforcement	Debt Service	
ASSETS						
Cash and cash equivalents	\$ 453,884	\$ 52,824	\$ -	\$ -	\$ -	\$ 506,708
Due from other governmental units	29,334	12,743	-	-	-	42,077
Due from other funds	-	109,305	84,094	5,840	13,832	213,071
TOTAL ASSETS	\$ 483,218	\$ 174,872	\$ 84,094	\$ 5,840	\$ 13,832	\$ 761,856
LIABILITIES						
Due to other funds	\$ 109,436	\$ -	\$ -	\$ -	\$ -	\$ 109,436
FUND BALANCES						
Restricted						
Streets and highways	373,782	174,872	-	-	-	548,654
Public safety	-	-	84,094	5,840	-	89,934
Debt service	-	-	-	-	13,832	13,832
TOTAL FUND BALANCES	373,782	174,872	84,094	5,840	13,832	652,420
TOTAL LIABILITIES AND FUND BALANCES	\$ 483,218	\$ 174,872	\$ 84,094	\$ 5,840	\$ 13,832	\$ 761,856

**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, 2020**

	Special Revenue					Total
	Major Street	Local Street	911 Service	Drug Law Enforcement	Debt Service	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 257,464	\$ 257,464
Intergovernmental - State	277,211	91,304	-	-	-	368,515
Interest	1,105	221	-	-	-	1,326
Other	-	42,330	17,671	-	-	60,001
TOTAL REVENUES	278,316	133,855	17,671	-	257,464	687,306
EXPENDITURES						
Current						
Public safety	-	-	13,415	3,770	-	17,185
Public works	75,815	257,432	-	-	-	333,247
Debt service	-	-	-	-	111,660	111,660
TOTAL EXPENDITURES	75,815	257,432	13,415	3,770	111,660	462,092
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	202,501	(123,577)	4,256	(3,770)	145,804	225,214
OTHER FINANCING SOURCES (USES)						
Transfers in	25,000	175,000	-	-	-	200,000
Transfers out	(125,000)	-	-	-	(145,888)	(270,888)
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)	175,000	-	-	(145,888)	(70,888)
NET CHANGE IN FUND BALANCES	102,501	51,423	4,256	(3,770)	(84)	154,326
Fund balances, beginning of year	271,281	123,449	79,838	9,610	13,916	498,094
Fund balances, end of year	\$ 373,782	\$ 174,872	\$ 84,094	\$ 5,840	\$ 13,832	\$ 652,420

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
PENSION AND EMPLOYEE BENEFITS TRUST FUNDS
COMBINING STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2020**

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
ASSETS			
Cash and cash equivalents	\$ 616,607	\$ -	\$ 616,607
Investments			
Equity securities	19,195,260	-	19,195,260
U.S. government securities	1,698,351	-	1,698,351
Corporate bonds	2,479,205	-	2,479,205
Due from other funds	-	1,821,561	1,821,561
Interest receivable	34,586	-	34,586
Prepays	-	24,501	24,501
	<u>24,024,009</u>	<u>1,846,062</u>	<u>25,870,071</u>
TOTAL ASSETS			
LIABILITIES			
Due to other funds	1,821,561	-	1,821,561
Due to other governmental units	72,680	-	72,680
	<u>1,894,241</u>	<u>-</u>	<u>1,894,241</u>
TOTAL LIABILITIES			
NET POSITION			
Held in trust for pension and other employee benefits	<u>\$ 22,129,768</u>	<u>\$ 1,846,062</u>	<u>\$ 23,975,830</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, 2020**

	General and Public Safety Retirement System Fund	Retired Employees' Health Care Benefits Fund	Total
ADDITIONS			
Investment income			
Interest, dividends, and net realized income on investments	\$ 1,052,286	\$ 86,363	\$ 1,138,649
Net change in fair value of investments	(646,710)	-	(646,710)
Less investment expenses	(56,878)	-	(56,878)
Other	-	2,097	2,097
Net investment income	<u>348,698</u>	<u>88,460</u>	<u>437,158</u>
Contributions			
Employer	373,086	200,000	573,086
Employee	101,049	7,966	109,015
Total contributions	<u>474,135</u>	<u>207,966</u>	<u>682,101</u>
TOTAL ADDITIONS	<u>822,833</u>	<u>296,426</u>	<u>1,119,259</u>
DEDUCTIONS			
Pension benefit payments	1,400,614	-	1,400,614
Healthcare benefit payments	-	360,159	360,159
Administrative expenses	82,944	-	82,944
TOTAL DEDUCTIONS	<u>1,483,558</u>	<u>360,159</u>	<u>1,843,717</u>
CHANGE IN PLAN NET POSITION	(660,725)	(63,733)	(724,458)
Net position, beginning of year	<u>22,790,493</u>	<u>1,909,795</u>	<u>24,700,288</u>
Net position, end of year	<u>\$ 22,129,768</u>	<u>\$ 1,846,062</u>	<u>\$ 23,975,830</u>

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
 AGENCY FUNDS
 COMBINING STATEMENT OF ASSETS AND LIABILITIES
 JUNE 30, 2020**

	Trust and Agency Fund	Tax Collection Fund	Total
ASSETS			
Cash and cash equivalents	\$ 72,605	\$ -	\$ 72,605
LIABILITIES			
Due to individuals and agencies	\$ 72,605	\$ -	\$ 72,605

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020

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

Property Tax

The City's annual ad valorem tax levy is limited by both statute and City Charter. Home Rule cities are allowed by the Home Rule Act to authorize, by their charters, not to exceed 20.00 mills (1 mill is equal to \$1.00 per \$1,000 of Taxable Value) as an annual ad valorem tax levy for operating purposes. The City, by its charter, is limited to levying annually a maximum of 20.00 mills for municipal purposes exclusive of any levy required for the payment of principal and interest on outstanding bonds of the City and exclusive of any levy authorized by statute to be made beyond the charter tax limitations. Since the City changed from a General Law Village to a Home Rule City on April 1, 2009, the 20.00 mill limitation had not been rolled back due to the effect of the Headlee Amendment to the State Constitution until fiscal year 2020. The City is currently levying 13.2156 mills for operating purposes, and 4.4875 for other permitted purposes. In addition, the electorate may authorize the issuance of general obligation bonds which pledge the full faith and credit and unlimited taxing power of the City.

The City's maximum operating levy at its charter limit of 20.00 mills for the 2019/2020 fiscal year has been rolled back by the Headlee Amendment to 19.5452 mills.

Tax Rates - Five Year History (1)

<u>Levied July 1,</u>	<u>City Operating (2)</u>	<u>Refuse (3)</u>	<u>Pension (4)</u>	<u>Debt</u>	<u>PA 359 (6)</u>	<u>Total</u>
2015	12.5787	2.1091	1.0138	1.9870 (5)	0.1908	17.8794
2016	14.5767	1.9625	1.0759	1.0735 (5)	0.1908	18.8794
2017	14.0352	1.9402	1.7056	1.0119 (5)	0.1865	18.8794
2018	13.5011	1.9986	1.1050	0.9183 (5)	0.1801	17.7031
2019	13.2156	2.0749	1.3407	0.8976 (5)	0.1743	17.7031

- (1) Per \$1,000 of Taxable Value. Excludes taxes levied by other units of government.
- (2) The City has the ability to levy an additional 6.7844 mills subject to a vote of the City Council.
- (3) Refuse millage is not subject to City's 20.00 mills charter limitation but is limited to 3.00 mills and does not have an expiration date.
- (4) Pension millage is not subject to City's 20.00 mills charter limitation and does not have an expiration date.
- (5) Debt levy on City's 2013 General Obligation Unlimited Tax Refunding Bonds.
- (6) Public Act 359 is not subject to City's 20.00 mills charter limitation.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020**

City Wide Millages

In addition to the City's tax rates, property owners in the City must pay taxes to other units of local government. City property owners are subject to the following millage tax rates on all taxable property from local units of government for the 2019/2020 fiscal year.

Fiscal Year 2019/2020 (1)

	Homestead Properties (2)	Non-Homestead Properties
State Education Tax	6.0000	6.0000
Grosse Pointe Public Schools - Local	0.0000	18.0000
Sinking Fund	0.9687	0.9687
Debt	3.1400	3.1400
Supplement	5.4888	0.0000
South Lake Schools - Local	0.0000	17.3999
Debt	7.0000	7.0000
Supplement	4.6428	0.0000
Grosse Pointe Library	2.1707	2.1707
Wayne County	7.8220	7.8220
Macomb County	4.5266	4.5266
SMART	0.9926	0.9926
Wayne County Transit Authority	0.9991	0.9991
Wayne County Intermediate Schools	5.4643	5.4643
Macomb County Intermediate Schools	2.8744	2.8744
Wayne County Community College	3.2408	3.2408
Macomb Community College	1.4531	1.4531
Huron Clinton Metropolitan Authority	0.2117	0.2117
Detroit Zoological Authority - Wayne	0.1000	0.1000
Detroit Zoological Authority - Macomb	0.0977	0.0977
Detroit Institute of Arts - Wayne	0.2000	0.2000
Detroit Institute of Arts - Macomb	0.1950	0.1950
Total Village of Grosse Pointe Shores - Wayne	\$ 52.5092	\$ 66.0204
Total Village of Grosse Pointe Shores - Macomb	\$ 45.6970	\$ 58.4541

Approximately 96% of the City's SEV is contained in the Grosse Pointe School District, which levies 22.1087 mills for non-principal mills and 9.5975 mills for principal. South Lake Schools overlaps into the geographical boundary of the City with the millage rates of 24.3999 mills for non-principal and 11.6428 mills for principal.

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

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

SOURCE: Village of Grosse Pointe Shores, A Michigan City

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020**

Industrial Facilities Tax Roll

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

SEV/Taxable Valuation - Five Year History

The City's Ad Valorem Taxable Valuation increased \$20,630,682 or 13.2% between 2015 and 2019. Taxable Value does not include any value of tax-exempt property (e.g., governmental facilities, churches, public schools, etc.) or property granted tax abatements under Act 198. (See "**Industrial Facilities Tax Roll**" herein.)

<u>Assessed Value as of December 31</u>	<u>Year of State Equalization and Tax Levy</u>	<u>Fiscal Year Ended June 30</u>	<u>State Equalized Valuation (1)</u>	<u>Ad Valorem Taxable Valuation (1)</u>
2014	2015	2016	\$ 283,700,180	\$ 262,529,646
2015	2016	2017	316,954,035	261,637,691
2016	2017	2018	343,368,928	268,082,195
2017	2018	2019	350,989,800	276,582,952
2018	2019	2020	398,453,210	286,842,419

Per Capita 2019 State Equalized Valuation is \$132,464 and Per Capita 2019 Ad Valorem Taxable Valuation is \$98,808 based on the 2010 U.S. Census population of 3,008.

(1) See "Property Tax" herein.

Breakdown of 2019 Taxable Value:

By Use:

Residential	98.7%
Personal	1.3%
Total	<u>100.0%</u>

By Class:

Residential	98.7%
Personal	1.3%
Total	<u>100.0%</u>

SOURCE: Village of Grosse Pointe Shores, A Michigan City

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020**

Property Tax Collections

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

Property Tax Collection Record Five Year History

<u>Fiscal Year Ending June 30,</u>	<u>Tax Levy (1)</u>	<u>Collections to March 1, Year Following Levy</u>	<u>Percent Collected</u>	<u>Collections Plus Funding to June 30, Year Following Levy (2)</u>	<u>% Collections Plus Funding to June 30, Year Following Levy</u>
2015	\$ 4,595,769	\$ 4,557,965	99.18%	\$ 4,595,769	100.00%
2016	4,684,927	4,620,437	98.62%	4,684,927	100.00%
2017	4,939,534	4,859,141	98.37%	4,939,534	100.00%
2018	5,065,347	5,006,098	98.83%	5,065,347	100.00%
2019	5,077,971	5,014,866	98.76%	5,077,971	100.00%

(1) Real and personal taxes combined.

(2) Includes collections from County Tax Payment Fund.

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Revenues from the State of Michigan

The City receives revenue sharing payments from the State of Michigan under the State Constitution and the State Revenue Sharing Act of 1971. The following table sets forth annual revenue sharing payments and other moneys received by the City's general operating fund for its last five fiscal years.

<u>Fiscal Year Ending June 30,</u>	<u>Constitutional Component</u>	<u>Statutory/ EVIP/CVTRS Component</u>	<u>Total</u>
June 30, 2016	\$ 224,799	\$ 10,068	\$ 234,867
June 30, 2017	240,677	10,068	250,745
June 30, 2018	262,452	-	262,452
June 30, 2019	272,506	-	272,506
June 30, 2020	259,645	10,650	270,295

SOURCE: Village of Grosse Pointe Shores, A Michigan City

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020**

General Fund Balance

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

<u>Fiscal Year Ended</u>	<u>Total Fund Balance</u>	<u>Undesignated/ Unassigned</u>
2016	\$ 1,518,794	\$ 1,274,613
2017	1,855,094	967,992
2018	2,079,091	1,308,559
2019	1,772,446	1,206,355
2020	1,837,013	1,164,777

SOURCE: Village of Grosse Pointe Shores, A Michigan City

City Income Tax

The City does not levy a City Income Tax.

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions, the following table reflects the amount of additional debt the City may legally incur as of June 30, 2020.

2019 State Equalized Value (SEV)		\$ 398,453,210
Legal Debt Limit (10% of 2019 SEV)		39,845,321
Outstanding debt subject to limitation	\$ 4,400,000	
Less: Exempt obligations	<u>-</u>	<u>4,400,000</u>
Additional debt which can be legally incurred		<u>\$ 35,445,321</u>
Non-exempt debt outstanding as percentage of SEV		1.10%

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

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020**

Debt Statement

The following table reflects a breakdown of the City's direct and overlapping debt as of June 30, 2020.

<u>City Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net Debt</u>	<u>Net Debt (1)</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
Limited Tax General Obligation Bonds (2)	\$ 3,010,000	\$ 3,010,000	\$ -		
2013 General Obligation Unlimited Tax Refunding Bonds (3)	1,390,000	-	1,390,000		
Installment Purchase Contract (Limited Tax General Obligation)	1,760,501	-	1,760,501		
Total Direct Debt	\$ 6,160,501	\$ 3,010,000	\$ 3,150,501	\$ 1,047	1.10%

<u>City Overlapping (4)</u>	<u>Gross</u>	<u>City Share as % of Gross</u>	<u>Net City Share</u>	<u>Net Debt (1)</u>	
				<u>Per Capita</u>	<u>% of Taxable Valuation</u>
Grosse Pointe School District	\$ 79,860,000	9.55%	\$ 7,626,630		
South Lake School District	28,015,000	2.14%	599,521		
Macomb - County at Large	286,627,685	0.04%	107,451		
Wayne - County at Large	281,946,697	0.65%	1,832,654		
Macomb ISD	1,705,000	0.04%	682		
Grosse Pointe Public Library	8,860,000	9.55%	846,130		
Total Overlapping Debt	\$ 687,014,382		\$ 11,013,068	\$ 3,661	3.84%
Total City Direct and Overlapping Debt	\$ 693,174,883		\$ 14,163,569	\$ 4,709	4.94%

- (1) Based upon the City's 2010 Estimated U.S. Census population of 3,008 and 2019 Ad Valorem Taxable Valuation of \$286,842,419.
(2) Includes the bonds which are paid by City Marina revenues.
(3) 2013 General Obligation Unlimited Tax Refunding Bonds.
(4) Overlapping debt is the portion of other taxing units' debt for which a City taxpayer is responsible in addition to debt of the City.

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

VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020

Pension Plan

The City contributes to the Employees Retirement System, which is the administrator of a single-employer public employees' retirement system that covers essentially all general and public safety employees of the City. All full-time general and public safety employees are eligible to participate in the system except for new hires after July 1, 2012. For fiscal year ended June 30, 2020, the City's annual pension cost and required contribution was equal to the City's actual contribution of \$373,086. The annual required contribution was determined by an actuarial valuation of June 30, 2020.

 SOURCE: Village of Grosse Pointe Shores, A Michigan City

Other Post-Employment Benefits

The City provides health care benefits to all full-time employees upon retirement, in accordance with labor contracts. Currently 31 retirees are eligible. Four retirees do pay \$250 annually per labor agreement in place at the time of their retirement until Medicare eligible. The City includes pre-Medicare retirees and their dependents in its insured health care plan, with no contribution required by the participant. The City purchases Medicare supplemental insurance for retirees eligible for Medicare. Expenditures for post-employment health care benefits are recognized in the Retired Employees' Health Care Benefit Trust Fund as the insurance premiums become due; during the fiscal year ended June 30, 2020, this amounted to \$360,159.

 SOURCE: Village of Grosse Pointe Shores, A Michigan City

Labor Contracts

Approximately 78% of the City's 32 full time employees are represented by labor organizations. The following table illustrates the various organizations which represent City employees, the number of members as of June 30, 2020, and the expiration date of the present contracts.

<u>Employee Group</u>	<u>Number of Employees</u>	<u>Contract Expiration Date</u>
A.F.S.C.M.E.	10	6/30/2021
P.O.L.C. - Grosse Pointe Shores Command Officers Association	7	6/30/2021
P.O.A.M. - Grosse Pointe Shores Public Safety Officers Association	8	6/30/2021
Non-Union Employees	7	-
Total	32	

 SOURCE: Village of Grosse Pointe Shores, A Michigan City

**VILLAGE OF GROSSE POINTE SHORES, A MICHIGAN CITY
ANNUAL INFORMATION STATEMENT (UNAUDITED)
JUNE 30, 2020**

Ten Largest Ad-Valorem Taxpayers

The Taxable Value of each of the City's major taxpayers for fiscal year 2020 is as follows:

<u>Name of Taxpayer</u>	<u>Entity</u>	<u>2019 Taxable Value</u>	<u>% of 2019 Taxable Valuation</u>
Grosse Pointe Yacht Club	County Club	\$ 3,413,294	1.19%
Ford, Martha F.	Resident	2,422,446	0.84%
Wilson, Mary McLean	Resident	2,290,951	0.80%
Anderson, James A. and Patricia	Resident	2,204,100	0.77%
Alandt, Paul D	Resident	1,866,443	0.65%
Krueger, James Chad	Resident	1,757,329	0.61%
DTE Gas Company	Utility company	1,575,500	0.55%
Policherla, Haranath	Resident	1,453,279	0.51%
El-Achkar Trust	Resident	1,427,300	0.50%
Rahaim, James	Resident	1,406,578	0.49%
Total		\$ 19,817,220	6.91%

SOURCE: Village of Grosse Pointe Shores, A Michigan City

Largest Employers

<u>Employer</u>	<u>Product or Service</u>	<u>Approximate Number of Employees (1)</u>
Grosse Pointe Yacht Club	Private Club	255
Edsel & Eleanor Ford House	Entertainment/Banquet Facilities	109
Village of Grosse Pointe Shores	Government	53
Total		417

(1) As of December 1, 2019

SOURCE: Village of Grosse Pointe Shores, A Michigan City

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 2, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, we identified a certain deficiency in internal control that we consider to be a material weakness.

2019-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries for the proper recognition of capital assets and net pension liability were proposed by the auditors. These misstatements were not detected by the City's internal control over financial reporting. Adjusting journal entries were brought to the attention of management and were subsequently recorded in the City's general ledger.

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operation, and cash flows (where applicable), including the notes to the financial statements, in conformity with U.S. generally accepted accounting principles.

Cause: Management did not properly identify the misstatements and record the necessary adjustments.

Effect: The City's financial reports contained material misstatements that were not otherwise identified by management.

Recommendation: We recommend that the City take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

Corrective Action Response: The City understands the need to have all accruals recorded prior to commencement of the audit and will work to not have a similar issue in the future.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

City's Response to Finding

The City's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Maney Costeiran PC

December 2, 2020